

SENATE BILL 598

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C4

2002 Regular Session  
2lr2580  
CF 2lr2579

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By: **Senator Astle**

Introduced and read first time: February 1, 2002

Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Motor Clubs - Required Security - Letters of Credit**

3 FOR the purpose of authorizing an applicant for a license to provide motor club  
4 service, in addition to other types of security, to deposit a certain letter of credit  
5 in a certain amount as the security required for the license; providing for the  
6 conditions of, liability under, and cancellation of the letters of credit; authorizing  
7 the Insurance Commissioner to adopt certain regulations relating to letters of  
8 credit; authorizing a motor club licensed by the Commissioner to substitute one  
9 type of required security for another type of required security; and generally  
10 relating to letters of credit and required security for motor clubs.

11 BY repealing and reenacting, with amendments,  
12 Article - Insurance  
13 Section 26-204  
14 Annotated Code of Maryland  
15 (1997 Volume and 2001 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
17 MARYLAND, That the Laws of Maryland read as follows:

18 **Article - Insurance**

19 26-204.

20 (a) An applicant for a license shall deposit with the Treasurer, who shall  
21 maintain in trust:

22 (1) registered United States government bonds with a market value at  
23 all times not less than \$100,000 or, in the discretion of the Commissioner, a lower  
24 amount not less than \$15,000; [or]

25 (2) a corporate surety bond in the form that the Commissioner requires  
26 in a penal sum not less than \$100,000 or, in the discretion of the Commissioner, a  
27 lower amount not less than \$15,000; OR

1 (3) A LETTER OF CREDIT IN THE FORM THAT THE COMMISSIONER  
2 REQUIRES IN AN AMOUNT NOT LESS THAN \$100,000 OR, IN THE DISCRETION OF THE  
3 COMMISSIONER, A LOWER AMOUNT NOT LESS THAN \$15,000.

4 (b) (1) The bond OR LETTER OF CREDIT described under subsection (a)(2) OR  
5 (3) of this section shall be:

6 (i) in favor of the State for the members of the applicant that  
7 reside in the State;

8 (ii) issued by a surety insurer OR BANK authorized to do business in  
9 the State; and

10 (iii) conditioned on the faithful performance by the applicant of its  
11 obligations under this title, including payment of any fines, fees, or penalties imposed  
12 on it or restitution ordered under this title.

13 (2) The total liability of the surety insurer under the bond may not  
14 exceed the penal sum of the bond.

15 (3) THE TOTAL LIABILITY OF THE BANK UNDER THE LETTER OF CREDIT  
16 MAY NOT EXCEED THE AMOUNT OF THE LETTER OF CREDIT.

17 [(3)] (4) (i) The surety insurer OR BANK may cancel the bond OR  
18 LETTER OF CREDIT after notifying the Commissioner at least 30 days before the  
19 effective date of the cancellation.

20 (ii) [The] NEITHER THE surety insurer NOR THE BANK is [not]  
21 liable for any breach of condition that occurs after the effective date of the  
22 cancellation.

23 [(4)] (5) The Commissioner may adopt regulations that specify  
24 conditions for surety bonds AND LETTERS OF CREDIT required by this section and  
25 provide methods for THEIR termination [of the bonds].

26 (c) (1) The security required by subsection (a) of this section shall be  
27 maintained as long as the licensee has any outstanding liability or obligation in the  
28 State.

29 (2) THE LICENSEE MAY SUBSTITUTE ANY TYPE OF SECURITY REQUIRED  
30 BY SUBSECTION (A) OF THIS SECTION FOR ANY OTHER TYPE OF SECURITY REQUIRED  
31 BY SUBSECTION (A) OF THIS SECTION.

32 [(2)] (3) On proof satisfactory to the Commissioner that the licensee has  
33 stopped doing business and that all of the licensee's liabilities and obligations have  
34 been satisfied, the Commissioner shall authorize the Treasurer to return the security  
35 to the licensee.

36 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
37 October 1, 2002.

