

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 812
Economic Matters

(Delegate Donoghue)

Finance

Motor Clubs - Required Security - Letters of Credit

This bill authorizes an applicant for a motor club service license, in addition to other types of security, to deposit a letter of credit in the same amount as other forms of security. The letter of credit must be in favor of the State for the applicant's members who reside in the State. The bill: (1) specifies that the total liability of a bank under a letter of credit may not exceed the letter's amount; and (2) authorizes the issuing bank to cancel the letter of credit after notifying the Maryland Insurance Commissioner at least 30 days before the cancellation date. The bill authorizes the Commissioner to adopt regulations specifying the conditions for letters of credit and providing for their termination. The bill also authorizes a motor club licensee to substitute any type of authorized security for any other type of authorized security, subject to the Commissioner's approval.

Fiscal Summary

State Effect: The bill's changes could be handled with the existing budgeted resources of the Maryland Insurance Administration.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: An applicant for a motor club service license must deposit with the State Treasurer: (1) registered United States government bonds with a market value at all

times not less than \$100,000 or, in the discretion of the Commissioner, a lower amount not less than \$15,000; or (2) a corporate surety bond in a penal sum not less than \$100,000, or, in the discretion of the Commissioner, a lower amount not less than \$15,000.

The corporate surety bond must be: (1) in favor of the State for the applicant's members who reside in Maryland; (2) issued by a surety insurer authorized to do business in Maryland; and (3) conditioned on the faithful performance by the applicant of its obligations under the State's motor club licensing laws. The total liability of the surety insurer under the bond may not exceed the penal sum of the bond. The surety insurer may cancel the bond after notifying the Commissioner at least 30 before the cancellation. The Commissioner may adopt regulations that specify conditions for surety bonds and provide methods for their termination.

The security must be maintained as long as the licensee has any outstanding liability or obligation in the State. The licensee is entitled to the return of the security upon providing satisfactory proof to the Commissioner that: (1) the licensee has stopped doing business; and (2) all of the license's liabilities and obligations have been satisfied.

Additional Information

Prior Introductions: None.

Cross File: SB 598 (Senator Astle) - Finance.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2002
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Analysis by: Ryan Wilson

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510