

Department of Legislative Services  
Maryland General Assembly  
2002 Session

FISCAL NOTE

House Bill 1456  
Economic Matters

(Delegate Gordon)

Finance

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Insurance - Certificate of Authority - Penalties

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This emergency bill repeals the mandatory forfeiture requirements imposed by the Insurance Commissioner when an insurer fails to renew its certificate of authority by June 30 each year. Instead, the bill gives the Insurance Commissioner discretion to impose a forfeiture requirement. In determining the amount of any financial penalty or forfeiture to be imposed, the Commissioner is required to consider the following factors: (1) the seriousness of the violation; (2) the good faith of the violator; (3) the violator's history of previous violations; (4) the deleterious effect of the violation on the public and the insurance industry; and (5) the assets of the violator.

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Fiscal Summary

**State Effect:** General fund revenues could decrease to the extent that lower forfeiture amounts are imposed on insurers that fail to renew their certificates of authority on or before June 30 each year. No effect on expenditures.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:** A person may not act as an insurer and an insurer may not engage in the insurance business unless the person or insurer has a certificate of authority issued by the Insurance Commissioner. A certificate of authority expires on the first June 30 after its effective date, unless it is renewed. An insurer that renews its certificate of authority

must pay the applicable renewal fee before the certificate of authority expires. An insurer that fails to renew its certificate of authority by June 30 shall forfeit: (1) \$500 for each day from July 1 through July 10; (2) \$1,000 for each day from July 11 through July 31; and (3) \$5,000 for each day after July 31. In addition to the mandatory forfeiture requirements, the Insurance Commissioner may order that the insurer cease and desist from engaging in the insurance business and issue an order to require the insurer to show cause why it should be allowed to continue to engage in the insurance business.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 28, 2002  
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