

By: **Delegate Murray**  
Introduced and read first time: February 13, 2004  
Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance Producers - License Applicants - Denial Based on Fraud**  
3 **Conviction**

4 FOR the purpose of requiring the Insurance Commissioner to deny a license to act as  
5 an insurance producer in the State to an applicant who was an employee of a  
6 business entity or insurance producer licensed by the Commissioner and was  
7 convicted of insurance fraud; and generally relating to insurance producer  
8 license applicants.

9 BY renumbering  
10 Article - Insurance  
11 Section 10-126(b) through (h), respectively  
12 to be Section 10-126(c) through (i), respectively  
13 Annotated Code of Maryland  
14 (2003 Replacement Volume)

15 BY repealing and reenacting, without amendments,  
16 Article - Insurance  
17 Section 10-126(a)  
18 Annotated Code of Maryland  
19 (2003 Replacement Volume)

20 BY adding to  
21 Article - Insurance  
22 Section 10-126(b)  
23 Annotated Code of Maryland  
24 (2003 Replacement Volume)

25 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
26 MARYLAND, That Section(s) 10-126(b) through (h), respectively, of Article -  
27 Insurance of the Annotated Code of Maryland be renumbered to be Section(s)  
28 10-126(c) through (i), respectively.

1 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
2 read as follows:

3 **Article - Insurance**

4 10-126.

5 (a) The Commissioner may deny a license to an applicant under §§ 2-210  
6 through 2-214 of this article, or suspend, revoke, or refuse to renew or reinstate a  
7 license after notice and opportunity for hearing under §§ 2-210 through 2-214 of this  
8 article if the applicant or holder of the license:

9 (1) has willfully violated this article or another law of the State that  
10 relates to insurance;

11 (2) has intentionally misrepresented or concealed a material fact in the  
12 application for a license;

13 (3) has obtained or attempted to obtain a license by misrepresentation,  
14 concealment, or other fraud;

15 (4) has misappropriated, converted, or unlawfully withheld money  
16 belonging to an insurer, insurance producer, beneficiary, or insured;

17 (5) has willfully and materially misrepresented the provisions of a  
18 policy;

19 (6) has committed fraudulent or dishonest practices in the insurance  
20 business;

21 (7) has participated, with or without the knowledge of an insurer, in  
22 selling motor vehicle insurance without an actual intent to sell the insurance, as  
23 evidenced by a persistent pattern of filing certificates of insurance together with or  
24 closely followed by cancellation notices for the insurance;

25 (8) has been convicted by final judgment in any state or federal court of  
26 a felony or crime involving moral turpitude;

27 (9) has knowingly participated in writing or issuing substantial  
28 over-insurance of property insurance risks;

29 (10) has failed an examination required by this subtitle;

30 (11) has willfully failed to comply with or has willfully violated a proper  
31 order, subpoena, or regulation of the Commissioner or the insurance regulatory  
32 authority of another state;

33 (12) has failed or refused to pay over on demand money that belongs to an  
34 insurer, insurance producer, or other person entitled to the money;

1 (13) has otherwise shown a lack of trustworthiness or competence to act  
2 as an insurance producer;

3 (14) is not or does not intend to carry on business in good faith and  
4 represent to the public that the person is an insurance producer;

5 (15) has been denied a license or certificate in another state or has had a  
6 license or certificate suspended or revoked in another state;

7 (16) has intentionally or willfully made or issued, or caused to be made or  
8 issued, a statement that materially misrepresents or makes incomplete comparisons  
9 about the terms or conditions of a policy or contract issued by an authorized insurer,  
10 for the purpose of inducing or attempting to induce the owner of the policy or contract  
11 to forfeit or surrender it or allow it to lapse in order to replace it with another;

12 (17) has transacted insurance business that was directed to the applicant  
13 or holder for consideration by a person whose license or certificate to engage in the  
14 insurance business at the time was suspended or revoked, and the applicant or holder  
15 knew or should have known of the suspension or revocation;

16 (18) has solicited, procured, or negotiated insurance contracts for an  
17 unauthorized insurer, including contracts for nonprofit health service plans, dental  
18 plan organizations, and health maintenance organizations;

19 (19) has knowingly employed or knowingly continued to employ an  
20 individual acting in a fiduciary capacity who has been convicted of a felony or crime of  
21 moral turpitude within the preceding 10 years;

22 (20) has forged another's name to an application for insurance or to any  
23 document related to an insurance transaction;

24 (21) has improperly used notes or any other reference material to  
25 complete an examination for a license;

26 (22) has failed to pay income tax or related interest or penalty under:

27 (i) an assessment under the Tax - General Article that is final and  
28 no longer subject to review by the tax court; or

29 (ii) an order of the tax court that is final and no longer subject to  
30 judicial review; or

31 (23) in providing information under § 10-118 of this subtitle regarding the  
32 termination of an appointment with an insurer, has made an inaccurate statement  
33 with actual malice.

34 (B) THE COMMISSIONER SHALL DENY A LICENSE TO AN APPLICANT IF THE  
35 APPLICANT:

1           (1)       WAS AN EMPLOYEE OF A BUSINESS ENTITY OR INSURANCE  
2 PRODUCER LICENSED UNDER THIS TITLE; AND

3           (2)       WAS CONVICTED BY A COURT IN THIS STATE OF INSURANCE FRAUD  
4 UNDER § 27-801 OF THIS ARTICLE.

5       SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
6 October 1, 2004.