
By: **Delegate Moe**

Introduced and read first time: February 3, 2005

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Surplus Lines Insurance - Diligent Search**

3 FOR the purpose of providing that a diligent search of authorized insurers writing in
4 the particular kind and class of insurance sought by an insured may not be
5 required if a renewal offer is made by an authorized insurer whose financial
6 rating was downgraded during the term of the expiring policy and a replacement
7 policy is offered by a surplus lines insurer with a financial rating that is higher
8 than that of the authorized insurer; and generally relating to surplus lines
9 insurance.

10 BY repealing and reenacting, with amendments,

11 Article - Insurance

12 Section 3-306.1

13 Annotated Code of Maryland

14 (2003 Replacement Volume and 2004 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article - Insurance**

18 3-306.1.

19 (a) (1) A diligent search required by § 3-306 of this subtitle shall be deemed
20 completed if:

21 (i) the insured or the surplus lines broker or insurance producer
22 obtains declinations of a risk from three authorized insurers that are writing the
23 particular kind and class of insurance in this State; and

24 (ii) the declinations are included in the affidavit required under §
25 3-307 of this subtitle.

26 (2) In addition to the requirement of paragraph (1)(i) of this subsection,
27 an insurance producer shall obtain a declination from each insurer for which the
28 insurance producer has been appointed that the insurance producer knows, or should

1 know, is actually writing on a broad basis the particular kind and class of insurance
2 sought.

3 (b) A diligent search may not be required:

4 (1) for any coverage on a list of eligible surplus lines coverages compiled
5 by the Commissioner; [or]

6 (2) if the diligent search is waived by a commercial insured in accordance
7 with the process determined by the Commissioner; OR

8 (3) IF A RENEWAL OFFER IS MADE BY AN AUTHORIZED INSURER WHOSE
9 FINANCIAL RATING WAS DOWNGRADED DURING THE TERM OF THE EXPIRING
10 POLICY AND A REPLACEMENT POLICY IS OFFERED BY A SURPLUS LINES INSURER
11 WITH A FINANCIAL RATING THAT IS HIGHER THAN THAT OF THE AUTHORIZED
12 INSURER.

13 (c) Notwithstanding the renewal provisions of § 3-306(c) of this subtitle, a
14 diligent search shall be required for each renewal of a personal lines insurance policy
15 written through a surplus lines insurer.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
17 October 1, 2005.