

SENATE BILL 436

C3

6lr1997
CF 6lr2104

By: **Senators Feldman and Hershey**

Introduced and read first time: February 1, 2016

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Surplus Lines – Short-Term Medical Insurance**

3 FOR the purpose of altering the scope of certain provisions of law governing surplus lines
4 insurance to authorize the use of surplus lines insurance for certain short-term
5 medical insurance coverage; authorizing the procurement of short-term medical
6 insurance from a nonadmitted insurer under certain circumstances; specifying the
7 conditions under which short-term medical insurance may be procured from a
8 nonadmitted insurer; providing for the application of this Act; and generally relating
9 to surplus lines insurance and short-term medical insurance.

10 BY repealing and reenacting, without amendments,
11 Article – Insurance
12 Section 3–301(a), (c), and (g)
13 Annotated Code of Maryland
14 (2011 Replacement Volume and 2015 Supplement)

15 BY repealing and reenacting, with amendments,
16 Article – Insurance
17 Section 3–302 and 3–306.2
18 Annotated Code of Maryland
19 (2011 Replacement Volume and 2015 Supplement)

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

22 **Article – Insurance**

23 3–301.

24 (a) In this subtitle the following words have the meanings indicated.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (c) "Admitted insurer" means an insurer that is authorized to engage in the
2 business of insurance in the State.

3 (g) (1) "Nonadmitted insurer" means an insurer that is not authorized to
4 engage in the business of insurance in the State.

5 (2) "Nonadmitted insurer" does not include a risk retention group.

6 3-302.

7 (a) This subtitle does not apply to:

8 (1) life insurance;

9 (2) health insurance, except as provided in subsection (c) of this section;

10 (3) annuities;

11 (4) reinsurance;

12 (5) wet marine and transportation insurance, except as provided in
13 subsection (b) of this section;

14 (6) insurance on a subject that is located, resident, or to be performed
15 wholly outside the State;

16 (7) insurance on vehicles or aircraft owned and principally garaged outside
17 the State;

18 (8) insurance on property or operation of railroads engaged in interstate
19 commerce;

20 (9) insurance:

21 (i) on aircraft owned or operated by aircraft manufacturers or
22 operated in scheduled interstate flight;

23 (ii) on cargo of the aircraft described in subitem (i) of this item; or

24 (iii) against liability arising out of the ownership, maintenance, or
25 use of the aircraft described in subitem (i) of this item, other than workers' compensation
26 or employer's liability; or

27 (10) medical stop-loss insurance, as defined in § 15-129 of this article.

28 (b) This subtitle applies to wet marine and transportation insurance on:

1 (1) a pleasure craft under 60 feet in length that is owned and used for
2 pleasure and not for business, hire, or other commercial use;

3 (2) fishing vessels under 50 gross tons that are not part of a fleet of 3 or
4 more vessels; and

5 (3) charter or head boats under 50 gross tons that are not part of a fleet of
6 3 or more vessels.

7 (c) Subject to § 3–306.2 of this subtitle, this subtitle applies to:

8 (1) disability insurance that:

9 [(1)] (I) provides for lost income, revenue, or proceeds in the event that
10 an illness, accident, or injury results in a disability that impairs an insured’s ability to work
11 or otherwise generate income, revenue, or proceeds that the insurance is intended to
12 replace; and

13 [(2)] (II) does not include payment for medical expenses, dismemberment,
14 or accidental death; AND

15 (2) **SHORT-TERM MEDICAL INSURANCE THAT PROVIDES LIMITED**
16 **HEALTH INSURANCE BENEFITS FOR A LIMITED PERIOD OF TIME.**

17 3–306.2.

18 (a) Disability insurance **AND SHORT-TERM MEDICAL INSURANCE** under §
19 3–302(c) of this subtitle may be procured from a nonadmitted insurer if the coverage
20 procured is in excess of coverage available from, or is not available from, an admitted
21 insurer that writes that particular kind and class of insurance in the State.

22 (b) Procurement of disability insurance under this section from a nonadmitted
23 insurer is subject to:

24 (1) the diligent search requirements of §§ 3–306 and 3–306.1 of this
25 subtitle; and

26 (2) all other requirements of this subtitle.

27 (C) **PROCUREMENT OF SHORT-TERM MEDICAL INSURANCE UNDER THIS**
28 **SECTION FROM A NONADMITTED INSURER IS SUBJECT TO:**

29 (1) **A POLICY TERM THAT:**

30 (I) **MAY NOT EXCEED 11 MONTHS; AND**

1 **(II) MAY NOT BE EXTENDED OR RENEWED;**

2 **(2) THE PROVISION OF WRITTEN NOTICE TO THE APPLICANT, ON A**
3 **FORM APPROVED BY THE COMMISSIONER:**

4 **(I) STATING THAT COVERAGE MAY BE AVAILABLE UNDER THE**
5 **AFFORDABLE CARE ACT WITHOUT MEDICAL UNDERWRITING; AND**

6 **(II) PROVIDING CONTACT INFORMATION FOR THE MARYLAND**
7 **HEALTH BENEFIT EXCHANGE;**

8 **(3) THE DILIGENT SEARCH REQUIREMENTS OF §§ 3-306 AND 3-306.1**
9 **OF THIS SUBTITLE; AND**

10 **(4) ALL OTHER REQUIREMENTS OF THIS SUBTITLE.**

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all
12 policies and contracts of surplus lines insurance for short-term medical insurance issued,
13 delivered, or renewed in the State on or after October 1, 2016.

14 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
15 October 1, 2016.