

# SENATE BILL 547

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CF HB 305

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By: **Senators Pugh, Jones, and McFadden**

Introduced and read first time: February 4, 2010

Assigned to: Finance

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 19, 2010

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Insurance – Domestic Reinsurers**

3 FOR the purpose of specifying a certain assessment fee payable by certain domestic  
4 reinsurers to the Maryland Insurance Commissioner; exempting certain  
5 domestic reinsurers from a certain requirement to have an office in the State;  
6 requiring certain domestic reinsurers to keep certain assets in the State;  
7 authorizing certain domestic reinsurers to keep certain records outside the  
8 State under certain circumstances; defining a certain term; and generally  
9 relating to domestic reinsurers.

10 BY repealing and reenacting, with amendments,  
11 Article – Insurance  
12 Section 2–502 and 4–115  
13 Annotated Code of Maryland  
14 (2003 Replacement Volume and 2009 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 2–502.

19 (a) The Commissioner shall collect an annual assessment fee from each  
20 insurer as provided in subsection (b) of this section.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (b) The assessment fee shall be calculated as follows:

2 (1) for each health insurer, the assessment fee is the product of the  
3 fraction obtained by dividing the gross direct premium written by the health insurer in  
4 the prior calendar year by the total amount of gross direct premium written by all  
5 health insurers in the prior calendar year, multiplied by the health insurer  
6 assessment portion;

7 (2) for each life insurer, the assessment fee is the product of the  
8 fraction obtained by dividing the gross direct premium written by the life insurer in  
9 the prior calendar year by the total amount of gross direct premium written by all life  
10 insurers in the prior calendar year, multiplied by the life insurer assessment portion;  
11 [and]

12 (3) for each property and casualty insurer, the assessment fee is the  
13 product of the fraction obtained by dividing the gross direct premium written by the  
14 property and casualty insurer in the prior calendar year by the total amount of gross  
15 direct premiums written by all property and casualty insurers in the prior calendar  
16 year, multiplied by the property and casualty insurer assessment portion; AND

17 (4) FOR EACH DOMESTIC REINSURER SUBJECT TO §  
18 4-115(B)(2)(II) AND (C)(3) OF THIS ARTICLE, THE ASSESSMENT FEE IS THE  
19 AVERAGE OF THE ASSESSMENT FEE PAID BY THE 100 PROPERTY AND CASUALTY  
20 INSURERS WITH THE HIGHEST GROSS DIRECT WRITTEN PREMIUM IN THE PRIOR  
21 CALENDAR YEAR.

22 (c) For the purpose of calculating the assessment fee in subsection (b) of this  
23 section, a multiple type insurer shall be considered either a health insurer, a life  
24 insurer, or a property and casualty insurer based on the majority of premium type  
25 written.

26 (d) Notwithstanding any other provision of this subtitle, the minimum  
27 assessment shall be \$300 for each authorized insurer.

28 4-115.

29 (a) (1) In this section the following words have the meanings indicated.

30 (2) “DOMESTIC REINSURER” MEANS AN AUTHORIZED INSURER  
31 THAT:

32 (I) OPERATES SOLELY AS A REINSURER, AS DEFINED IN §  
33 5-901 OF THIS ARTICLE;

1                           (II) DOES NOT HAVE ANY GROSS DIRECT WRITTEN  
2 PREMIUM; AND

3                           (III) IS DOMICILED IN THE STATE.

4                    [(2)] (3)       “Financial guaranty reinsurance company” means an  
5 insurer that derives at least 90% of its gross written premium from the business of  
6 financial guaranty reinsurance.

7                    [(3)] (4)       “Financial guaranty insurance company” means an insurer  
8 that derives at least 90% of its gross written premium from the business of financial  
9 guaranty insurance and financial guaranty reinsurance.

10           (b)   (1)    Except as provided in paragraph (2) of this subsection, a domestic  
11 insurer may not move its home or executive office out of the State without notice to  
12 and approval by the Commissioner.

13                   (2)   (I)    A financial guaranty reinsurance company or financial  
14 guaranty insurance company that became domiciled in the State on or before  
15 December 31, 1993, is not required to have an office in the State.

16                           (II)   A DOMESTIC REINSURER THAT BECAME DOMICILED IN  
17 THE STATE ON OR BEFORE DECEMBER 31, 1995, IS NOT REQUIRED TO HAVE AN  
18 OFFICE IN THE STATE.

19           (c)   (1)    A domestic insurer, including a reciprocal insurer, fraternal benefit  
20 society, or nonprofit health service plan, with its home or executive office in the State  
21 shall keep in the State:

22                           (i)    its general ledger accounting records; and

23                           (ii)   all of its assets except:

24                                   1.    real property lawfully owned by the insurer and  
25 located outside of the State, personal property appurtenant to the real property, or  
26 mortgages on the real property;

27                                   2.    property of the insurer that is customary and  
28 necessary to the operation of the insurer’s branch offices outside of the State;

29                                   3.    securities deposited in a jurisdiction outside of the  
30 State as a condition of authority to transact business in that jurisdiction or securities  
31 deposited in connection with obtaining surety bonds;

32                                   4.    securities held either by the insurer or in compliance  
33 with regulations adopted by the Commissioner; and

1                                   5. transactions or securities involved in transactions  
2 authorized by § 5-511(n) and (o) of this article or any other transactions or securities  
3 involved in transactions exempted by the Commissioner from this paragraph.

4                   (2) A financial guaranty reinsurance company or financial guaranty  
5 insurance company that became domiciled in the State on or before December 31,  
6 1993, and that does not have its home or executive office in the State:

7                           (i) shall keep in the State its entire assets as required by  
8 paragraph (1)(ii) of this subsection; and

9                           (ii) may keep its general ledger accounting records outside the  
10 State if it makes those records available in the State to the Commissioner within 2  
11 business days after being requested to do so by the Commissioner.

12                   **(3) A DOMESTIC REINSURER THAT BECAME DOMICILED IN THE**  
13 **STATE ON OR BEFORE DECEMBER 31, 1995, AND THAT DOES NOT HAVE ITS**  
14 **HOME OR EXECUTIVE OFFICE IN THE STATE:**

15                           **(I) SHALL KEEP IN THE STATE ITS ENTIRE ASSETS AS**  
16 **REQUIRED BY PARAGRAPH (1)(II) OF THIS SUBSECTION; AND**

17                           **(II) MAY KEEP ITS GENERAL LEDGER ACCOUNTING**  
18 **RECORDS OUTSIDE THE STATE IF IT MAKES THOSE RECORDS AVAILABLE IN THE**  
19 **STATE TO THE COMMISSIONER WITHIN 2 BUSINESS DAYS AFTER BEING**  
20 **REQUESTED TO DO SO BY THE COMMISSIONER.**

21           (d) This section does not prohibit the holding of funds or transmission of  
22 securities outside of the State to:

23                   (1) secure or record title to the securities; or

24                   (2) sell, lend, buy, redeem, or exchange the securities or alter the  
25 provisions of the securities.

26           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
27 June 1, 2010.