

## CHAPTER 703

(House Bill 529)

AN ACT to add new Sections 504 to 519, inclusive, to Article 48A of the Annotated Code of Maryland (1968 Replacement Volume and 1970 Supplement), title "Insurance Code," to follow immediately after Section 503 thereof and to be under the new subtitle "Maryland Insurance Guaranty Association"; and to repeal and re-enact, with amendments, Section 61 of said Article 48A, subtitle "Insurers; Authorization and General Requirements," creating the Maryland Insurance Guaranty Association; empowering the Association to fund the Maryland Insurance Guaranty Association subsequent to an insolvency by assessing licensed insurers issuing policies covered by this Act; requiring the Association to assist the Insurance Commissioner in the detection and prevention of insurer insolvencies; and amending an existing section of the Insurance Code for the purposes of this bill; PROVIDING FOR THE ULTIMATE PHASE OUT OF THE MOTOR VEHICLE SECURITY FUND; AND PROVIDING FOR MATTERS GENERALLY RELATING THERETO.

SECTION 1. *Be it enacted by the General Assembly of Maryland,* That Sections 504 through 519, inclusive, be and they are hereby added to Article 48A of the Annotated Code of Maryland (1968 Replacement Volume and 1970 Supplement), title "Insurance Code," to follow immediately after Section 503 thereof, to be under the new subtitle "Maryland Insurance Guaranty Association," and to read as follows:

504. *Purpose and Scope.*

(a) *Purpose.*

*The purposes of this Act are to provide a mechanism for the prompt payment of covered claims under certain insurance policies and to avoid financial loss to claimants or policyholders because of the insolvency of an insurer; to assist in the detection and prevention of insurer insolvencies; and to provide for the assessment of the cost of such payments and protection among insurers.*

(b) *Scope.*

*This Act shall apply to all kinds of direct insurance, except life insurance, health insurance, workmen's compensation insurance, annuities, and those kinds of insurance MOTOR VEHICLE SECURITY FUND covered under Section 482A of Article 48A. THE PRESENT MOTOR VEHICLE SECURITY FUND AS A PRE-ASSESSMENT FUND WILL BE PHASED OUT OF EXISTENCE AS ITS CURRENT FUNDS ARE DEPLETED AND ITS FUNCTIONS SHALL BE ASSUMED BY THE APPROPRIATE ACCOUNT.*

505. *Definitions. As used in this Act:*

(a) "Account" means any one of the three accounts created by Section 506.

(b) "Association" means the Maryland Insurance Guaranty Association created under Section 506.