

**254. Formation of Mutual Insurers; Bond.**

(a) No person representing any mutual insurer, wherever incorporated, or in process of organization and not authorized to engage in an insurance business in this State, shall be permitted to solicit applications or premiums for prospective policies of such insurer in this State unless and until such insurer has furnished the Commissioner with full particulars as to the methods and proposed cost of promotion. Before any such person shall solicit applications or premiums for prospective policies in such insurer, he shall be required to secure a license from the Commissioner, who, prior to the issuance of such license, shall investigate the record of the applicant and if the applicant is honest and trustworthy, the Commissioner shall issue a license to him.

(b) The directors and officers of the insurer shall be required to give the Commissioner a surety bond for ten thousand dollars (\$10,000.00), or for not less than twenty-five per cent (25%) of the minimum capital or assets required by section 48 or 253, for the class of insurer proposed to be organized, whichever is greater, with the directors and officers as principal and a duly authorized surety insurer as surety. The bond shall be for the use and benefit of the State of Maryland and all subscribers and creditors. The bond shall be conditioned upon the payment of costs incurred by the State by reason of any legal proceeding against such insurer and for the full and complete accounting for all funds and property coming into the possession of the insurer prior to the issuance of a certificate of authority to such insurer.

(c) In lieu of filing such bond, the directors and officers may deposit with the Commissioner cash or securities eligible for deposit by insurers under section 50, having a market value at least equal to the amount of such bond. The cash or securities so deposited shall be held in trust by the Commissioner until a certificate of authority is issued to the insurer, to indemnify the State of Maryland and all subscribers and creditors of the insurer for the matters and things set forth in this section as conditions of the bond.

**255. Additional Kinds of Insurance, Mutuals.**

A mutual insurer, after being authorized to engage in one kind of insurance business, may be authorized by the Commissioner to engage in such additional kinds of insurance business as are permitted under section 46, while otherwise in compliance with this article.

**256. Impairment of Required Surplus.**

(a) If the minimum surplus to be maintained under the requirements of section 49 becomes impaired, or the assets of a mutual insurer are less than its liabilities and the minimum amount of surplus required to be maintained by it under sections 252, 253, or 255 for authority to engage in the kind or kinds of insurance business being transacted, the Commissioner shall at once determine the amount of deficiency and serve notice upon the insurer to make good the deficiency within sixty days after service of such notice.

(b) The deficiency may be made good in cash or in assets eligible for the investment of the insurer's funds under subtitles 6 or 7; or if a stock insurer, by reduction of the insurer's capital to an amount