

CHAPTER 544
(Senate Bill 244)

AN ACT to repeal and re-enact, with amendments, Section 254 of Article 48A of the Annotated Code of Maryland (1964 Replacement Volume), title "Insurance Code", sub-title "17. Stock and Mutual Insurance", to require minimum funds in possession of persons representing a mutual insurer and to delete bond or deposit requirements.

SECTION 1. *Be it enacted by the General Assembly of Maryland,* That Section 254 of Article 48A of the Annotated Code of Maryland (1964 Replacement Volume), title "Insurance Code", sub-title "17. Stock and Mutual Insurance", be and it is hereby repealed and re-enacted, with amendments, to read as follows:

254.

(a) No person ~~representing any OR CORPORATION PROPOSING TO FORM A 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 PROSPECTIVE insurer has furnished the Commissioner with full particulars as to the methods and proposed cost of promotion. Before any such person OR CORPORATION shall solicit applications or premiums for **[prospective]** policies **[in]** of such PROSPECTIVE insurer, he shall *have in his possession funds acquired in accordance with the provisions of Section 266 in the amount of \$125,000.00 if he is to solicit applications or premiums for any one kind of business as set out in Section 48 of sub-title 3 of this Article or \$250,000.00 if the solicitation is to be for two or more kinds of insurance business. Such funds must be held in cash or in investments authorized for capital and reserve under sub-title 7 and* 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~~. **SUCH PERSON OR CORPORATION.**

[(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 § 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 § 50, having a market value at least equal to the