

title "Insurance Code," subtitle "Insurers: Authorization and General Requirements," to follow immediately after Section 47 (4) thereof, to provide, in addition to the existing capital and surplus requirements, a requirement that each insurer's assets and surplus as regards policyholders be reasonable in relation to the insurer's liabilities and needs, and establishing a set of factors to consider in determining what is reasonable.

SECTION 1. *Be it enacted by the General Assembly of Maryland,* That a new section be and it is hereby added to Article 48A of the Annotated Code of Maryland (1968 Replacement Volume, 1968 Supplement), title "Insurance Code," subtitle "Insurers: Authorization and General Requirements," said new section to follow immediately after Section 47 (4), and to be known as Section 47 (5), and to read as follows:

47.

*(5) In addition to any other capital and surplus requirements contained in this Article, each insurer's assets and surplus as regards policyholders shall be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs. In determining whether an insurer's assets and surplus as regards policyholders are reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs, the following factors, among others, shall be considered:*

*(a) the size of the insurer as measured by its assets, capital and surplus, reserves, premium writings, insurance in force and other appropriate criteria;*

*(b) the extent to which the insurer's business is diversified among the several lines of insurance;*

*(c) the number and size of risks insured in each line of business;*

*(d) the extent of the geographical dispersion of the insurer's insured risks;*

*(e) the nature and extent of reinsurance of the insurer's risks;*

*(f) the quality, diversification, and liquidity of the insurer's investment portfolio;*

*(g) the recent past and projected future trends in the size of the insurer's surplus as regards policyholders; and*

*(h) the surplus as regards policyholders maintained by other, comparable insurers, and*

*(i) the financial position of the insurer when investments in and other transactions with affiliated persons are excluded from assets. As used herein, an "affiliated person" is a person that directly, or indirectly, through one or more intermediaries, controls, or is controlled by, or is under the common control of another person.*

SEC. 2. *And be it further enacted,* That this Act shall take effect July 1, 1969.

Approved April 23, 1969.