

Volume), title "Insurance Code," to follow immediately after Section 503 thereof, and to be under the new subtitle "Life and Health Insurance Guaranty Association Act," creating the Maryland Life and Health Insurance Guaranty Association, for the purpose of protecting policyowners, insureds, beneficiaries, annuitants, payees, and assignees of life insurance policies, health insurance policies, annuity contracts, and supplemental contracts against failure in the performance of contractual obligations due to the impairment of the insurer issuing such policies or contracts, and providing for the assessment by the Association of authorized insurers in order to effect such purpose, and generally dealing with the powers and duties of the Association.

SECTION 1. *Be it enacted by the General Assembly of Maryland,* That new Sections 504 through 521, inclusive, be and they are hereby added to Article 48A of the Annotated Code of Maryland (1968 Replacement Volume), title "Insurance Code," to follow immediately after Section 503 thereof, to be under the new subtitle "Life and Health Insurance Guaranty Association Act," and to read as follows:

*Life and Health Insurance Guaranty Association Act*

504. *Title.*

*This Act shall be known and may be cited as the Maryland Life and Health Insurance Guaranty Association Act.*

505. *Purpose.*

*The purpose of this Act is to protect policyowners, insureds, beneficiaries, annuitants, payees, and assignees of life insurance policies, health insurance policies, annuity contracts, and supplemental contracts, subject to certain limitations, against failure in the performance of contractual obligations due to the impairment of the insurer issuing such policies or contracts. To provide this protection:*

(1) *An association of insurers is created to enable the guaranty of payment of benefits and of continuation of coverages;*

(2) *Members of the Association are subject to assessment to provide funds to carry out the purpose of this Act; and*

(3) *The Association is authorized to assist the Commissioner, in the prescribed manner, in the detection and prevention of insurer impairments.*

506. *Scope.*

(1) *This Act shall apply to direct life insurance policies, health insurance policies, annuity contracts, and contracts supplemental to life and health insurance policies and annuity contracts issued by persons authorized to transact insurance in this State at any time, including non-profit health service plans.*

(2) *This Act shall not apply to:*

(a) *Any such policies or contracts, or any part of such policies or contracts, under which the risk is borne by the policyholder;*

(b) *Any such policy or contract or part thereof assumed by the impaired insurer under a contract of reinsurance, other than reinsurance for which assumption certificates have been issued;*