

*(c) Any such policy or contract issued by fraternal benefit societies.*

507. *Construction.*

*This Act shall be liberally construed to effect the purpose under Section 505 which shall constitute an aid and guide to interpretation.*

508. *Definitions.*

*As used in this Act:*

*(1) "Account" means either of the three accounts created under Section 509.*

*(2) "Association" means the Maryland Life and Health Insurance Guaranty Association created under Section 509.*

*(3) "Contractual obligation" means any obligation under covered policies.*

*(4) "Covered policy" means any policy or contract within the scope of this Act under Section 506.*

*(5) "Impaired insurer" means:*

*(a) An insurer which, after the effective date of this Act, becomes insolvent and is placed under a final order of liquidation, rehabilitation, or conservation by a court of competent jurisdiction, or*

*(b) An insurer deemed by the Commissioner after the effective date of this Act to be unable or potentially unable to fulfill its contractual obligations.*

*(6) "Member insurer" means any person authorized to transact in this State any kind of insurance to which this Act applies under Section 506.*

*(7) "Premiums" means direct gross insurance premiums and annuity considerations written on covered policies, less return premiums and considerations thereon and dividends paid or credited to policyholders on such direct business. "Premiums" do not include premiums and considerations on contracts between insurers and reinsurers. As used in Section 512, "premiums" are those for the calendar year preceding the determination of impairment.*

*(8) "Resident" means any person who resides in this State at the time the impairment is determined and to whom contractual obligations are owed.*

509. *Creation of the Association.*

*(1) There is created a non-profit legal entity to be known as the Maryland Life and Health Insurance Guaranty Association. All member insurers shall be and remain members of the Association as a condition of their authority to transact insurance in this State. The Association shall perform its functions under the plan of operation established and approved under Section 513 and shall exercise its powers through a board of directors established under Section 510. For purposes of administration and assessment, the Association shall maintain three accounts:*