

FOR the purpose of allowing a certain letter of credit to be acceptable security for certain purposes; providing additional requirements to determine who is not considered an unauthorized insurer for certain purposes; generally relating to the practice of engaging in fronting agreements by insurers; and clarifying language.

BY repealing and reenacting, with amendments,

Article 48A - Insurance Code  
Section 436P  
Annotated Code of Maryland  
(1979 Replacement Volume and 1980 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That section(s) of the Annotated Code of Maryland be repealed, amended, or enacted to read as follows:

Article 48A - Insurance Code

436P.

(a) After July 1, 1980, an authorized insurer issuing coverage under this subtitle may not engage in any "fronting" agreement with an unauthorized insurer with respect to any insurance written or issued in this State. A "fronting" agreement is an agreement by reinsurance or otherwise under which an authorized insurer transfers to one or more unauthorized insurers:

(1) Substantially the entire risk of loss under substantially all of the insurance written by the authorized insurer in this State;

(2) All [or] OF one or more kinds, lines, types, or classes of insurance;

(3) All of the business produced through one or more agents or agencies;

(4) All of the business in a designated geographical area; or

(5) All of the business written on one or more policy forms.

(b) For purposes of this section, an unauthorized insurer does not include an insurer THAT AGREES TO THE REQUIREMENTS OF SUBSECTION (C) OF THIS SECTION AND on whose behalf is maintained security on deposit with the Commissioner in an amount, which when added to the actual capital and surplus of the insurer, is equal to the capital and surplus required of an authorized insurer under §§ 48 and 49 of this article. The security may consist of the following: