

reorganizing certain provisions of law relating to mutual insurers; repealing a certain provision of law requiring the Commissioner's written consent for the repayment or withdrawal of a certain loan or advance made to a stock insurer or mutual insurer; and generally relating to loans and advances made to stock insurers and mutual insurers.

BY repealing and reenacting, with amendments,

Article – Insurance

Section 3–116

Annotated Code of Maryland

(2003 Replacement Volume and 2005 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

**Article – Insurance**

3–116.

(a) (1) [(i)] A director, officer, or member of a stock insurer OR MUTUAL INSURER or any other person may lend or advance to the stock insurer OR MUTUAL INSURER any money necessary to enable it to comply with a surplus requirement or any other requirement of law.

[(ii) Interest on the loan or advance to a stock insurer may not exceed 6% per year.]

(2) THE INSTRUMENT EVIDENCING A LOAN OR ADVANCE UNDER THIS SUBSECTION SHALL:

(I) BE APPROVED AS TO FORM AND CONTENT BY THE COMMISSIONER; AND

(II) CONTAIN PROVISIONS THAT SPECIFY THAT:

1. THE INSTRUMENT IS SUBORDINATE TO POLICYHOLDERS, CLAIMANT AND BENEFICIARY CLAIMS, AND ALL OTHER CLASSES OF CREDITORS OTHER THAN SURPLUS NOTE HOLDERS; AND

2. INTEREST PAYMENTS AND PRINCIPAL REPAYMENTS MAY NOT BE MADE WITHOUT PRIOR APPROVAL OF THE COMMISSIONER.

(3) A loan or advance under this subsection and any interest on it:

(i) ~~SUBJECT TO THE APPROVAL OF THE COMMISSIONER~~, is payable only out of the surplus remaining after the stock insurer OR MUTUAL INSURER provides for all reserves and other liabilities; and

(ii) is not otherwise a liability or claim against the stock insurer OR MUTUAL INSURER or any of its assets.