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SUMMARY OF 2003 INSURANCE LEGISLATION SIGNED INTO LAW BY GOVERNOR ROBERT L. EHRLICH, JR.

This bulletin is meant to place insurers authorized to write insurance in Maryland on notice of the insurance laws (Insurance Article § 1-101 *et seq.,* Annotated Code of Maryland) passed by the 2003 Maryland General Assembly. *The attached synopsis is intended to serve only as a guide.* All insurers should refer to the 2003 Chapter Laws of Maryland for complete drafts of the law. Insurers are advised that other bills passed by the General Assembly and not listed on the synopsis may also affect their business operations in Maryland.

For a copy of a specific law passed by the General Assembly during the 2003 legislative session, you may obtain a copy of the bill on the Internet at **http://mlis.state.md.us** or contact the Department of Legislative Services at (410) 946-5400. In addition, you may also obtain a copy of the 2003 Session Review from Library and Information Services, Office of Policy Analysis, Department of Legislative Services, 90 State Circle, Annapolis, Maryland 21401-1991 or call (410) 946-5400.

For additional information concerning the Maryland Insurance Administration's Summary of Legislation, please contact Kathleen Loughran, Director of Government Affairs, at (410) 468-2014.

2003 INSURANCE LEGISLATION

LIFE AND HEALTH

HOUSE BILL 17 (Chapter 270) - Maryland Pharmacy Assistance Program - Eligibility

- Requires the Secretary of the Department of Health and Mental Hygiene to develop a program that will provide information to ineligible Maryland Pharmacy Assistance Program applicants regarding the programs they may be eligible for, including the Senior Prescription Drug Program established under Title 14, Subtitle 5 of the Insurance Article.

Effective date: July 1, 2003

HOUSE BILL 211 (Chapter 4) / SENATE BILL 450 (Chapter 3) - Short-Term Prescription Drug Subsidy Plan - Enrollment

- Establishes that the Short-Term Prescription Drug Subsidy Plan shall provide benefits to the maximum number of individuals eligible for enrollment in the program.

- Eliminates the cap that limits the program to 30,000 enrollees.

Effective date: April 8, 2003

HOUSE BILL 335 (Chapter 289) - Community Access Program Grants - Coordination of Health Care Provider Reimbursements - Pilot Programs

- Establishes § 15-1601 of the Insurance Article for the purpose of allowing recipients of a Community Access Program grant from the United States Department of Health and Human Services to establish a pilot program to coordinate health care provider reimbursements in order to test innovations in payment for health care services to be permanently implemented if successful.

- Establishes certain requirements for the pilot program.

- Establishes that a pilot program created under § 15-1601:

  (1) Is not providing insurance as defined in § 1-101 of the Insurance Article;

  (2) Is not subject to regulation by the Maryland Insurance Commissioner; and

  (3) Shall not be considered an unauthorized insurer as defined in § 1-101 of the Insurance Article.

- A pilot program created under § 15-1601 of the Insurance Article shall report to the Senate Finance Committee and House Health and Government Operations Committee on or before June of each year.

Effective date: July 1, 2003 for a period of two years

HOUSE BILL 410 (Chapter 295) - Health Insurance - Private Review Agents - Examination of Pharmacy Benefit Managers

- Requires the Insurance Commissioner to conduct an examination, at least once every three years, of any pharmacy benefit manager registered as a private review agent to determine whether the pharmacy benefit manager is acting in compliance with § 15-10B of the Insurance Article.

- Requires the Insurance Commissioner to make a complete report of each examination of a pharmacy benefit manager conducted under § 15-10B-20 of the Insurance Article.

- Requires a pharmacy benefit manager subject to an examination under § 15-10B-20 of the Insurance Article to pay the expenses of the examination as required under § 2-208 of the Insurance Article.

- Establishes that a final report of an examination of a pharmacy benefit manager will be issued in accordance with § 2-209 of the Insurance Article.

Effective date: October 1, 2003

HOUSE BILL 498 (Chapter 41) - Health Insurance - Medicare Supplement Contracts - Availability

- Requires a carrier that offers a Medicare supplement policy C or a Medicare supplement policy I to make those policies available to an individual who is under the age of 65 years but is eligible for Medicare due to a disability during the 6-month period following the applicant's enrollment in Part B of Medicare.

Effective date: July 1, 2003

HOUSE BILL 499 (Chapter 305) - Maryland Insurance Administration - Disability Benefits - Adoption of Regulations

- Defines "Disability Benefit" to mean a benefit that is payable based on the disability of a covered individual.

- Disability benefit does not include:

  (1) Long-term care insurance;

  (2) A benefit that is payable based solely on a dismemberment of a covered individual;

  (3) Benefits in a life insurance policy that operate to safeguard the contract from lapse or to provide a special surrender value, special benefit, or annuity in the event of total and permanent disability; or

  (4) Benefits in a health insurance policy that operate to safeguard the contract from lapse due to disability.

- Defines "adverse benefit determination" to mean:

  (1) A denial, reduction, or termination of a disability benefit;

  (2) A failure to provide or make payment, in whole or in part, for a disability benefit; or

  (3) Any denial, reduction, termination, or failure to provide or make payment that is based on a determination of an individual's eligibility for coverage of a disability benefit.

- Requires the Insurance Commissioner to adopt regulations that establish standards governing the processing of claims by an insurer that issues or delivers:

  (1) Individual policies in the State that include a disability benefit, or

  (2) Group policies in the State that include a disability benefit.

- The regulations adopted under this law shall establish and maintain reasonable claims procedures governing the filing of disability benefit claims.

- Requires the claims procedures established under this law for individual policies and group policies to be consistent with the provisions of the Department of Labor's regulations entitled "Employee Retirement Income

Security Act of l974, Rules and Regulations for Administration and Enforcement; Claims Procedure; Final Rule" (29 CFR 2560).

- Establishes that the regulations adopted under § 15-1010(b)(1)(i) of the Insurance Article governing individual disability benefit policies may not take effect until July 1, 2004.

Effective date: October 1, 2003

HOUSE BILL 605 (Chapter 437) - <u>Maryland Health Care Commission - Evaluation of Mandated Health Insurance Services</u>

- Amends § 15-1502 of the Insurance Article to require the Maryland Health Care Commission to conduct an evaluation of existing mandated health insurance services and make recommendations to the General Assembly regarding decision-making criteria for reducing the number of mandates or the extent of coverage.

- Requires the Maryland Health Care Commission to consider certain factors when evaluating existing mandated health insurance services.

- Requires the Maryland Health Care Commission, beginning on January 1, 2004, and every four years after, to submit a report of its findings to the General Assembly.

Effective date: July 1, 2003

HOUSE BILL 656 (Chapter 440) - <u>Health Maintenance Organizations - Definition of Covered Service</u>

- Alters the definition of "covered service" to mean a health care service included in the benefit package of the health maintenance organization and rendered to a member or subscriber of the health maintenance organization by:

  (1) A provider under contract with the health maintenance organization, when the service is obtained in accordance with the terms of the benefit contract of the member or subscriber; or

  (2) A noncontracting provider under § 19-710.1 of the Insurance Article when the service is:

    (I) Obtained in accordance with the terms of the benefit contract of the member or subscriber;

(II) Obtained pursuant to a verbal or written referral by:

1. The health maintenance organization of the member or subscriber; or

2. A provider under written contract with the health maintenance organization of the member or subscriber; or

(III) Preauthorized or otherwise approved either verbally or in writing by:

1. The health maintenance organization of the member or subscriber; or

2. A provider under written contract with the health maintenance organization of the member or subscriber.

- Under § 19-710(p)(3)(ii) of the Insurance Article, clarifies that a health care provider or a representative of a health care provider may collect or attempt to collect from a subscriber or enrollee "any payment or charges for services that are not covered services."

  Effective date: October 1, 2003

HOUSE BILL 700 (Chapter 321) - Health Insurance - Private Review Agents - Certification

- Allows the Insurance Commissioner to consider an applicant for certification as a private review agent to have met certain certification requirements under § 15-10B of the Insurance Article if:

  (1) The applicant has obtained utilization management accreditation from an approved accrediting organization as determined by the Insurance Commissioner;

  (2) The approved accrediting organization has requirements that meet or exceed the particular requirement in § 15-10B of the Insurance Article; and

  (3) The applicant demonstrates that the applicant meets or exceeds the particular requirement under § 15-10B of the Insurance Article.

- Prohibits the Insurance Commissioner from issuing a certificate to an applicant with utilization management accreditation by an approved accrediting organization unless the applicant meets all the requirements of § 15-10B of the Insurance Article and all applicable regulations of the Insurance Commissioner.

- Establishes that a report of an approved accrediting organization used by the Insurance Commissioner as evidence that the applicant has met a particular requirement for a private review agent certificate shall be made available by the Insurance Commissioner to the public on request.

  Effective date: October 1, 2003

HOUSE BILL 729 (Chapter 323) - <u>Health Insurance - Managed Behavioral Health Care Services - Reports</u>

- Among other things, requires the Insurance Commissioner to develop a form to implement the requirements of § 15-127(D) of the Insurance Article.

- Amends § 15-127 of the Insurance Article to define certain terms.

- Establishes that the provisions of § 15-127 of the Insurance Article do not apply to a person that, for an administrative fee only, solely arranges a provider panel for a carrier for the provision of behavioral health care services on a discounted fee-for-service basis.

- Requires a carrier that owns or contracts with a managed behavioral health care organization to:

  (1) Include information on behavioral health care providers in the list of providers on the carrier's provider panel required under § 15-112(j) of the Insurance Article.

  (2) Provide the same information on behavioral health care providers that is required for other providers under § 15-112(j) of the Insurance Article.

- Amends § 15-127(c) to require a carrier that contracts with a managed behavioral health care organization to require the managed behavioral health care organization to provide to the carrier on an annual basis a report on the direct behavioral health care expenses of the managed behavioral health care organization.

- The report required to be provided under § 15-127(c)(4) of the Insurance Article shall be made publicly available by the carrier.

- Under § 15-127(e)(2) of the Insurance Article, a carrier required to make a form publicly available under § 15-127(c)(4) of the Insurance Article may charge a fee.

  Effective date: October 1, 2003

HOUSE BILL 803 (Chapter 1) - Maryland Health Insurance Plan and Senior Prescription Drug Program - Modifications and Clarifications

- Among other things, amends § 14-504 of the Insurance Article to require the Plan administrator to deposit all premiums for plan enrollees in a separate account, titled in the name of the State of Maryland, for the Maryland Health Insurance Plan.

- Establishes that the Plan administrator may use the money in the account only to pay claims for plan enrollees.

- Requires the Plan administrator to keep complete and accurate records of all transactions for the separate account.

- Allows the Maryland Health Insurance Plan Board to adjust the premium rate based on member age under certain circumstances.

- Amends § 14-513 of the Insurance Article to allow the Board to determine whether premiums collected for the Program shall be deposited:

  (1) To a segregated account in the Fund established under § 14-504 of the Insurance Article; or

  (2) To a separate account for the Program established by the carrier that administers the Program.

- For the final quarter of fiscal year 2003, establishes that the Health Services Cost Review Commission shall determine the amount equal to the value of the SAAC purchaser differential for each hospital for which rates have been approved by the Commission.

  Effective date: April 8, 2003

HOUSE BILL 894 (Chapter 338) - Health Insurance - Reimbursement for Provider Services - Professional Counselors and Therapists

- Applies to each individual, group, or blanket health insurance policy, contract, or certificate of an insurer or nonprofit health service plan that :

  (1) (I) Is delivered or issued for delivery in the State;

  (II) Is issued to a group that is incorporated or has a main office in the State; or

  (III) Covers individuals who reside or work in the State; and

(2) Is issued, renewed, amended, or reissued on or after October 1, 2003.

- Establishes that if a policy, contract, or certificate subject to this law provides for reimbursement for a service that is within the lawful scope of practice of a licensed clinical professional counselor, a licensed clinical marriage and family therapist, or a licensed clinical alcohol and drug counselor, the insured or any other person covered by the policy or certificate is entitled to reimbursement for the service.

Effective date: October 1, 2003

HOUSE BILL 974 (Chapter 461) / SENATE BILL 687 (Chapter 261) - <u>Health Maintenance Organizations - Patient Access to Choice of Provider</u>

- Amends § 19-705.1(b) of the Health-General Article to require the Secretary of the Department of Health and Mental Hygiene to include in the standards of quality of care a requirement that each member of a health maintenance organization shall have an opportunity to select a primary physician or a certified nurse practitioner from among those available to the health maintenance organization.

- Under § 19-705.1(c), provides that a member of a health maintenance organization may select a certified nurse practitioner as the member's primary care provider if:

  (1) The certified nurse practitioner provides services at the same location as the certified nurse practitioner's collaborating physician; and

  (2) The collaborating physician provides the continuing medical management required under § 19-705.1(b)(5) of the Health-General Article.

- Under § 19-705.1(c) of the Health-General Article, a member who selects a certified nurse practitioner as a primary care provider must be provided the name and contact information of the certified nurse practitioner's collaborating physician.

- In accordance with § 19-705.1(c)(3) of the Health-General Article, a health maintenance organization is not required to include certified nurse practitioners on the health maintenance organization's provider panel as primary care providers.

Effective date: October 1, 2003

HOUSE BILL 1100 (Chapter 2) - <u>Health Insurance Coverage Availability Act of 2003</u>

- Amends § 14-501 of the Insurance Article by expanding the definition of ”medically uninsurable individual" to include individuals "eligible for the tax credit for health insurance costs under § 35 of the Internal Revenue Code."

- Amends § 14-503 of the Insurance Article to add two members to the Maryland Health Insurance Plan Board of Directors, appointed by the Insurance Commissioner, of which one member shall be a representative of carriers operating in the State and one member shall be a representative of insurance producers selling insurance in the State.

- Under §14-503(L) of the Insurance Article, the bill requires that for members enrolled in the Plan based on eligibility for the federal tax credit for health insurance costs under § 35 of the Internal Revenue Code, the Board shall report to the Governor and General Assembly by December 1 of each year the number of members enrolled and the cost to the Plan associated with providing coverage to these members.

- The bill also requires that a carrier that issues Medigap shall issue any Medigap policy the carrier sells in the State to an individual eligible for Medicare if:

  (1) The individual is enrolled under an employee welfare benefit plan that provides health benefits;

  (2) The employee welfare benefit plan in which the individual is enrolled terminates;

  (3) Solely because of eligibility for Medicare, the individual is not eligible for credit for health insurance costs under § 35 of the Internal Revenue Code and enrollment in the Maryland Health Insurance Plan under § 14-501(f) of the Insurance Article, as enacted by Section 1 of this Act; and

  (4) The individual applies for the Medigap policy no later than 63 days after the employee welfare benefit plan terminates.

- Requires the Maryland Insurance Administration to issue notice of the requirements regarding Medigap to each affected carrier in the State.

- Requires the Maryland Insurance Administration, on or before October 1, 2003, to notify the Centers for Medicare and Medicaid Services that the State has established the Plan and requests that the Plan be approved as an acceptable "alternative mechanism" under the Federal Health Insurance Portability and Accountability Act - 45 CFR 148.128(e).

Effective date: April 8, 2003

HOUSE BILL 1179 (Chapter 357) / SENATE BILL 772 (Chapter 356) - Health Insurance - Nonprofit Health Service Plans - Reform

- Establishes that the purpose of § 14-102 of the Insurance Article is to:

  (1) Regulate the formation and operation of nonprofit health service plans in the State; and

  (2) To promote the formation and existence of nonprofit health service plans in the State that:

    (I) Are committed to a nonprofit corporate structure;

    (II) Seek to provide individuals, businesses, and other groups with affordable and accessible health insurance; and

    (III) Recognize a responsibility to contribute to the improvement of the overall health status of Maryland residents.

- Establishes that a nonprofit health service plan that complies with the provisions of § 14-102 of the Insurance Article is declared to be a public benefit corporation that is exempt from taxation as provided by law.

- Under § 14-102(c) of the Insurance Article, establishes the mission of the nonprofit health service plan.

- Under § 14-102(d) of the Insurance Article, requires a nonprofit health service plan to:

  (1) Develop goals, objectives, and strategies for carrying out its statutory mission;

  (2) For a certain period of time, report quarterly, for the preceding quarter, to the Joint Nonprofit Health Service Plan Oversight Committee on the nonprofit health service plan's compliance with the provisions of Title 14 of the Insurance Article; and

  (3) Provide to the Joint Nonprofit Health Service Plan Oversight Committee any other information necessary for the Committee to meet the goals outlined under § 2-10A-08 of the State Government Article.

- Applies to:

(1) A nonprofit health service plan that is issued a certificate of authority in the State, whether or not organized under the laws of the State; and

(2) An insurer or health maintenance organization, whether or not organized as a nonprofit corporation, that is wholly owned or controlled by a nonprofit health service plan that is issued a certificate of authority in the State.

- Under § 14-102(h) of the Insurance Article, exempts certain nonprofit health service plans from the provisions of the law.

- Under § 14-106(c) of the Insurance Article, amends the manner in which a nonprofit health service plan may satisfy the public service requirement.

- Under § 14-106(d) of the Insurance Article, requires a nonprofit health service plan that is subject to this law and issues comprehensive health care benefits in the State to:

(1) Offer health care products in the individual market;

(2) Offer health care products in the small employer group market in accordance with Title 15, Subtitle 12 of the Insurance Article; and

(3) Administer and subsidize the Senior Prescription Drug Program established under Title 14, Subtitle 5, Part II of the Insurance Article.

Effective date: May 22, 2003

SENATE BILL 39 (Chapter 59) - <u>Health Insurance - Coverage for Home Visits After Mastectomy or Surgical Removal of a Testicle - Extension of Sunset</u>

- Extends the sunset provision in § 15-832 of the Insurance Article.

- Provides for § 15-832 of the Insurance Article to sunset on September 30, 2006.

Effective date: October 1, 2003

SENATE BILL 148 (Chapter 15) - <u>Health Insurance - Medical Clinical Trials - Reporting Requirements</u>

- Repeals uncodified language from Chapter 119 of the Acts of 1998 that required each insurer, nonprofit health service plan, and health maintenance

organization subject to the Act to submit to the Insurance Commissioner a report that describes the clinical trials covered during the previous year.

- Repeals uncodified language from Chapter 119 of the Acts of 1998 that required the Insurance Commissioner to compile an annual summary report based on certain information provided to the Insurance Commissioner on clinical trials.

Effective date: June 1, 2003

SENATE BILL 252 (Chapter 224) - <u>Health Insurance - Task Force to Study Access to Mental Health Services</u>

- Establishes a task force to study and make recommendations regarding:

  (1) Whether any changes should be made to the mental health parity requirements under § 15-802 of the Insurance Article and § 19-703.1 of the Health-General Article;

  (2) The systematic barriers experienced by commercially insured individuals when attempting to access community treatment;

  (3) How to ensure that commercially-insured individuals have access to medically necessary mental health treatment;

  (4) The difference in mental health services coverage provided by the public mental health system, commercial health insurers, and commercial health maintenance organizations;

  (5) The structure and effectiveness of the public and private mental health care delivery systems in the State; and

  (6) The impact on the cost of health care coverage in the State of any recommended changes to the coverage or delivery of mental health care services.

- Requires the Task Force to issue a preliminary report of its findings on or before December 31, 2003 and a final report of its findings on or before December 31, 2004.

- Requires the Maryland Insurance Administration and the Department of Health and Mental Hygiene to jointly staff the Task Force.

- Establishes the membership of the Task Force, including the Insurance Commissioner or his designee.

- Requires the Insurance Commissioner to appoint two members of the Task Force:

  (i) One representative of the commercial health insurance industry; and

  (ii) One representative of a commercial health maintenance organization.

  Effective date: July 1, 2003

SENATE BILL 333 (Chapter 82) - <u>Individual Deferred Annuities - Minimum Nonforfeiture Amount - Interest Rate on Accumulations</u>

- Amends § 16-504 of the Insurance Article so that the minimum nonforfeiture amount, under certain circumstances, is at an interest rate of 1.5% per year.
- Imposes a two-year sunset provision so that the law expires May 31, 2005.

  Effective date: June 1, 2003

SENATE BILL 477 (Chapter 93) - <u>Small Business Health Insurance Affordability Act</u>

- Amends § 15-1204 of the Insurance Article to permit a carrier to offer benefits in addition to those in the Standard Plan if, among other things, the carrier:

  (1) Clearly distinguishes the Standard Plan from other offerings of the carrier;

  (2) Indicates the Standard Plan is the only plan required by State law; and

  (3) Specifies that all enhancements to the Standard Plan are not required by State law.

- Amends § 15-1207 of the Insurance Article to lower the rate cap for the Standard Plan from 12% to 10%.
- Requires the Maryland Health Care Commission, in consultation with the Maryland Insurance Administration, to conduct an analysis of and make recommendations on the administrative cost of health plans in the small group market, including:

  (1) The total amount and distribution of administrative costs;

  (2) The strategies of lowering administrative costs; and

(3) The appropriateness of the medical loss ratios specified in § 15-605(c)(1) of the Insurance Article.

Effective date: July 1, 2003

SENATE BILL 658 (Chapter 400) - Life Insurance - Prohibited Use of Terrorism Exclusions

- Amends § 16-215 of the Insurance Article to clarify that a policy of individual life insurance may not be delivered or issued for delivery in the State if the policy excludes or restricts liability for death that is the result of an act of terrorism that the covered person did not commit and in which the covered person did not participate.

- Amends § 17-101 of the Insurance Article to prohibit the delivery or issuance for delivery in the State of a policy of group life insurance if the policy excludes or restricts liability for death that is the result of an act of terrorism that the covered person did not commit and in which the covered person did not participate.

Effective date: July 1, 2003

SENATE BILL 672 (Chapter 259) - Health Insurance - Provider Panels - Lists of Providers

- Amends § 15-112(j) of the Insurance Article to:

(1) Require a carrier to make available to prospective enrollees on the Internet and, on request of a prospective enrollee, in printed form:

(I) A list of providers on the carrier's provider panel; and

(II) Information on providers that are no longer accepting new patients.

(2) Require a carrier to notify each enrollee at the time of initial enrollment and renewal how to obtain the following information on the Internet and in printed form:

(I) A list of providers on the carrier's provider panel; and

(II) Information on providers that are no longer accepting new patients.

Effective date: October 1, 2003

PROPERTY AND CASUALTY

HOUSE BILL 641 (Chapter 439) - Motor Vehicle Liability Insurance - Valuation of Motor Vehicles

- Under § 27-304.1 of the Insurance Article, requires the Insurance Commissioner to adopt regulations that establish standards and procedures for:

  (1) The settlement of claims involving the total loss of a private passenger motor vehicle; and

  (2) The determination of the private passenger motor vehicle's total loss value.

  Effective date: October 1, 2003

HOUSE BILL 1125 (Chapter 472) - Private Passenger Motor Vehicle Insurance - Underwriting Standards - Statistical Validation

- Amends § 27-501(l)(1)(vi) of the Insurance Article to clarify that a violation of § 21-902(a), (c), or (d) of the Transportation Article does not require statistical validation for an insurer to cancel or refuse to underwrite or renew an insurance risk pursuant to § 27-501 of the Insurance Article.

  Effective date: June 1, 2003

HOUSE BILL 1153 (Chapter 355) - Insurance - Maryland Property Insurance Availability Act

- Amends § 25-405(f)(1) of the Insurance Article to increase the maximum limit of liability from $500,000 to $1,500,000 on real or personal property comprised of or contained in a single building.

- Repeals § 25-405(f)(1)(ii), which subjects contiguous parcels of land to the maximum limit of liability.

  Effective date: October 1, 2003

SENATE BILL 167 (Chapter 69) - Insurance - Premium Finance - Agreements

- Under § 23-301.1 of the Insurance Article, authorizes a premium finance agreement to include any:

  (1) Premium receipts tax that a surplus lines broker is required to charge under § 3-324 of the Insurance Article and pay to the Insurance Commissioner under § 3-325 of the Insurance Article;

  (2) Policy fee that a surplus lines broker is allowed to charge under § 27-216 of the Insurance Article; and

  (3) Inspection fee that a surplus lines broker is allowed to charge under § 27-216 of the Insurance Article.

- Amends § 23-304 of the Insurance Article to require the finance charge to be computed on the amount of the entire premium loan advanced, including any taxes or fees that are financed under § 23-301.1 of the Insurance Article.

  Effective date: October 1, 2003

MISCELLANEOUS

HOUSE BILL 114 (Chapter 119) - Insurance - Reinsurance - Ceding Insurers

- Establishes under § 5-904 of the Insurance Article that credit may not be allowed, as an asset or deduction from liability, to a ceding insurer for reinsurance, unless:

  (I) The reinsurer is authorized to transact insurance business in the State or is a solvent insurer approved or accepted by the Insurance Commissioner for the purpose of reinsurance; and

  (II) The reinsurance contract provides, in substance, that in the event of the insolvency of the ceding insurer the reinsurance shall be payable under the terms of a contract reinsured by the reinsurer on the basis of reported claims allowed by the court in a liquidation proceeding, without diminution because of the insolvency of the ceding insurer.

- Section 5-904(a)(2) requires that payments made by a reinsurer in accordance with § 5-904(a)(1)(II) to be made directly to the ceding insurer or its domiciliary receiver unless:

(I) The reinsurance contract or other written agreement specifically provides another payee of the reinsurance in the event of the insolvency of the ceding insurer; or

(II) Subject to any contractual or statutory requirement of consent by the policyholder, the reinsurer has assumed the policy obligations of the ceding insurer as direct obligations of the reinsurer to the payees under the policies and in substitution for the ceding insurer's obligations to the payees.

- Under § 5-904(a)(3), establishes the rights and obligations of a reinsurer in the event that a life and health guaranty association has elected to succeed the rights and obligations of an insolvent insurer.

- Under § 5-904(B) of the Insurance Article, provides a reinsurer with certain rights, including the right to investigate a claim and interpose, in the liquidation proceeding, any defense that it determines is available to the insolvent ceding insurer or its receiver.

Effective date: October 1, 2003

HOUSE BILL 200 (Chapter 35) - <u>Insurance - Regulation of Insurance Producers</u>

- Amends § 2-112 of the Insurance Article to repeal the current fee for approval by the Insurance Commissioner of continuing education courses.

- Amends § 10-110 of the Insurance Article to allow the Insurance Commissioner to appoint an advisory board for life and health insurance and an advisory board for property and casualty insurance.

- Amends § 10-116 of the Insurance Article to allow the Insurance Commissioner to review continuing education courses and approve or disapprove continuing education courses.

- Amends § 10-118 of the Insurance Article to require insurers to maintain a producer register in lieu of filing a notice of every producer appointment or termination with the Insurance Commissioner.

Effective date: July 1, 2003*

(*The provisions in § 10-118 of the Insurance Article take effect on January 1, 2004.)

HOUSE BILL 711 (Chapter 173) - Insurance - Offers of Educational or Promotional Materials or Articles of Merchandise

- Amends § 27-209(4) of the Insurance Article to prohibit a person from knowingly offering, promising or giving any valuable consideration not specified in the contract, except for educational materials, promotional materials, or articles of merchandise that cost less than $10, regardless of whether a policy is purchased.

- Amends § 27-212 of the Insurance Article to prohibit a person from knowingly offering, promising, or giving any valuable consideration not specified in the contract, except for educational materials, promotional materials, or articles of merchandise that cost less than $10, regardless of whether a policy is purchased.

Effective date: October 1, 2003

HOUSE BILL 1037 (Chapter 193) - Life Insurers - Board of Directors - Investments Practices

- Amends § 5-505 of the Insurance Article to require certain insurers and their boards to behave in a certain manner when making investments or loans.

- Amends § 5-511 of the Insurance Article to allow insurers to invest in certain classes of investments.

- Amends § 5-511 to define limits on an insurer's ability to invest in medium-grade and lower-grade securities.

Effective date: October 1, 2003

SENATE BILL 85 (Chapter 60) - Injured Workers' Insurance Fund - Risk Based Capital - Exemption from Excessive Premium Growth Charge

- Amends § 10-125(f) of the Labor and Employment Article so that the Fund is not subject to the excessive premium growth charge or any other penalty associated with premium growth in any risk based capital calculation.

- Section 10-125(f) of the Labor and Employment Article is effective until January 1, 2005.

Effective date: October 1, 2003

SENATE BILL 601 (Chapter 106) - <u>Life Insurance - Separate Investment Accounts - Asset Holding Requirements</u>

- Amends § 5-512(k)(2) of the Insurance Article so that if a separate investment account provides a fixed guaranteed return that is not subject to market value adjustment, a life insurer is required to hold assets that equal or exceed the reserve amount that would be required if the separate investment account was an obligation of the life insurer's general account.

- Requires an asset held under § 5-512(k)(2)((I) to be valued in accordance with §§ 5-401 and 5-402 of the Insurance Article.

  Effective date: October 1, 2003

SENATE BILL 652 (Chapter 399) - <u>Insurers - Assets and Investments - Location</u>

- Exempts a domestic insurer from keeping certain assets in the State.

- Under § 4-115(c)(1)(ii)(4) of the Insurance Article, exempts securities held either by the insurer or in compliance with regulations adopted by the Insurance Commissioner.

- Under § 4-115(c)(1)(ii)(5) of the Insurance Article, exempts transactions or securities involved in transactions authorized by § 5-111(n) and (o) of the Insurance Article or any other transactions exempted by the Insurance Commissioner from this paragraph.

- Repeals § 4-115(d) of the Insurance Article, which prohibits a domestic insurer from keeping more than 15% of the domestic insurer's admitted assets outside of the State.

- Amends § 5-511(o)(2)(ii)(1.) of the Insurance Article to require the board of directors to approve a derivative use plan that, among other things:

  "Describes investment objectives and risk constraints, such as counterparty exposure amounts and collateral arrangements supporting derivative transactions".

  Effective date: October 1, 2003