

# HOUSE BILL 431

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By: **Chair, Economic Matters Committee (By Request – Departmental – Insurance Administration, Maryland)**

Introduced and read first time: January 28, 2013

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Maryland Insurance Acquisitions Disclosure and Control Act –**  
3 **Revisions**

4 FOR the purpose of authorizing the Maryland Insurance Commissioner to participate  
5 in a certain supervisory college; describing the powers of the Commissioner with  
6 respect to supervisory colleges; authorizing the Commissioner to enter into  
7 certain agreements; providing that the purposes of certain provisions of law  
8 include promoting the public interest by providing standards governing  
9 material transactions between an insurer and its affiliates; adding a factor to be  
10 considered in determining whether an insurer's assets and surplus as regards  
11 policyholders are reasonable in relation to the insurer's outstanding liabilities  
12 and adequate to its financial needs; providing that certain material may be  
13 made public under certain circumstances; providing that certain persons must  
14 comply with certain requirements before making certain tender offers for or  
15 agreements to merge with a person that controls a domestic insurer; requiring  
16 certain persons seeking to acquire control of a domestic insurer, persons that  
17 control a domestic insurer, or insurance holding companies controlling a  
18 domestic insurer to file a certain pre-acquisition notification; requiring a  
19 controlling person of a domestic insurer seeking to divest its controlling interest  
20 in the domestic insurer to file a certain notice; requiring certain persons seeking  
21 to acquire control of a domestic insurer to file a certain statement with the  
22 Commissioner and provide a copy to the domestic insurer; requiring the  
23 statement to include certain information; requiring the filing of an amendment  
24 to the statement under certain circumstances; establishing certain violations;  
25 requiring insurers subject to certain registration requirements to include  
26 certain information in the registration statement; authorizing the  
27 Commissioner, in verifying information in the registration statement, including  
28 the enterprise risk to an insurer by an ultimate controlling person, to order  
29 certain insurers to produce certain information; authorizing the Commissioner  
30 to retain the services of certain persons to assist in the conduct of certain

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 examinations; providing a process for reviewing disclaimers of affiliation and  
2 receiving an administrative hearing if a disclaimer of affiliation is denied;  
3 providing that an insurer that does not file a certain registration statement,  
4 summary, or enterprise risk report may be subject to a certain penalty;  
5 providing that when it appears to the Commissioner that a person has  
6 committed a certain violation, the violation may serve as an independent basis  
7 for disapproving certain dividends or distributions and for placing an insurer  
8 under a certain order of supervision; supplementing the standards to which  
9 certain transactions within an insurance holding company system are subject;  
10 providing that a certain notice be given before a domestic insurer and another  
11 member of the same insurance holding company system enter into certain  
12 transactions; providing that certain transactions are subject to certain notice  
13 requirements; altering the penalty amounts for persons that willfully violate  
14 certain provisions of law; requiring certain directors or officers of an insurance  
15 holding company system who engage in certain activities to pay, in their  
16 individual capacity, a certain civil penalty under certain circumstances;  
17 authorizing the Commissioner to petition for certain injunctive or other relief  
18 under certain circumstances; authorizing the Commissioner to institute  
19 criminal proceedings in a certain court against certain persons under certain  
20 circumstances; establishing a certain criminal penalty; altering certain  
21 definitions; defining certain terms; providing for a delayed effective date; and  
22 generally relating to the Maryland Insurance Acquisitions Disclosure and  
23 Control Act.

24 BY adding to

25 Article – Insurance

26 Section 2–209.1, 7–608, 7–802.1, and 7–807

27 Annotated Code of Maryland

28 (2011 Replacement Volume and 2012 Supplement)

29 BY repealing and reenacting, with amendments,

30 Article – Insurance

31 Section 7–101, 7–102, 7–105, 7–106, 7–201, 7–302 through 7–304, 7–306,  
32 7–309, 7–603, 7–605 through 7–607, 7–702, 7–703, 7–802, and 7–805

33 Annotated Code of Maryland

34 (2011 Replacement Volume and 2012 Supplement)

35 BY repealing

36 Article – Insurance

37 Section 7–807

38 Annotated Code of Maryland

39 (2011 Replacement Volume and 2012 Supplement)

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

42 **Article – Insurance**

1 **2-209.1.**

2 (A) IN THIS SECTION, "SUPERVISORY COLLEGE" MEANS A FORUM FOR  
3 COOPERATION AND COMMUNICATION AMONG THE INVOLVED STATE, FEDERAL,  
4 AND INTERNATIONAL REGULATORS ESTABLISHED FOR THE FUNDAMENTAL  
5 PURPOSE OF FACILITATING THE EFFECTIVENESS OF SUPERVISION OF ENTITIES  
6 THAT BELONG TO AN INSURANCE HOLDING COMPANY SYSTEM.

7 (B) (1) WITH RESPECT TO ANY INSURER REGISTERED UNDER TITLE  
8 7, SUBTITLE 6 OF THIS ARTICLE, THE COMMISSIONER MAY PARTICIPATE IN A  
9 SUPERVISORY COLLEGE FOR ANY DOMESTIC INSURER THAT IS PART OF AN  
10 INSURANCE HOLDING COMPANY SYSTEM WITH NATIONAL OR INTERNATIONAL  
11 OPERATIONS IN ORDER TO DETERMINE COMPLIANCE BY THE INSURER WITH  
12 THIS ARTICLE.

13 (2) THE POWERS OF THE COMMISSIONER WITH RESPECT TO A  
14 SUPERVISORY COLLEGE INCLUDE:

15 (I) INITIATING THE ESTABLISHMENT OF A SUPERVISORY  
16 COLLEGE;

17 (II) DETERMINING THE MEMBERSHIP AND PARTICIPATION  
18 OF OTHER SUPERVISORS IN THE SUPERVISORY COLLEGE;

19 (III) DETERMINING THE FUNCTIONS OF THE SUPERVISORY  
20 COLLEGE AND THE ROLE OF OTHER STATE, FEDERAL, AND INTERNATIONAL  
21 REGULATORS;

22 (IV) COORDINATING THE ONGOING ACTIVITIES OF THE  
23 SUPERVISORY COLLEGE, INCLUDING PLANNING MEETINGS, SUPERVISORY  
24 ACTIVITIES, AND PROCESSES FOR SHARING INFORMATION; AND

25 (V) ESTABLISHING A CRISIS MANAGEMENT PLAN ON THE  
26 OCCURRENCE OF ANY ACTIVITY, CIRCUMSTANCE, EVENT, OR SERIES OF EVENTS  
27 INVOLVING ONE OR MORE AFFILIATES OF AN INSURER THAT HAS, OR IS LIKELY  
28 TO HAVE, A MATERIAL ADVERSE EFFECT ON THE FINANCIAL CONDITION OR  
29 LIQUIDITY OF THE INSURER OR ITS INSURANCE HOLDING COMPANY SYSTEM AS  
30 A WHOLE.

31 (3) (I) EACH INSURER SUBJECT TO REGISTRATION UNDER §  
32 7-603 OF THIS ARTICLE SHALL BE LIABLE FOR AND SHALL PAY THE

1 REASONABLE EXPENSES OF THE COMMISSIONER'S PARTICIPATION IN A  
2 SUPERVISORY COLLEGE, INCLUDING TRAVEL EXPENSES.

3 (II) A SUPERVISORY COLLEGE MAY BE CONVENED AS  
4 EITHER A TEMPORARY OR A PERMANENT FORUM FOR COMMUNICATION AND  
5 COOPERATION AMONG THE REGULATORS CHARGED WITH SUPERVISING AN  
6 INSURER OR ITS AFFILIATES, AND THE COMMISSIONER MAY ESTABLISH A  
7 REGULAR ASSESSMENT TO AN INSURER FOR THE PAYMENT OF EXPENSES  
8 UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH.

9 (4) (I) IN ORDER TO ASSESS THE BUSINESS STRATEGY,  
10 FINANCIAL POSITION, LEGAL AND REGULATORY POSITION, RISK EXPOSURE,  
11 RISK MANAGEMENT, AND GOVERNANCE PROCESSES OF AN INSURER OR ITS  
12 AFFILIATES, AND AS PART OF THE EXAMINATION OF INSURERS UNDER § 7-605  
13 OF THIS ARTICLE, THE COMMISSIONER MAY PARTICIPATE IN A SUPERVISORY  
14 COLLEGE WITH OTHER REGULATORS CHARGED WITH SUPERVISING AN INSURER  
15 OR ITS AFFILIATES, INCLUDING OTHER STATE, FEDERAL, AND INTERNATIONAL  
16 REGULATORY AGENCIES.

17 (II) NOTHING IN THIS SECTION MAY BE CONSTRUED TO  
18 DELEGATE TO THE SUPERVISORY COLLEGE ANY OF THE AUTHORITY OF THE  
19 COMMISSIONER TO REGULATE THE INSURER OR THE ACTIVITIES OF ITS  
20 AFFILIATES WITHIN THE STATE.

21 (C) THE COMMISSIONER MAY ENTER INTO AGREEMENTS PROVIDING  
22 THE BASIS FOR COOPERATION BETWEEN THE COMMISSIONER AND OTHER  
23 STATE, FEDERAL, AND INTERNATIONAL REGULATORY AGENCIES AND THE  
24 ACTIVITIES OF THE SUPERVISORY COLLEGE IN ACCORDANCE WITH § 2-209(H)  
25 OF THIS SUBTITLE.

26 7-101.

27 (a) In this title the following words have the meanings indicated.

28 (b) "Affiliate" means a person that directly or indirectly, through one or more  
29 intermediaries, controls, is controlled by, or is under common control with another  
30 person.

31 (c) "Control", "controlling", "controlled by", or "under common control with"  
32 means the direct or indirect possession of the power to direct or cause the direction of  
33 the management and policies of a person, through ownership of voting securities or of  
34 securities convertible into voting securities, by contract other than a commercial  
35 contract for goods or nonmanagement services, or otherwise, whether or not the power

1 is exercised or sought to be exercised **UNLESS THE POWER IS THE RESULT OF AN**  
2 **OFFICIAL POSITION WITH OR CORPORATE OFFICE HELD BY THE PERSON.**

3 **(D) (1) “ENTERPRISE RISK” MEANS ANY ACTIVITY, CIRCUMSTANCE,**  
4 **EVENT, OR SERIES OF EVENTS INVOLVING ONE OR MORE AFFILIATES OF AN**  
5 **INSURER THAT, IF NOT REMEDIED PROMPTLY, IS LIKELY TO HAVE A MATERIAL**  
6 **ADVERSE EFFECT ON THE FINANCIAL CONDITION OR LIQUIDITY OF THE**  
7 **INSURER OR ITS INSURANCE HOLDING COMPANY SYSTEM AS A WHOLE.**

8 **(2) “ENTERPRISE RISK” INCLUDES ANYTHING THAT WOULD:**

9 **(I) CAUSE THE INSURER’S RISK BASED CAPITAL TO FALL**  
10 **INTO A COMPANY ACTION LEVEL UNDER TITLE 4, SUBTITLE 3 OF THIS ARTICLE;**  
11 **OR**

12 **(II) CAUSE THE INSURER TO BE IN A HAZARDOUS FINANCIAL**  
13 **CONDITION UNDER § 9–102 OF THIS ARTICLE.**

14 **[(d)] (E) “Insurance holding company” means a person that directly or**  
15 **indirectly controls an insurer or controls a person that controls an insurer.**

16 **[(e)] (F) “Insurance holding company system” means two or more affiliates,**  
17 **at least one of which is an insurer.**

18 **[(f)] (G) “Subsidiary” means an affiliate of a person that, directly or**  
19 **indirectly, through one or more intermediaries, is controlled by that person.**

20 **(H) “ULTIMATE CONTROLLING PERSON” MEANS THE PERSON WITHIN A**  
21 **HOLDING COMPANY SYSTEM THAT IS NOT CONTROLLED BY ANY OTHER PERSON.**

22 7–102.

23 (a) The General Assembly finds that the public interest and the interest of  
24 policyholders and stockholders may be adversely affected when:

25 (1) control of an insurer is sought by a person that would use that  
26 control adversely to the best interest of policyholders or stockholders;

27 (2) acquisition of control of an insurer would substantially lessen  
28 competition or create a monopoly in the insurance business in the State;

29 (3) an insurer that is part of an insurance holding company system  
30 enters into transactions or relationships with affiliates on terms that are not fair and  
31 reasonable; or

1 (4) an insurer pays to stockholders dividends that jeopardize the  
2 financial condition of the insurer.

3 (b) The purposes of this title include promoting the public interest by:

4 (1) requiring disclosures in acquisitions or mergers;

5 (2) requiring disclosures of material transactions, relationships  
6 between an insurer and its affiliates, and dividends to stockholders paid by insurers;

7 (3) requiring disclosures of relevant information about changes in  
8 control of insurers; [and]

9 (4) **PROVIDING STANDARDS GOVERNING MATERIAL**  
10 **TRANSACTIONS BETWEEN AN INSURER AND ITS AFFILIATES; AND**

11 **(5)** establishing penalties for failure to disclose and providing for the  
12 disapproval of certain transactions.

13 7–105.

14 (a) For purposes of this title, in determining whether an insurer's assets and  
15 surplus as regards policyholders are reasonable in relation to the insurer's  
16 outstanding liabilities and adequate to its financial needs, the following factors, among  
17 others, shall be considered:

18 (1) the size of the insurer as measured by its assets, capital and  
19 surplus, reserves, premium writings, insurance in force, and other appropriate  
20 criteria;

21 (2) the extent to which the insurer's business is diversified among the  
22 several lines of insurance;

23 (3) the number and size of risks insured in each line of insurance;

24 (4) the geographical dispersion of the insurer's insured risks;

25 (5) the nature and extent of reinsurance of the insurer's risks;

26 (6) the quality, diversification, and liquidity of the insurer's  
27 investment portfolio;

28 (7) the recent past and projected future trends in the size of the  
29 insurer's surplus as regards policyholders;

30 (8) the surplus as regards policyholders maintained by comparable  
31 insurers;

1           (9)    the quality and liquidity of investments in and other transactions  
2 with affiliates;

3           (10)   the adequacy of the reserves of the insurer; [and]

4           (11)   the quality of the earnings of the insurer and the extent to which  
5 the reported earnings include extraordinary items; **AND**

6           **(12) THE RECENT PAST AND PROJECTED FUTURE TRENDS IN THE**  
7 **SIZE AND QUALITY OF THE INSURER'S INVESTMENT PORTFOLIO.**

8           (b)    The Commissioner may discount an investment or treat an investment  
9 under subsection (a)(9) of this section as a nonadmitted asset for purposes of  
10 determining the adequacy of surplus as regards policyholders whenever the  
11 investment so warrants.

12   7-106.

13           (a)    Except as provided in subsections (b) and (c) of this section or otherwise  
14 by law, all information and documents that are filed with the Commissioner in  
15 compliance with the requirements of this title or that are reported to, obtained by, or  
16 otherwise disclosed to the Commissioner or any other person in the course of an  
17 examination or investigation made under this title:

18           (1)    are confidential material;

19           (2)    are not subject to subpoena; and

20           (3)    may not be made public by the Commissioner, the National  
21 Association of Insurance Commissioners, or any other person.

22           (b)    Material that otherwise is confidential under subsection (a) of this section  
23 may be made public by any person [to whom] **WHO HAS RECEIVED THE PRIOR**  
24 **WRITTEN CONSENT OF** the [insurer] **PERSON** to [which] **WHOM** the material relates  
25 [gives prior written consent].

26           (c)    If, after giving [an insurer and its affiliates] **THE PERSON TO WHOM**  
27 **THE MATERIAL RELATES** notice and an opportunity to be heard, the Commissioner  
28 determines that it is in the interest of the policyholders, stockholders, or the public to  
29 make public any material relating to the [insurer] **PERSON** that otherwise is  
30 confidential under subsection (a) of this section, the Commissioner may make public  
31 all or part of the material in an appropriate manner.

32   7-201.

1 (a) In addition to any other investment allowed elsewhere in this article, a  
2 domestic insurer, either alone or with another person, may invest in or otherwise  
3 acquire a subsidiary that engages in or is registered to engage in one or more of the  
4 following insurance businesses or business activities that are ancillary to an insurance  
5 business:

6 (1) conducting an insurance business that is authorized by the  
7 jurisdiction where the subsidiary is incorporated;

8 (2) acting as an [insurance agency] **INSURANCE PRODUCER** for its  
9 parent, its parent's insurer subsidiaries, or its parent's intermediate insurer  
10 subsidiaries;

11 (3) investing, reinvesting, or trading in securities for itself, its  
12 affiliate, its parent, or another subsidiary of its parent;

13 (4) managing an investment company that is subject to the  
14 Investment Company Act of 1940, including managing related sales and services of the  
15 investment company;

16 (5) acting as a broker-dealer that is subject to the Securities Exchange  
17 Act of 1934;

18 (6) providing investment advice to governments, governmental units,  
19 corporations, or other organizations or groups;

20 (7) performing other services related to the operations of an insurance  
21 business, including actuarial, loss prevention, safety engineering, data processing,  
22 accounting, claims, appraisal, and collection services;

23 (8) owning and managing assets that its parent may own and manage;

24 (9) acting as administrative agent for a governmental unit that  
25 performs an insurance function;

26 (10) financing insurance premiums;

27 (11) conducting any other business activity that is reasonably ancillary  
28 to an insurance business; or

29 (12) owning one or more corporations engaged exclusively in or  
30 organized to engage exclusively in one or more of the business activities specified in  
31 this section.

32 (b) Subject to the approval of the Commissioner and to the provisions of this  
33 title, a domestic mutual insurer may acquire or form a subsidiary insurance holding  
34 company.



1 7-302.

2 With respect to a transaction subject to this subtitle, a person must comply with  
3 all requirements of this subtitle before the person:

4 (1) makes a tender offer for, invites tenders of, enters into an  
5 agreement to exchange securities for, or otherwise acquires any voting security or  
6 security convertible into voting security of a domestic insurer, or [of] **A PERSON,**  
7 **INCLUDING** an insurance holding company [controlling], **THAT CONTROLS** a  
8 domestic insurer; or

9 (2) makes an agreement to merge with or otherwise to acquire control  
10 of a domestic insurer, or [of] **A PERSON, INCLUDING** an insurance holding company  
11 **[controlling], THAT CONTROLS** a domestic insurer.

12 7-303.

13 (a) With respect to a transaction subject to this subtitle, a [domestic insurer  
14 or a person controlling a domestic insurer] **PERSON SEEKING TO ACQUIRE**  
15 **CONTROL OF A DOMESTIC INSURER** must file with the Commissioner the  
16 pre-acquisition notification required under Subtitle 4 of this title.

17 (b) The pre-acquisition notification must be filed at least 30 days before a  
18 transaction subject to this subtitle is proposed to become effective.

19 (c) The Commissioner may impose sanctions under § 7-405 of this title for  
20 failure to file the information required under subsection (a) of this section.

21 **(D) (1) ANY PERSON THAT CONTROLS A DOMESTIC INSURER SEEKING**  
22 **TO DIVEST ITS CONTROLLING INTEREST IN THE DOMESTIC INSURER SHALL FILE**  
23 **A CONFIDENTIAL NOTICE OF ITS PROPOSED DIVESTITURE WITH THE**  
24 **COMMISSIONER AT LEAST 30 DAYS BEFORE THE PROPOSED DIVESTITURE AND**  
25 **PROVIDE A COPY OF THE NOTICE TO THE INSURER.**

26 **(2) THE COMMISSIONER SHALL DETERMINE THOSE INSTANCES**  
27 **IN WHICH THE PARTY SEEKING TO DIVEST A CONTROLLING INTEREST IN AN**  
28 **INSURER MUST FILE FOR AND OBTAIN APPROVAL OF THE TRANSACTION.**

29 **(3) THE INFORMATION REGARDING THE DIVESTITURE SHALL**  
30 **REMAIN CONFIDENTIAL UNTIL THE CONCLUSION OF THE TRANSACTION UNLESS,**  
31 **IN THE COMMISSIONER'S DISCRETION, THE COMMISSIONER DETERMINES THAT**  
32 **CONFIDENTIAL TREATMENT WILL INTERFERE WITH ENFORCEMENT OF THIS**  
33 **SECTION.**

1           **(4) THIS SUBSECTION MAY NOT APPLY IF THE STATEMENT**  
2 **REQUIRED BY SUBSECTION (A) OF THIS SECTION IS FILED.**

3 7-304.

4           (a) **[(1) A PERSON SEEKING TO ACQUIRE CONTROL OF A** domestic  
5 **insurer**[, or a person that is primarily engaged directly or indirectly in the insurance  
6 **business and that controls a domestic insurer,]** must file a statement with the  
7 **Commissioner AND PROVIDE A COPY TO THE DOMESTIC INSURER.**

8           **[(2) If the Commissioner determines that a person controlling a**  
9 **domestic insurer is, directly or through affiliates, primarily engaged in a business**  
10 **other than the insurance business, the person need not comply with paragraph (1) of**  
11 **this subsection.]**

12           (b) The statement must be filed at least 60 days before a transaction subject  
13 to this subtitle is proposed to become effective.

14           (c) The statement required by subsection (a) of this section must contain:

15           (1) the name and address of each individual, by or for whom the  
16 transaction subject to this subtitle is to be made, and background information about  
17 the individual, including:

18                   (i) the principal occupation of and all offices and positions held  
19 by the individual during the past 10 years; and

20                   (ii) other than minor traffic offenses, crimes of which the  
21 individual has been convicted during the past 10 years;

22           (2) the name and address of each person that is not an individual, by  
23 or for whom the transaction subject to this subtitle is to be made, and background  
24 information about the person, including:

25                   (i) the nature of the person's business operations and those of  
26 its predecessors during the past 10 years or any shorter period that the person and  
27 any predecessors have existed;

28                   (ii) a description of the business that the person and its  
29 subsidiaries intend to do;

30                   (iii) a list of the person's current directors and executive officers,  
31 individuals who have been selected to hold those positions, and individuals who  
32 perform or will perform functions appropriate to those positions; and

33                   (iv) for each individual listed under subitem (iii) of this item:

1                   1.     the principal occupation of and all offices and  
2 positions held by the individual during the past 10 years; and

3                   2.     other than minor traffic offenses, crimes of which the  
4 individual has been convicted during the past 10 years;

5                   (3)    fully audited financial information about the earnings and  
6 financial condition of each acquiring person and any predecessor for the past 5 fiscal  
7 years or any shorter period that each acquiring person and any predecessor have  
8 existed;

9                   (4)    similar unaudited financial information dated within 90 days  
10 before the statement is filed;

11                  (5)    (i)   copies of all actual or proposed tender offers, invitations for  
12 tender, exchange offers, and agreements to acquire or exchange that relate to any  
13 security described in this subtitle;

14                   (ii)   if distributed, copies of any additional soliciting materials  
15 that relate to the actions described in subitem (i) of this item;

16                  (6)    the source and amount of the funds or other consideration for a  
17 transaction subject to this subtitle and, if a part of the funds or other consideration  
18 has been or is to be borrowed or otherwise obtained for a transaction subject to this  
19 subtitle, a description of that transaction and the names of the parties to that  
20 transaction;

21                  (7)    any plans or proposals to liquidate the domestic insurer or  
22 insurance holding company controlling a domestic insurer, sell its assets, merge it  
23 with any person, or make any other major change in its business or corporate  
24 structure or management;

25                  (8)    with regard to any security connected with a transaction subject to  
26 this subtitle:

27                   (i)    the number of shares each acquiring person proposes to  
28 acquire;

29                   (ii)   the terms of the offer, invitation, agreement, or transaction  
30 subject to this subtitle; and

31                   (iii) a statement of the method by which the fairness of the  
32 proposal was determined;

33                  (9)    the name and address of each person and each of that person's  
34 affiliates holding the following securities, the amount held in each class of the

1 securities, and, for the past 2 years, the dates, amounts, and prices of sales and  
2 purchases of the securities by the person or affiliate:

3 (i) beneficially owned voting securities of the domestic insurer;

4 (ii) voting securities of the domestic insurer in which there is a  
5 right to acquire beneficial ownership;

6 (iii) beneficially owned securities that may be converted into  
7 voting securities of the domestic insurer; and

8 (iv) securities in which there is a right to acquire beneficial  
9 ownership that may be converted into voting securities of the domestic insurer;

10 (10) the names of the parties to and details of any contracts,  
11 arrangements, or understandings about securities of the domestic insurer or insurance  
12 holding company controlling the domestic insurer, including contracts, arrangements,  
13 or understandings providing for:

14 (i) transfers of the securities;

15 (ii) joint ventures;

16 (iii) loan or option arrangements;

17 (iv) puts or calls;

18 (v) loan guarantees;

19 (vi) guarantees against loss or guarantees of profits;

20 (vii) divisions of losses or profits; and

21 (viii) giving or withholding of proxies;

22 (11) a description of the purchase of any security described in this  
23 subtitle during the 12 calendar months immediately preceding the filing of the  
24 statement by an acquiring person, including:

25 (i) the dates of purchase;

26 (ii) the names of the purchasers; and

27 (iii) the consideration paid or agreed to be paid;

1 (12) a description of any recommendations to purchase any security  
2 subject to this subtitle made during the 12 calendar months immediately preceding  
3 the filing of the statement by:

4 (i) an acquiring person; or

5 (ii) any other person, based on interviews with or at the  
6 suggestion of the acquiring person;

7 (13) the terms of any agreements **MADE OR PROPOSED TO BE MADE**  
8 with[, including the amount of any fees, commissions, or other compensation to be  
9 paid to,] brokers, securities dealers, service organizations, or other persons,  
10 **INCLUDING THE AMOUNT OF ANY FEES, COMMISSIONS, OR OTHER**  
11 **COMPENSATION TO BE PAID**, for soliciting shares for tender; [and]

12 **(14) AN AGREEMENT BY THE PERSON REQUIRED TO FILE THE**  
13 **STATEMENT UNDER THIS SECTION THAT THE PERSON WILL PROVIDE THE**  
14 **ANNUAL REPORT SPECIFIED IN § 7-603(H) OF THIS TITLE FOR AS LONG AS**  
15 **CONTROL EXISTS;**

16 **(15) AN ACKNOWLEDGMENT BY THE PERSON REQUIRED TO FILE**  
17 **THE STATEMENT UNDER THIS SECTION THAT THE PERSON AND ALL AFFILIATES**  
18 **IN THE INSURANCE HOLDING COMPANY SYSTEM WILL PROVIDE INFORMATION**  
19 **TO THE COMMISSIONER ON REQUEST AS NECESSARY TO EVALUATE ENTERPRISE**  
20 **RISK TO THE INSURER; AND**

21 ~~[(14)]~~ **(16)** other information necessary or appropriate in the public  
22 interest or for the protection of policyholders that the Commissioner requires by  
23 regulation.

24 (d) (1) If the person required to file a statement under this section is a  
25 partnership, limited partnership, syndicate, or other group, the statement also shall  
26 include the information required by subsection (c) of this section for:

27 (i) each partner of the partnership or limited partnership;

28 (ii) each member of the syndicate or group; and

29 (iii) each person controlling a partner or member.

30 (2) If a person required to file the statement under this section is a  
31 corporation or if a person referred to in paragraph (1) of this subsection is a  
32 corporation, the statement also shall include the information required by subsection  
33 (c) of this section for:

34 (i) the corporation;

1 (ii) each officer and director of the corporation; and

2 (iii) each person that directly or indirectly is the beneficial owner  
3 of more than 10% of the outstanding voting securities of the corporation.

4 **(3) IF ANY MATERIAL CHANGE OCCURS IN THE FACTS SET FORTH**  
5 **IN THE STATEMENT FILED WITH THE COMMISSIONER AND PROVIDED TO THE**  
6 **INSURER UNDER THIS SECTION, AN AMENDMENT, TOGETHER WITH COPIES OF**  
7 **ANY DOCUMENTS OR OTHER MATERIALS NECESSARY TO DESCRIBE THE**  
8 **AMENDMENT, SHALL BE FILED WITH THE COMMISSIONER AND PROVIDED TO**  
9 **THE INSURER WITHIN THE EARLIER OF 2 BUSINESS DAYS AFTER:**

10 **(I) THE CHANGE OCCURS; OR**

11 **(II) THE PERSON THAT FILED THE STATEMENT LEARNS OF**  
12 **THE CHANGE.**

13 (e) A person that is required to file a statement under this section instead  
14 may file with the Commissioner, in addition to any other materials that the  
15 Commissioner requests:

16 (1) a registration statement filed under the Securities Act of 1933;

17 (2) a disclosure containing similar information filed under the  
18 Securities Exchange Act of 1934; or

19 (3) a registration or disclosure that contains similar information filed  
20 under another State law.

21 (f) (1) Except as provided in paragraph (2) of this subsection, on request  
22 of the person filing the statement, the Commissioner may not make public the name of  
23 a lender listed under subsection (c)(6) of this section as a source of funds, unless the  
24 transaction is made in the lender's ordinary course of business.

25 (2) The Commissioner may make public the name of a lender under  
26 paragraph (1) of this subsection if the Commissioner considers the disclosure to be in  
27 the public interest.

28 (g) The Commissioner shall provide the statement filed under this section to  
29 the person to be acquired on the date the attempt to acquire is made public.

30 7-306.

31 (a) A transaction subject to this subtitle may not be made unless, within 60  
32 days after the statement required by § 7-304 of this subtitle is filed with the

1 Commissioner or within any extension of that period, the Commissioner approves the  
2 transaction or does not disapprove the transaction.

3 (b) Subject to subsection (c) of this section, the Commissioner shall  
4 disapprove a proposed transaction subject to this subtitle if the Commissioner finds  
5 that:

6 (1) after the transaction, the domestic insurer could not satisfy the  
7 requirements for the issuance of a certificate of authority to engage in the insurance  
8 business which it intends to transact **OR IS LICENSED TO TRANSACT** in the State,  
9 taking into consideration the financial and managerial resources and future prospects  
10 of the domestic insurer;

11 (2) the transaction may substantially lessen competition in insurance  
12 in the State or tend to create a monopoly;

13 (3) the financial condition of an acquiring person might jeopardize the  
14 financial stability of the domestic insurer or prejudice the interests of its policyholders  
15 or, in the case of an acquisition of control, the interests of any remaining stockholders  
16 who are unaffiliated with the acquiring person;

17 (4) the acquiring person has plans or proposals that are unfair or  
18 prejudicial to policyholders for liquidating the domestic insurer, selling its assets,  
19 merging it with another person, or making any other major change in its business or  
20 corporate structure or management;

21 (5) it would not be in the interest of policyholders, shareholders, or the  
22 public to allow the acquiring person to control the domestic insurer based on the  
23 competence, experience, and integrity of the persons that would control the operations  
24 of the domestic insurer;

25 (6) any party to an agreement to merge with a domestic insurer is not  
26 itself an insurer; or

27 (7) the interests of the domestic insurer's policyholders and  
28 stockholders might otherwise be prejudiced, impaired, or not properly protected.

29 (c) In disapproving a transaction based on a finding under subsection (b)(2)  
30 of this section:

31 (1) the Commissioner may not disapprove a transaction subject to this  
32 subtitle if the Commissioner finds that any of the situations meeting the criteria of §  
33 7-405(b) of this title exist;

34 (2) the Commissioner may condition the approval of a transaction  
35 subject to this subtitle on the removal of the basis of disapproval under subsection  
36 (b)(2) of this section within a specified period of time; and

1 (3) the disapproval is subject to § 7-405(c) of this title and the  
2 informational requirements under § 7-403(c) of this title.

3 7-309.

4 A person violates this title if:

5 (1) the person fails to file the statement required by this subtitle; [or]

6 (2) [the person,] without the Commissioner's approval during the  
7 60-day period under § 7-306(a) of this subtitle, or after the Commissioner's  
8 disapproval, **THE PERSON** makes or attempts to make an acquisition of actual or  
9 presumed control of, or a merger with, a domestic insurer or **A PERSON, INCLUDING**  
10 **AN** insurance holding company [controlling], **THAT CONTROLS** a domestic insurer; **OR**

11 **(3) WITHOUT THE COMMISSIONER'S APPROVAL DURING THE**  
12 **30-DAY PERIOD UNDER § 7-303(D) OF THIS SUBTITLE, OR AFTER THE**  
13 **COMMISSIONER'S DISAPPROVAL, THE PERSON DIVESTS OR ATTEMPTS TO**  
14 **DIVEST ACTUAL OR PRESUMED CONTROL OF A DOMESTIC INSURER OR A**  
15 **PERSON, INCLUDING AN INSURANCE HOLDING COMPANY, THAT CONTROLS A**  
16 **DOMESTIC INSURER.**

17 7-603.

18 (a) Each insurer subject to registration shall file the registration statement  
19 on the form provided by the Commissioner, containing the following current  
20 information:

21 (1) the corporate and capital structure, general financial condition,  
22 ownership, and management of the insurer and of any person controlling the insurer;

23 (2) the identity and relationship of each member of the insurance  
24 holding company system;

25 (3) any pledge of the insurer's stock, including stock of a subsidiary or  
26 controlling affiliate, for a loan made to any member of the insurance holding company  
27 system;

28 (4) the following agreements in force, and transactions currently  
29 outstanding or that have occurred during the previous calendar year between the  
30 insurer and the insurer's affiliates:

31 (i) loans, other investments, purchases, sales, and exchanges of  
32 securities of the affiliates by the insurer or of the insurer by its affiliates;



- 1 (ii) purchases, sales, and exchanges of assets;
- 2 (iii) transactions not in the ordinary course of business;
- 3 (iv) except for insurance contracts entered into in the ordinary  
4 course of the insurer's business, guarantees or undertakings for the benefit of an  
5 affiliate that result in an actual contingent exposure to liability of the insurer's assets;
- 6 (v) management agreements, service contracts, and  
7 cost-sharing arrangements;
- 8 (vi) reinsurance agreements;
- 9 (vii) dividends and other distributions to shareholders; and
- 10 (viii) consolidated tax allocation agreements;

11 **(5) STATEMENTS THAT THE INSURER'S BOARD OF DIRECTORS**  
12 **OVERSEES CORPORATE GOVERNANCE AND INTERNAL CONTROLS AND THAT THE**  
13 **INSURER'S OFFICERS OR SENIOR MANAGEMENT HAVE APPROVED,**  
14 **IMPLEMENTED, AND CONTINUE TO MAINTAIN AND MONITOR CORPORATE**  
15 **GOVERNANCE AND INTERNAL CONTROL PROCEDURES;**

16 **(6) ON REQUEST FROM THE COMMISSIONER AND IN ACCORDANCE**  
17 **WITH SUBSECTION (F) OF THIS SECTION, FINANCIAL STATEMENTS OF OR WITHIN**  
18 **AN INSURANCE HOLDING COMPANY SYSTEM, INCLUDING ALL AFFILIATES;**

19 **[(5)] (7)** any other matters about transactions between the insurer  
20 and its affiliates that the registration statement form requires; and

21 **[(6)] (8)** a summary outlining all items in the current registration  
22 statement that represent changes from the prior registration statement.

23 (b) Each affiliate in an insurance holding company system shall give an  
24 insurer subject to registration under this subtitle that is in the same insurance  
25 holding company system complete and accurate information if that information is  
26 reasonably necessary to enable the insurer to comply with this subtitle.

27 (c) Each insurer required to register under this subtitle shall[

28 (1) file with the National Association of Insurance Commissioners a  
29 copy of the registration statement required by subsection (a) of this section; and

30 (2)], on request of the **INSURANCE** commissioner of any state where the  
31 insurer is authorized to do business, file with that commissioner a copy of the  
32 registration statement summary required by subsection **[(a)(6)] (A)(8)** of this section.

1 (d) The Commissioner may allow or require affiliated insurers subject to  
2 registration under this subtitle to file a consolidated registration statement.

3 (e) The Commissioner may require an insurer that is a member of an  
4 insurance holding company system and that is not subject to registration under this  
5 subtitle to provide to the Commissioner a copy of the registration statement or other  
6 information that the insurer files with the commissioner of the insurer's domiciliary  
7 jurisdiction.

8 **(F) (1) FINANCIAL STATEMENTS REQUIRED UNDER SUBSECTION**  
9 **(A)(6) OF THIS SECTION MAY INCLUDE ANNUAL AUDITED FINANCIAL**  
10 **STATEMENTS FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION**  
11 **UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES**  
12 **EXCHANGE ACT OF 1934, AS AMENDED.**

13 **(2) AN INSURER REQUIRED TO FILE FINANCIAL STATEMENTS**  
14 **UNDER SUBSECTION (A) OF THIS SECTION MAY SATISFY THE REQUEST BY**  
15 **PROVIDING THE COMMISSIONER WITH THE MOST RECENTLY FILED PARENT**  
16 **CORPORATION FINANCIAL STATEMENTS THAT HAVE BEEN FILED WITH THE U.S.**  
17 **SECURITIES AND EXCHANGE COMMISSION.**

18 **(G) (1) UNLESS OTHERWISE PROVIDED BY THE COMMISSIONER**  
19 **THROUGH REGULATION OR ORDER, A SALE, A PURCHASE, AN EXCHANGE, A**  
20 **LOAN OR AN EXTENSION OF CREDIT, AN INVESTMENT, OR A GUARANTEE**  
21 **INVOLVING 0.5% OR LESS OF AN INSURER'S ADMITTED ASSETS AS OF THE**  
22 **DECEMBER 31 IMMEDIATELY PRECEDING THE TRANSACTION IS NOT MATERIAL**  
23 **FOR PURPOSES OF THIS SECTION.**

24 **(2) INFORMATION NEED NOT BE DISCLOSED ON THE**  
25 **REGISTRATION STATEMENT FILED UNDER SUBSECTION (A) OF THIS SECTION IF**  
26 **THE INFORMATION IS NOT MATERIAL.**

27 **(H) (1) THE ULTIMATE CONTROLLING PERSON OF EVERY INSURER**  
28 **SUBJECT TO REGISTRATION SHALL FILE AN ANNUAL ENTERPRISE RISK REPORT**  
29 **ON OR BEFORE MAY 1 UNLESS THE COMMISSIONER EXTENDS THE TIME FOR**  
30 **FILING FOR GOOD CAUSE.**

31 **(2) THE ENTERPRISE RISK REPORT SHALL, TO THE BEST OF THE**  
32 **ULTIMATE CONTROLLING PERSON'S KNOWLEDGE AND BELIEF, IDENTIFY THE**  
33 **MATERIAL RISKS WITHIN THE INSURANCE HOLDING COMPANY SYSTEM THAT**  
34 **COULD POSE ENTERPRISE RISK TO THE INSURER.**

1           **(3) THE ENTERPRISE RISK REPORT SHALL BE FILED WITH THE**  
2 **LEAD STATE COMMISSIONER OF THE INSURANCE HOLDING COMPANY SYSTEM AS**  
3 **DEFINED AND DETERMINED BY THE PROCEDURES IN THE FINANCIAL ANALYSIS**  
4 **HANDBOOK ADOPTED BY THE NATIONAL ASSOCIATION OF INSURANCE**  
5 **COMMISSIONERS.**

6 7-605.

7           (a) (1) To verify the information required in the insurer's registration  
8 statement **AND IN THE ANNUAL ENTERPRISE RISK REPORT**, and any addition or  
9 amendment to the registration statement **OR THE ANNUAL ENTERPRISE RISK**  
10 **REPORT**, and in addition to the powers granted under §§ 2-205 through 2-209 of this  
11 article relating to the examination of insurers, the Commissioner may order an  
12 insurer subject to registration under this subtitle to produce:

13                   (i) those records, books, or papers in the possession of the  
14 insurer or its affiliates that are necessary to verify the registration statement; and

15                   (ii) additional information relevant to the registration  
16 statement.

17           (2) The Commissioner shall examine the materials produced under  
18 this subsection at the time and place prescribed in §§ 2-205 through 2-209 of this  
19 article.

20           (b) (1) The Commissioner may conduct an examination under subsection  
21 (a) of this section only:

22                   (i) if the examination of the insurer under §§ 2-205 through  
23 2-209 of this article is inadequate, or the interests of the policyholders of the insurer  
24 are being adversely affected; and

25                   (ii) within 3 years after the filing of the registration statement  
26 or the addition or amendment to the registration statement.

27           (2) In a matter involving fraud, the 3-year limitation period of this  
28 subsection does not apply.

29           (c) (1) [If reasonably necessary, the] **THE** Commissioner may retain, **AT**  
30 **THE INSURER'S EXPENSE**, the services of [an accounting firm at the insurer's  
31 expense to help in an examination under subsection (a) of this section]  
32 **ACCOUNTANTS, ATTORNEYS, ACTUARIES, AND OTHER EXPERTS NOT OTHERWISE**  
33 **A PART OF THE COMMISSIONER'S STAFF AS MAY BE REASONABLY NECESSARY**  
34 **TO ASSIST IN THE CONDUCT OF AN EXAMINATION UNDER SUBSECTION (A) OF**  
35 **THIS SECTION.**

1           (2) [An accounting firm] **THE ACCOUNTANTS, ATTORNEYS,**  
2 **ACTUARIES, AND OTHER EXPERTS** retained under this subsection [is] **ARE** under  
3 the direction and control of the Commissioner and [acts] **ACT** only in an advisory  
4 capacity.

5           (d) An insurer that produces materials for an examination under subsection  
6 (a) of this section is liable for and shall pay the expense of the examination in  
7 accordance with § 2-208 of this article.

8           **(E) WITH REGARD TO AN EXAMINATION UNDER SUBSECTION (A) OF**  
9 **THIS SECTION, THE COMMISSIONER HAS THE AUTHORITY PROVIDED UNDER §**  
10 **2-203 OF THIS ARTICLE.**

11 7-606.

12           (a) An insurer, a member of an insurance holding company system, or any  
13 other person may file with the Commissioner a disclaimer of affiliation with an  
14 authorized insurer that fully discloses:

15                   (1) all material relationships and bases for affiliation between the  
16 person filing the disclaimer and the authorized insurer; and

17                   (2) the basis for disclaiming the affiliation.

18           (b) **(1) [After giving] WITHIN 30 DAYS AFTER RECEIPT OF A FILING**  
19 **UNDER SUBSECTION (A) OF THIS SECTION, THE COMMISSIONER SHALL GIVE** all  
20 parties in interest notice and an opportunity to be heard[.].

21                   **(2) WITHIN 30 DAYS AFTER THE CLOSE OF THE NOTICE PERIOD**  
22 **UNDER PARAGRAPH (1) OF THIS SUBSECTION,** the Commissioner may disallow a  
23 disclaimer based on specific findings of fact.

24           **[(c)] (3) [An insurer] IF WITHIN 30 DAYS AFTER THE CLOSE OF THE**  
25 **NOTICE PERIOD THE COMMISSIONER HAS NOT DISALLOWED THE DISCLAIMER,**  
26 **THE DISCLAIMING PARTY IS RELIEVED OF ITS DUTY TO REGISTER OR REPORT**  
27 **UNDER THIS SUBTITLE, AND THE INSURER** is relieved of any duty to register or  
28 report under this subtitle that arises out of the insurer's relationship with the person  
29 filing the disclaimer[:

30                   (1) from the date the disclaimer is filed; and

31                   (2) until the Commissioner disallows the disclaimer].

32           **(4) IN THE EVENT OF DISALLOWANCE, THE DISCLAIMING PARTY**  
33 **MAY REQUEST AN ADMINISTRATIVE HEARING, WHICH SHALL BE GRANTED.**

1 7-607.

2 (A) Failure to file the registration statement [or], summary [of it], OR  
3 ENTERPRISE RISK REPORT required by this subtitle in the time specified in this  
4 subtitle is a violation of this title.

5 (B) (1) AN INSURER THAT DOES NOT FILE A REGISTRATION  
6 STATEMENT OR SUMMARY REQUIRED UNDER § 7-603(A) OF THIS SUBTITLE, OR  
7 A PERSON THAT DOES NOT FILE AN ENTERPRISE RISK REPORT REQUIRED BY §  
8 7-603(H) OF THIS SUBTITLE, ON OR BEFORE MAY 1 OR THE DATE THE  
9 COMMISSIONER SETS IN ACCORDANCE WITH § 7-602(B) OR § 7-603(H) OF THIS  
10 SUBTITLE, MAY BE SUBJECT TO A PENALTY OF UP TO:

11 (I) \$500 FOR EACH DAY FROM MAY 1 THROUGH MAY 10;

12 (II) \$1,000 FOR EACH DAY FROM MAY 11 THROUGH MAY 31;

13 AND

14 (III) \$5,000 FOR EACH DAY AFTER MAY 31.

15 (2) IN DETERMINING THE AMOUNT OF ANY FINANCIAL PENALTY  
16 TO BE IMPOSED UNDER THIS SECTION, THE COMMISSIONER SHALL CONSIDER  
17 THE FOLLOWING FACTORS:

18 (I) THE SERIOUSNESS OF THE VIOLATION;

19 (II) THE GOOD FAITH OF THE VIOLATOR;

20 (III) THE VIOLATOR'S HISTORY OF PREVIOUS VIOLATIONS;

21 (IV) THE DELETERIOUS EFFECT OF THE VIOLATION ON THE  
22 PUBLIC AND THE INSURANCE INDUSTRY; AND

23 (V) THE ASSETS OF THE VIOLATOR.

24 7-608.

25 WHENEVER IT APPEARS TO THE COMMISSIONER THAT A PERSON HAS  
26 COMMITTED A VIOLATION OF § 7-603(H) OF THIS SUBTITLE THAT PREVENTS A  
27 FULL UNDERSTANDING OF THE ENTERPRISE RISK TO THE INSURER BY  
28 AFFILIATES OR BY THE INSURANCE HOLDING COMPANY SYSTEM, THE  
29 VIOLATION MAY SERVE AS AN INDEPENDENT BASIS FOR DISAPPROVING

1 **DIVIDENDS OR DISTRIBUTIONS AND PLACING THE INSURER UNDER AN ORDER**  
2 **OF SUPERVISION IN ACCORDANCE WITH § 7-804 OF THIS TITLE.**

3 7-702.

4 Each transaction within an insurance holding company system to which an  
5 insurer subject to registration under Subtitle 6 of this title is a party is subject to the  
6 following standards:

7 (1) the terms shall be fair and reasonable in light of the purposes of  
8 this title;

9 (2) the records of each party shall clearly and accurately disclose the  
10 precise nature and details of the transaction, including accounting information  
11 necessary to support the reasonableness of the charges or fees to the parties;

12 (3) after the transaction, including any dividend or distribution to  
13 shareholder affiliates, the insurer has assets and surplus as regards policyholders  
14 that:

15 (i) bear a reasonable relation to the insurer's outstanding  
16 liabilities; and

17 (ii) are adequate to meet the insurer's financial needs;

18 (4) charges or fees for services performed shall be reasonable; [and]

19 (5) expenses incurred and payments received shall be allocated to the  
20 insurer in conformity with customary insurance accounting practices consistently  
21 applied; AND

22 **(6) AGREEMENTS, INCLUDING MANAGEMENT AGREEMENTS,**  
23 **SERVICE CONTRACTS, TAX ALLOCATION AGREEMENTS, OR COST-SHARING**  
24 **AGREEMENTS, SHALL INCLUDE THE PROVISIONS THAT THE COMMISSIONER**  
25 **REQUIRES BY REGULATION.**

26 7-703.

27 (a) [In this section, "material transaction" includes:

28 (1) an asset change, determined as of the December 31 immediately  
29 preceding a transaction involving an insurer, that exceeds in value the lesser of:

30 (i) 5% of the insurer's surplus as regards policyholders; and

1 (ii) the net gain from operations of a life insurer, or the net  
2 investment income of an insurer other than a life insurer; and

3 (2) any other transaction specified by regulation to be a material  
4 transaction.

5 (b)] (1) Before a domestic insurer and another member of the same  
6 insurance holding company system enter into any of the transactions specified in  
7 subsection [(e)](D) of this section, **INCLUDING AMENDMENTS OR MODIFICATIONS**  
8 **OF AFFILIATE AGREEMENTS PREVIOUSLY FILED UNDER THIS SECTION**, the  
9 domestic insurer shall notify the Commissioner in writing of its intention to enter into  
10 the transaction.

11 (2) **THE NOTICE FOR AMENDMENTS OR MODIFICATIONS SHALL**  
12 **INCLUDE THE REASONS FOR THE AMENDMENTS OR MODIFICATIONS AND THE**  
13 **PROJECTED FINANCIAL IMPACT OF THE AMENDMENTS OR MODIFICATIONS ON**  
14 **THE DOMESTIC INSURER.**

15 (3) **A DOMESTIC INSURER THAT INTENDS TO TERMINATE AN**  
16 **AGREEMENT OR OTHER TRANSACTION PREVIOUSLY FILED UNDER THIS SECTION**  
17 **SHALL PROVIDE THE COMMISSIONER WITH AT LEAST 30 DAYS' ADVANCE**  
18 **WRITTEN NOTICE OF ITS INTENTION TO TERMINATE THE AGREEMENT OR OTHER**  
19 **TRANSACTION.**

20 [(c)](B) The insurer shall notify the Commissioner under subsection [(b)]  
21 (A) of this section:

22 (1) at least 30 days before the transaction is to be entered into; or

23 (2) if the Commissioner allows a shorter notice period, within the time  
24 that the Commissioner sets.

25 [(d)](C) A domestic insurer and another member of the same insurance  
26 holding company system may enter into, **AMEND, MODIFY, OR TERMINATE** a  
27 transaction **OR AN AGREEMENT** under this section only if, within the notice period  
28 under subsection [(c)] (B) of this section, the Commissioner does not disapprove the  
29 transaction.

30 [(e)](D) The following transactions are subject to subsections (A), (b), AND  
31 (c)[, and (d)] of this section:

32 (1) a sale, purchase, exchange, loan, extension of credit, [guarantee,]  
33 or investment, if, as of the December 31 immediately preceding the transaction, the  
34 amount of the transaction equals or exceeds:

1 (i) with respect to a life insurer, 3% of the insurer's admitted  
2 assets; and

3 (ii) with respect to an insurer other than a life insurer, the  
4 lesser of 3% of the insurer's admitted assets and 25% of surplus as regards  
5 policyholders;

6 (2) a loan or extension of credit by an insurer to a person that is not an  
7 affiliate if:

8 (i) the parties have an agreement or understanding that the  
9 proceeds of the transaction, as a whole or in substantial part, are to be used to make  
10 loans or extensions of credit to purchase assets of or to make investments in an  
11 affiliate of the insurer; and

12 (ii) as of the December 31 immediately preceding the  
13 transaction, the amount of the transaction equals or exceeds:

14 1. with respect to a life insurer, 3% of the insurer's  
15 admitted assets; and

16 2. with respect to an insurer other than a life insurer,  
17 the lesser of 3% of the insurer's admitted assets and 25% of surplus as regards  
18 policyholders;

19 (3) **IN ACCORDANCE WITH SUBSECTION (H) OF THIS SECTION**, a  
20 reinsurance agreement, or a modification to a reinsurance agreement, including an  
21 agreement that requires as consideration the transfer of assets from an insurer to a  
22 person that is not its affiliate, if[

23 (i) the parties have an agreement or understanding that part of  
24 the insurer's assets will be transferred to an affiliate of the insurer; and

25 (ii) as of the December 31 immediately preceding the  
26 transaction, the amount of the reinsurance premium or change in the insurer's  
27 liabilities equals or exceeds 5% of the insurer's surplus as regards policyholders;], **AS**  
28 **OF THE DECEMBER 31 IMMEDIATELY PRECEDING THE TRANSACTION, THE**  
29 **AMOUNT OF THE REINSURANCE PREMIUM OR CHANGE IN THE INSURER'S**  
30 **LIABILITIES OR THE PROJECTED REINSURANCE PREMIUM OR CHANGE IN THE**  
31 **INSURER'S LIABILITIES IN ANY OF THE NEXT 3 YEARS EQUALS OR EXCEEDS 5%**  
32 **OF THE INSURER'S SURPLUS AS REGARDS POLICYHOLDERS;**

33 (4) **ALL REINSURANCE POOLING AGREEMENTS;**

34 [(4)](5) a management agreement, service contract, **TAX**  
35 **ALLOCATION AGREEMENT**, or cost-sharing arrangement; [and]



1           **(6)**    SUBJECT TO SUBSECTION **(I)** OF THIS SECTION, GUARANTEES  
2   MADE BY A DOMESTIC INSURER;

3           **(7)**    DIRECT OR INDIRECT INVESTMENTS IN A PERSON THAT  
4   CONTROLS THE INSURER OR AN AFFILIATE OF THE INSURER IN AN AMOUNT  
5   THAT, TOGETHER WITH ITS PRESENT HOLDINGS IN THE INVESTMENTS, EXCEEDS  
6   **2.5% OF THE INSURER'S SURPLUS AS REGARDS POLICYHOLDERS;**

7           **(8)**    ANY DIRECT OR INDIRECT INVESTMENT IN OR ACQUISITION  
8   OF A SUBSIDIARY OF THE INSURER; AND

9           **[(5)](9)**    a material transaction, **AS SPECIFIED BY REGULATION,**  
10   that the Commissioner determines may adversely affect the interests of the insurer's  
11   policyholders.

12          **[(f)](E)**    In reviewing transactions under subsection **[(e)] (D)** of this section,  
13   the Commissioner shall consider whether a transaction:

14           (1)    complies with the standards stated in § 7-702 of this subtitle; or

15           (2)    potentially adversely affects the interests of policyholders.

16          **[(g)](F)**    (1)    A **[material]** transaction that does not conform to this  
17   section is a violation of this title.

18           (2)    In addition to the sanctions in §§ 7-802, 7-803, 7-805, and 7-807  
19   of this title, the Commissioner may set aside and rescind a **[material]** transaction that  
20   the Commissioner finds does not conform to this section at the initiative of the  
21   Commissioner or otherwise under applicable law.

22           (3)    Within 90 days after the date that the Commissioner receives  
23   information about **[the material transaction]** **A TRANSACTION THAT THE**  
24   **COMMISSIONER FINDS DOES NOT CONFORM TO THIS SECTION,** the Commissioner  
25   shall give the insurer notice of the proposed action to set aside or rescind the  
26   **[material]** transaction and an opportunity for a hearing.

27          **[(h)](G)**    (1)    A domestic insurer and another member of the same  
28   insurance holding company system may not enter into a transaction that is part of a  
29   plan or series of like transactions if the purpose of making separate transactions is to  
30   avoid exceeding limitations under this section and the review of the transaction that  
31   otherwise would occur.

32           (2)    If the Commissioner determines that separate transactions were  
33   entered into during any 12-month period in violation of paragraph (1) of this

1 subsection, the Commissioner may impose any sanction authorized by §§ 7–802,  
2 7–803, 7–805, and 7–807 of this title.

3 **(H) A REINSURANCE AGREEMENT SUBJECT TO SUBSECTION (D)(3) OF**  
4 **THIS SECTION INCLUDES AN AGREEMENT THAT REQUIRES AS CONSIDERATION**  
5 **THE TRANSFER OF ASSETS FROM AN INSURER TO A NONAFFILIATE IF AN**  
6 **AGREEMENT OR UNDERSTANDING EXISTS BETWEEN THE INSURER AND**  
7 **NONAFFILIATE THAT ANY PORTION OF THE ASSETS WILL BE TRANSFERRED TO**  
8 **ONE OF MORE AFFILIATES OF THE INSURER.**

9 **(I) (1) A GUARANTEE THAT IS QUANTIFIABLE AS TO AMOUNT IS NOT**  
10 **SUBJECT TO THE NOTICE REQUIREMENTS OF SUBSECTION (D)(6) OF THIS**  
11 **SECTION UNLESS THE GUARANTEE EXCEEDS THE LESSER OF 0.5% OF THE**  
12 **INSURER’S ADMITTED ASSETS OR 10% OF THE INSURER’S SURPLUS AS REGARDS**  
13 **POLICYHOLDERS AS OF THE DECEMBER 31 IMMEDIATELY PRECEDING THE**  
14 **GUARANTEE.**

15 **(2) ALL GUARANTEES MADE BY A DOMESTIC INSURER THAT ARE**  
16 **NOT QUANTIFIABLE AS TO AMOUNT ARE SUBJECT TO THE NOTICE**  
17 **REQUIREMENTS OF SUBSECTION (D)(6) OF THIS SECTION.**

18 7–802.

19 (a) In addition to any other penalty provided by law, a person that willfully  
20 violates this title or any regulation adopted under this title is subject to a penalty of  
21 **[\$1,000] UP TO \$10,000** for the first day of violation and **[\$100] UP TO \$1,000** for  
22 each additional day that the violation continues.

23 (b) **IN DETERMINING THE AMOUNT OF ANY FINANCIAL PENALTY TO BE**  
24 **IMPOSED UNDER THIS SECTION, THE COMMISSIONER SHALL CONSIDER THE**  
25 **FOLLOWING FACTORS:**

26 **(1) THE SERIOUSNESS OF THE VIOLATION;**

27 **(2) THE GOOD FAITH OF THE VIOLATOR;**

28 **(3) THE VIOLATOR’S HISTORY OF PREVIOUS VIOLATIONS;**

29 **(4) THE DELETERIOUS EFFECT OF THE VIOLATION ON THE**  
30 **PUBLIC AND THE INSURANCE INDUSTRY; AND**

31 **(5) THE ASSETS OF THE VIOLATOR.**

32 (c) Before imposing a penalty under this subsection, the Commissioner:

1           (1) shall give the person that allegedly committed the violation notice  
2 and an opportunity for hearing; and

3           (2) must find that the person willfully committed the violation.

4 **7-802.1.**

5           **(A) A DIRECTOR OR AN OFFICER OF AN INSURANCE HOLDING COMPANY**  
6 **SYSTEM WHO KNOWINGLY PARTICIPATES IN, ASSENTS TO, OR ALLOWS ANY OF**  
7 **THE OFFICERS OR AGENTS OF AN INSURER TO ENGAGE IN TRANSACTIONS OR**  
8 **INVESTMENTS THAT HAVE NOT BEEN PROPERLY REPORTED OR SUBMITTED**  
9 **UNDER SUBTITLES 6 AND 7 OF THIS TITLE, SHALL PAY, IN THE DIRECTOR'S OR**  
10 **OFFICER'S INDIVIDUAL CAPACITY, A CIVIL PENALTY IN ACCORDANCE WITH §**  
11 **7-802 OF THIS SUBTITLE, AFTER NOTICE AND AN OPPORTUNITY FOR HEARING**  
12 **BEFORE THE COMMISSIONER.**

13           **(B) IN DETERMINING THE AMOUNT OF THE CIVIL PENALTY, THE**  
14 **COMMISSIONER SHALL TAKE INTO ACCOUNT THE FACTORS IN § 7-802(B) OF**  
15 **THIS SUBTITLE.**

16           **(C) (1) WHENEVER IT APPEARS TO THE COMMISSIONER THAT AN**  
17 **INSURER SUBJECT TO THIS TITLE, OR A DIRECTOR, AN OFFICER, AN EMPLOYEE,**  
18 **OR AN AGENT OF THE INSURER, HAS ENGAGED IN A TRANSACTION OR ENTERED**  
19 **INTO A CONTRACT THAT IS SUBJECT TO SUBTITLE 7 OF THIS TITLE AND THAT**  
20 **WOULD NOT HAVE BEEN APPROVED IF THE APPROVAL HAD BEEN REQUESTED,**  
21 **THE COMMISSIONER MAY ORDER THE INSURER TO CEASE AND DESIST**  
22 **IMMEDIATELY ANY FURTHER ACTIVITY UNDER THAT TRANSACTION OR**  
23 **CONTRACT.**

24           **(2) AFTER NOTICE AND AN OPPORTUNITY FOR HEARING, THE**  
25 **COMMISSIONER ALSO MAY ORDER THE INSURER TO VOID ANY CONTRACTS AND**  
26 **RESTORE THE STATUS QUO IF, IN THE COMMISSIONER'S JUDGMENT, THE**  
27 **ACTION IS IN THE BEST INTEREST OF THE POLICYHOLDERS, THE CREDITORS, OR**  
28 **THE PUBLIC.**

29 **7-805.**

30           **(A) If a person acquires or offers to acquire stock of an insurer or of an**  
31 **insurance holding company in violation of Subtitle 3 of this title, the following persons**  
32 **may petition a court of competent jurisdiction in the State for injunctive and other**  
33 **appropriate relief:**

34           (1) the issuer of the stock;

1           (2)     a stockholder of the issuer;

2           (3)     if the issuer is an insurance holding company, a stockholder of a  
3 subsidiary that is an insurer;

4           (4)     a stockholder of the insurer; or

5           (5)     the Commissioner.

6           **(B)     WHENEVER IT APPEARS TO THE COMMISSIONER THAT AN INSURER**  
7 **OR A DIRECTOR, AN OFFICER, AN EMPLOYEE, OR AN AGENT OF THE INSURER**  
8 **HAS COMMITTED OR IS ABOUT TO COMMIT A VIOLATION OF THIS TITLE OR OF**  
9 **ANY REGULATION OR ORDER OF THE COMMISSIONER UNDER THIS TITLE, THE**  
10 **COMMISSIONER MAY PETITION A COURT OF COMPETENT JURISDICTION IN THE**  
11 **STATE FOR AN ORDER ENJOINING THE INSURER OR THE DIRECTOR, OFFICER,**  
12 **EMPLOYEE, OR AGENT FROM VIOLATING OR CONTINUING TO VIOLATE THIS**  
13 **TITLE OR ANY REGULATION OR ORDER, AND FOR OTHER EQUITABLE RELIEF**  
14 **THAT THE NATURE OF THE CASE AND THE INTEREST OF THE INSURER'S**  
15 **POLICYHOLDERS, CREDITORS, AND SHAREHOLDERS OR THE PUBLIC MAY**  
16 **REQUIRE.**

17           **(C)     (1)     NO SECURITY THAT IS THE SUBJECT OF AN AGREEMENT OR**  
18 **ARRANGEMENT REGARDING ACQUISITION, OR THAT IS ACQUIRED OR TO BE**  
19 **ACQUIRED CONTRARY TO THIS TITLE OR ANY REGULATION OR ORDER OF THE**  
20 **COMMISSIONER UNDER THIS TITLE, MAY BE VOTED AT ANY SHAREHOLDER'S**  
21 **MEETING, OR MAY BE COUNTED FOR QUORUM PURPOSES, AND ANY ACTION OF**  
22 **SHAREHOLDERS REQUIRING THE AFFIRMATIVE VOTE OF A PERCENTAGE OF**  
23 **SHARES MAY BE TAKEN AS THOUGH THE SECURITIES WERE NOT ISSUED AND**  
24 **OUTSTANDING.**

25           **(2)     AN ACTION TAKEN AT THE MEETING MAY NOT BE**  
26 **INVALIDATED BY THE VOTING OF THE SECURITIES, UNLESS THE ACTION WOULD**  
27 **MATERIALLY AFFECT CONTROL OF THE INSURER OR UNLESS THE COURTS OF**  
28 **THIS STATE HAVE SO ORDERED.**

29           **(3)     IF AN INSURER OR THE COMMISSIONER HAS REASON TO**  
30 **BELIEVE THAT ANY SECURITY OF THE INSURER HAS BEEN OR IS ABOUT TO BE**  
31 **ACQUIRED CONTRARY TO THIS TITLE OR ANY REGULATION OR ORDER OF THE**  
32 **COMMISSIONER UNDER THIS TITLE, THE INSURER OR THE COMMISSIONER MAY**  
33 **PETITION A COURT OF COMPETENT JURISDICTION IN THE STATE:**

34           **(I)     TO ENJOIN ANY OFFER, REQUEST, INVITATION,**  
35 **AGREEMENT, OR ACQUISITION MADE CONTRARY TO SUBTITLE 4 OF THIS TITLE**

1 OR ANY REGULATION OR ORDER OF THE COMMISSIONER UNDER THAT  
2 SUBTITLE;

3 (II) TO ENJOIN THE VOTING OF ANY SECURITY SO  
4 ACQUIRED;

5 (III) TO VOID ANY VOTE OF THE SECURITY ALREADY CAST AT  
6 ANY MEETING OF SHAREHOLDERS; AND

7 (IV) FOR OTHER EQUITABLE RELIEF THAT THE NATURE OF  
8 THE CASE AND THE INTEREST OF THE INSURER'S POLICYHOLDERS, CREDITORS,  
9 AND SHAREHOLDERS OR THE PUBLIC MAY REQUIRE.

10 (D) (1) IN ANY CASE WHERE A PERSON HAS ACQUIRED OR IS  
11 PROPOSING TO ACQUIRE ANY VOTING SECURITIES IN VIOLATION OF THIS TITLE  
12 OR OF ANY REGULATION OR ORDER OF THE COMMISSIONER UNDER THIS TITLE,  
13 A COURT OF COMPETENT JURISDICTION IN THE STATE, ON NOTICE THAT THE  
14 COURT CONSIDERS APPROPRIATE, ON THE APPLICATION OF THE INSURER OR  
15 THE COMMISSIONER, MAY SEIZE OR SEQUESTER ANY VOTING SECURITIES OF  
16 THE INSURER OWNED DIRECTLY OR INDIRECTLY BY THE PERSON AND ISSUE AN  
17 ORDER APPROPRIATE TO CARRY OUT THIS TITLE.

18 (2) NOTWITHSTANDING ANY OTHER LAW, FOR THE PURPOSES OF  
19 THIS SECTION, THE LOCATION OF THE OWNERSHIP OF THE SECURITIES OF  
20 DOMESTIC INSURERS SHALL BE DEEMED TO BE IN THE STATE.

21 [7-807.

22 (a) A person may not willfully:

23 (1) violate a provision of this title or a regulation adopted by the  
24 Commissioner under this title; or

25 (2) in a document required to be filed under Subtitle 3 or Subtitle 6 of  
26 this title:

27 (i) make an untrue statement of a material fact; or

28 (ii) omit a material fact that is required in the document or that  
29 is necessary to make a statement in the document not misleading.

30 (b) A person that violates subsection (a) of this section is guilty of a  
31 misdemeanor and on conviction is subject to a fine not exceeding \$10,000 or  
32 imprisonment not exceeding 5 years, or both.]

1 **7-807.**

2           **(A) (1) WHENEVER IT APPEARS TO THE COMMISSIONER THAT ANY**  
3 **INSURER OR ANY DIRECTOR, OFFICER, EMPLOYEE, OR AGENT OF THE INSURER**  
4 **HAS COMMITTED A WILLFUL VIOLATION OF THIS TITLE, THE COMMISSIONER**  
5 **MAY INSTITUTE CRIMINAL PROCEEDINGS IN A COURT OF COMPETENT**  
6 **JURISDICTION AGAINST THE INSURER OR THE RESPONSIBLE DIRECTOR,**  
7 **OFFICER, EMPLOYEE, OR AGENT.**

8           **(2) ANY INSURER THAT WILLFULLY VIOLATES THIS TITLE MAY BE**  
9 **FINED IN ACCORDANCE WITH SUBSECTION (B) OF THIS SECTION.**

10           **(B) (1) ANY OFFICER, DIRECTOR, EMPLOYEE, OR AGENT OF AN**  
11 **INSURANCE HOLDING COMPANY SYSTEM WHO WILLFULLY AND KNOWINGLY**  
12 **SUBSCRIBES TO OR MAKES OR CAUSES TO BE MADE ANY FALSE STATEMENT,**  
13 **REPORT, OR FILING WITH THE INTENT TO DECEIVE THE COMMISSIONER IN THE**  
14 **PERFORMANCE OF THE COMMISSIONER'S DUTIES UNDER THIS ARTICLE IS**  
15 **GUILTY OF A MISDEMEANOR AND ON CONVICTION IS SUBJECT TO A FINE NOT**  
16 **EXCEEDING \$100,000 OR IMPRISONMENT NOT EXCEEDING 5 YEARS OR BOTH.**

17           **(2) ANY FINES IMPOSED UNDER THIS SECTION SHALL BE PAID BY**  
18 **THE OFFICER, DIRECTOR, EMPLOYEE, OR AGENT IN HIS OR HER INDIVIDUAL**  
19 **CAPACITY.**

20           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
21 January 1, 2014.