

# SENATE BILL 59

C3, C4

8lr0024

(PRE-FILED)

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

Requested: September 19, 2017

Introduced and read first time: January 10, 2018

Assigned to: Finance

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## A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Antifraud Plan Requirement – Application**

3 FOR the purpose of limiting the application of certain provisions of law relating to antifraud  
4 plans to authorized insurers that issue or deliver policies or certificates of insurance  
5 in the State; and generally relating to antifraud plans.

6 BY repealing and reenacting, with amendments,

7 Article – Insurance

8 Section 27–803

9 Annotated Code of Maryland

10 (2017 Replacement Volume)

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

13 **Article – Insurance**

14 27–803.

15 (a) (1) Each authorized insurer **THAT ISSUES OR DELIVERS POLICIES OR**  
16 **CERTIFICATES OF INSURANCE IN THE STATE** shall institute and maintain an insurance  
17 antifraud plan.

18 (2) Within 30 days after instituting or modifying an antifraud plan, the  
19 authorized insurer shall notify the Commissioner in writing.

20 (b) Each antifraud plan shall establish specific procedures to:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



- 1           (1)    prevent insurance fraud, including:
- 2                   (i)    internal fraud that involves the authorized insurer's employees  
3 or insurance producers;
- 4                   (ii)   fraud that results from misrepresentations on insurance  
5 applications; and
- 6                   (iii)   claims fraud;
- 7           (2)    report insurance fraud to appropriate law enforcement authorities;
- 8           (3)    cooperate with the prosecution of insurance fraud cases; and
- 9           (4)    report fraud-related data to the Commissioner and Fraud Division.
- 10          (c)    (1)    Each authorized insurer **THAT ISSUES OR DELIVERS POLICIES OR**  
11 **CERTIFICATES OF INSURANCE IN THE STATE** shall file its antifraud plan with the  
12 Commissioner.
- 13                  (2)    The Commissioner may review each antifraud plan to determine  
14 whether it complies with the requirements of this section.
- 15                  (3)    An antifraud plan is deemed approved unless disapproved by the  
16 Commissioner within 30 days after the date of filing.
- 17          (d)    (1)    If the Commissioner finds that an antifraud plan does not comply with  
18 the requirements of this section, the Commissioner shall disapprove the antifraud plan and  
19 send a notice of disapproval, including the reasons for disapproval, to the authorized  
20 insurer.
- 21                  (2)    If the Commissioner disapproves an antifraud plan, the authorized  
22 insurer shall submit a new antifraud plan to the Commissioner within 60 days after the  
23 date of disapproval.
- 24          (e)    During an examination under § 2-205 of this article, the Commissioner shall  
25 examine the authorized insurer's procedures to determine whether the authorized insurer  
26 is complying with its antifraud plan.
- 27          (f)    The Commissioner may withhold from public inspection any part of an  
28 antifraud plan for as long as the Commissioner considers the withholding to be in the public  
29 interest.
- 30          (g)    (1)    As part of an antifraud plan, an authorized insurer may require in  
31 writing that an individual who is receiving benefits under a disability insurance policy must  
32 affirm on a periodic basis that the individual:

1 (i) remains entitled to the benefits; and

2 (ii) has had no change in the condition entitling the individual to the  
3 benefits.

4 (2) An authorized insurer that requires the affirmation permitted under  
5 paragraph (1) of this subsection shall disclose to the individual who is receiving benefits  
6 that if the individual knowingly and willfully provides false information or knowingly and  
7 willfully fails to provide material information in connection with the individual's eligibility  
8 or continued eligibility for benefits under a disability insurance policy, the individual is  
9 guilty of a crime and may be subject to a fine and imprisonment.

10 (h) The Commissioner shall adopt regulations that establish minimum standards  
11 for antifraud plans required to be filed under this section.

12 (i) It is a violation of this subtitle if the Commissioner finds that an authorized  
13 insurer **THAT ISSUES OR DELIVERS POLICIES OR CERTIFICATES OF INSURANCE IN**  
14 **THE STATE** has failed to:

15 (1) file an antifraud plan;

16 (2) file a revised antifraud plan after disapproval by the Commissioner of  
17 the initial antifraud plan; or

18 (3) comply with the antifraud plan filed by the authorized insurer.

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
20 October 1, 2018.