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§3–121.1.

(a) (1) In this section the following words have the meanings indicated.

(2) "Mutual insurance holding company" means a nonstock corporation that:

(i) is incorporated in the State in accordance with a plan of reorganization adopted and approved under this section; and

(ii) is the parent of a reorganized stock insurer.

(3) "Reorganized stock insurer" means the stock corporation into which a mutual insurer is reorganized in accordance with a plan of reorganization adopted and approved under this section.

(b) Subject to the provisions of this section and in accordance with a plan of reorganization approved by the Commissioner, a mutual insurer may:

(1) reorganize as a stock insurer; and

(2) establish a mutual insurance holding company.

(c) A plan of reorganization shall provide that:

(1) all of the initial shares of capital stock of the reorganized stock insurer shall be issued to the mutual insurance holding company.

(2) the mutual insurance holding company shall own a majority of:

(i) the voting shares of the capital stock of the reorganized stock insurer; and

(ii) the total market value of all outstanding shares of the capital stock of the reorganized stock insurer.

(3) the class of capital stock owned by the mutual insurance holding company shall have dividend rights no less favorable than the dividend rights of any other class of stock of the reorganized stock insurer, unless:

(i) at least two-thirds of the board of directors of the mutual insurance holding company determines that such a requirement is not in the best interests of the members; and

(ii) the determination of the board of directors is approved by the

Commissioner.

(4) in an initial public offering or initial private equity placement of stock, each eligible member of the mutual insurance holding company shall receive, without payment, nontransferable subscription rights to purchase stock, unless:

(i) at least two-thirds of the board of directors of the mutual insurance holding company determines that a subscription rights offering is not in the best interests of the members; and

(ii) the determination of the board of directors is approved by the Commissioner.

(5) (i) the following individuals may not acquire, by stock option or any other manner, the legal or beneficial ownership of any class of stock of the reorganized stock insurer for 6 months from the date of an initial public offering or initial private equity placement:

1. an officer or director of the mutual insurance holding company;

2. an officer or director of the reorganized stock insurer; and

3. any relative of an officer or director, who resides with the officer or director.

(ii) Notwithstanding subparagraph (i) of this paragraph, any individual who is a policyholder of the reorganized stock insurer may exercise subscription rights in accordance with paragraph (4) of this subsection.

(d) (1) Each policyholder of the reorganized stock insurer shall be a member of the mutual insurance holding company.

(2) On the effective date of the reorganization, the membership interests of a policyholder in the mutual insurer shall become nontransferable membership interests in the mutual insurance holding company.

(3) The plan of reorganization shall provide the terms and conditions under which future policyholders of the reorganized stock insurer shall become members of the mutual insurance holding company.

(4) At least two-thirds of those members of the board of directors of the mutual insurance holding company who are eligible or qualified to purchase a policy from the reorganized stock insurer, shall be members of the mutual insurance holding company.

(e) (1) Except as provided in paragraph (2) of this subsection, each policy of the mutual insurer in effect on the effective date of the reorganization shall remain in

effect in accordance with its terms and conditions.

(2) The following rights and obligations under the policy of the mutual insurer shall be void as of the effective date of the reorganization:

(i) voting rights of policyholders;

(ii) except as to the holder of a participating policy, a right of a policyholder to share in the surplus or profits of the insurer; and

(iii) assessment provisions.

(3) A reorganized stock insurer shall continue to pay dividends to the holder of a participating policy that was in force on the effective date of the reorganization, in accordance with the methodology or formula used by the mutual insurer before the reorganization.

(f) The reorganized stock insurer shall have:

(1) paid-in capital stock not less than the minimum paid-in capital required of a domestic stock insurer that:

(i) transacts like kinds of insurance business; and

(ii) started business in the State on the date the mutual insurer received its original certificate of authority in the State; and

(2) surplus funds not less than 100% of the required capital.

(g) (1) The plan of reorganization shall be:

(i) approved by the vote of a majority of the board of directors of the mutual insurer; and

(ii) submitted to a meeting of members and approved by the vote of at least three-fourths of the members who vote on the plan of reorganization in person, by proxy, or by mail.

(2) Notice of the time, place, and purpose of the meeting of members shall be provided in the manner approved by the Commissioner.

(h) The plan of reorganization shall be submitted to the Commissioner for approval at least 60 days before the effective date of the reorganization, together with:

(1) the proposed articles of incorporation and bylaws of the mutual insurance holding company;

(2) the amendments to the articles of incorporation and bylaws of the mutual insurer to reorganize as a stock insurer;

(3) a 5-year plan of operation for the mutual insurance holding company and the reorganized stock insurer, including any plans for:

(i) an initial public offering of stock in the reorganized stock insurer; or

(ii) the transfer of assets or liabilities from the reorganized stock insurer or any subsidiaries of the reorganized stock insurer to the mutual insurance holding company;

(4) a list of the officers and directors of the mutual insurance holding company and the reorganized stock insurer;

(5) a biography of each officer and director of the mutual insurance holding company and the reorganized stock insurer; and

(6) any other documents or information requested by the Commissioner.

(i) (1) Unless disapproved by the Commissioner, a plan of reorganization is approved:

(i) on written notice from the Commissioner; or

(ii) 60 days after the plan and all information required under this section and under any regulations adopted in accordance with this section are submitted to the Commissioner.

(2) (i) Subject to subparagraph (ii) of this paragraph, the Commissioner shall approve the plan of reorganization if the plan of reorganization:

1. complies with this section; and

2. is equitable to the mutual insurer's members.

(ii) In approving a plan of reorganization, the Commissioner may impose additional conditions and requirements that the Commissioner determines are necessary to achieve the purposes of this section.

(3) At the expense of the mutual insurer, the Commissioner may retain a qualified expert who is not a part of the staff of the Commissioner to assist in reviewing the plan of reorganization.

(4) After written notice to the mutual insurer, the Commissioner may hold a hearing on whether the plan of reorganization:

(i) complies with this section; and

(ii) is equitable to the mutual insurer's members.

(j) (1) A mutual insurance holding company is subject to Title 7 of this article.

(2) The Commissioner may require the mutual insurance holding company to file annual statements with the Commissioner in the same manner as an insurer.

(3) The articles of incorporation and any amendments to such articles of the mutual insurance holding company are subject to the approval of the Commissioner in the same manner as those of an insurer.

(k) Compliance with the requirements for a plan of reorganization under this section exempts a mutual insurance holding company from the requirements of Title 7, Subtitle 3 of this article for the purpose of acquiring control of the reorganized stock insurer.

(l) (1) A mutual insurance holding company:

(i) may not dissolve or liquidate except through proceedings under Title 9 of this article; and

(ii) shall be a party to any proceeding under Title 9 of this article involving a reorganized stock insurer that is a subsidiary of the mutual insurance holding company.

(2) In any proceeding under Title 9 involving a reorganized stock insurer that is a subsidiary of a mutual insurance holding company, the assets of the mutual insurance holding company shall be deemed to be assets of the estate of the reorganized stock insurer for purposes of satisfying the claims of the reorganized stock insurer's policyholders.

(m) A mutual insurance holding company may become a stock insurer in accordance with § 3-121 of this subtitle.

(n) The Commissioner may adopt regulations to enforce this section.

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