

BY: Economic Matters Committee

AMENDMENTS TO HOUSE BILL NO. 1236

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, at the top of the page, insert "EMERGENCY BILL"; strike line 2 in its entirety and substitute "Mutual Insurers - Conversion to Stock Insurers"; strike beginning with "establishing" in line 4 down through "companies" in line 16 and substitute "repealing the mandatory hearing requirement before the Maryland Insurance Commissioner may approve a conversion plan under certain circumstances; requiring a conversion plan to include certain provisions concerning a holder of a surplus note participating in the conversion under certain circumstances; requiring the Commissioner to approve or disapprove a conversion plan within a certain period of time; authorizing the Commissioner to retain a certain qualified expert under certain circumstances; authorizing the Commissioner to hold a hearing on a conversion plan under certain circumstances; authorizing the board of directors of a certain mutual insurer to petition the Commissioner for a certain waiver under certain circumstances; authorizing the Commissioner to waive certain requirements as to a certain mutual insurer under certain circumstances; authorizing the Commissioner to adopt certain regulations concerning the conversion of a mutual insurer under certain circumstances; making this Act an emergency measure; and generally relating to the conversion of a mutual insurer to a stock insurer"; in line 17, after "repealing" insert "and reenacting, with amendments,"; and strike in their entirety lines 23 through 29, inclusive.

AMENDMENT NO. 2

On page 2, in line 2, strike the bracket; in line 4, strike "after a hearing"; after line 13, insert:

"(4) THE PLAN PROVIDES AS TO ANY HOLDER OF A SURPLUS NOTE PARTICIPATING IN THE CONVERSION THAT:

(I) THE RIGHTS OF THE HOLDER SHALL BE GOVERNED BY THE TERMS OF THE SURPLUS NOTE; OR

(Over)

(II) IF THE TERMS OF THE SURPLUS NOTE ARE SILENT REGARDING A CONVERSION AND THE HOLDER IS NOT ALSO A MEMBER, THE HOLDER MAY NOT VOTE ON THE PLANNED CONVERSION; “;

in lines 14, 20, 23, 29, 32, and 38, strike “(4)”, “(5)”, “(6)”, “(7)”, “(8)”, and “(9)”, respectively, and substitute “(5)”, “(6)”, “(7)”, “(8)”, “(9)”, and “(10)”, respectively; in line 23, strike “(5)” and substitute “(6)”; and in line 28, strike “(4)” and substitute “(5)”.

On page 3, in line 4, strike the bracket.

AMENDMENT NO. 3

On page 3, after line 4, insert:

“(C) WITHIN 60 DAYS OF THE FILING OF A PLAN THAT CONTAINS ALL OF THE INFORMATION REQUIRED UNDER THIS SECTION AND ANY REGULATIONS ADOPTED UNDER THIS SECTION, THE COMMISSIONER SHALL APPROVE OR DISAPPROVE THE PLAN.

(D) AT THE EXPENSE OF THE MUTUAL INSURER, THE COMMISSIONER MAY RETAIN ANY QUALIFIED EXPERT WHO IS NOT A PART OF THE STAFF OF THE COMMISSIONER TO ASSIST IN REVIEWING THE PLAN.

(E) AFTER WRITTEN NOTICE TO THE MUTUAL INSURER AND ANY OTHER INTERESTED PERSON, THE COMMISSIONER MAY HOLD A HEARING ON WHETHER THE TERMS OF THE PLAN COMPLY WITH THIS SECTION.

(F) (1) IF A MUTUAL INSURER IS INSOLVENT OR, IN THE JUDGMENT OF THE COMMISSIONER, IS IN A HAZARDOUS FINANCIAL CONDITION, THE BOARD OF DIRECTORS OF THE MUTUAL INSURER, BY A MAJORITY VOTE, MAY REQUEST BY A PETITION AS PROVIDED UNDER PARAGRAPH (2) OF THIS SUBSECTION THAT THE COMMISSIONER WAIVE THE REQUIREMENTS CONCERNING NOTICE TO, AND APPROVAL BY, POLICYHOLDERS OF THE PLANNED CONVERSION.

(2) THE PETITION BY THE BOARD OF DIRECTORS SHALL SPECIFY:

(I) THE METHOD AND BASIS FOR ISSUANCE OF THE SHARES OF CAPITAL STOCK OF THE CONVERTED STOCK INSURER TO AN INDEPENDENT PARTY IN CONNECTION WITH AN INVESTMENT BY THE INDEPENDENT PARTY IN AN AMOUNT SUFFICIENT TO RESTORE THE CONVERTED STOCK INSURER TO SOUND FINANCIAL CONDITION; AND

(II) IF THE COMMISSIONER FINDS THAT THE VALUE OF THE MUTUAL INSURER IS INSUFFICIENT TO WARRANT FINANCIAL CONSIDERATION, THAT THE CONVERSION SHALL BE ACCOMPLISHED WITHOUT FINANCIAL CONSIDERATION TO PAST, PRESENT, OR FUTURE POLICYHOLDERS.

(3) (I) BY WRITTEN ORDER, THE COMMISSIONER MAY WAIVE THE REQUIREMENTS OF SUBSECTION (B)(2) OF THIS SECTION IF THE COMMISSIONER FINDS THAT THE MUTUAL INSURER NO LONGER MEETS STATUTORY REQUIREMENTS WITH RESPECT TO CAPITAL, SURPLUS, DEPOSITS, OR ASSETS.

(II) ANY FINDING THAT RESULTS IN A WAIVER UNDER THIS PARAGRAPH SHALL BE MADE AFTER:

1. REVIEW OF THE PLAN; AND

2. A. AN AUDIT OF THE MUTUAL INSURER'S QUARTERLY OR ANNUAL FINANCIAL STATEMENT; OR

B. A FINANCIAL EXAMINATION OF THE MUTUAL INSURER.

(G) THE COMMISSIONER MAY ADOPT REGULATIONS TO ENFORCE THE PROVISIONS OF THIS SECTION.”.

On pages 3 through 15, strike in their entirety the lines beginning with line 5 on page 3 through line 9 on page 15, inclusive.

(Over)

AMENDMENT NO. 4

On page 15, strike in their entirety lines 10 and 11, and substitute:

“SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency measure, is necessary for the immediate preservation of the public health and safety, has been passed by a ye and nay vote supported by three-fifths of all the members elected to each of the two Houses of the General Assembly, and shall take effect from the date it is enacted.”.