

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1318 (Delegate Donoghue)
Economic Matters

Referred to Finance

Insurance Regulation - Domestic Mutual Companies and Stock Companies

This amended emergency bill authorizes, subject to the approval of the Insurance Commissioner, a domestic mutual insurance company to acquire or form a subsidiary insurance holding company.

The bill also eliminates the maximum interest rate allowed for loans or advances to a mutual insurer to enable it to comply with a surplus requirement or any other requirement of law. Subject to the approval of the Insurance Commissioner, a loan or advance and any interest agreed on is payable only out of realized earned surplus in excess of its minimum required surplus. Under current law, the maximum interest rate is 6% per year and is payable only out of the surplus remaining after providing for all reserves and other liabilities. The bill repeals the prohibition against a commission or promotion expense being paid in connection with such loans or advances to a stock insurer or mutual insurer.

The bill also specifies that voting on a plan for a merger or consolidation of domestic mutual insurance companies may be by proxy or by mail. Under current law, the vote must be made in person.

Fiscal Summary

State Effect: None. The bill would not substantively change the operations or finances of the Maryland Insurance Administration.

Local Effect: None.

Small Business Effect: None. The bill would not directly affect small businesses.

Information Source(s): Maryland Insurance Administration, Department of Fiscal Services

Fiscal Note History: First Reader - February 28, 1997
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