

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

House Bill 979 (Delegate Busch)

Economic Matters

Insurance - Regulation of Extraordinary Dividends and Distributions

This bill alters the circumstances under which a dividend or distribution is considered extraordinary to include any dividend or distribution when combined with the fair market value of any other dividends or distributions made in the preceding 12 months that exceeds the lesser of 10% of the insurer's surplus or: (1) for a life insurer, the insurer's net gain from operations, with certain exclusions; or (2) for all other insurers, the insurer's net investment income, with certain exclusions.

The bill applies to dividends or distributions declared and paid on or after January 1, 2001.

Fiscal Summary

State Effect: The bill would not substantively change State activities or operations.

Local Effect: None.

Small Business Effect: Minimum.

Analysis

Current Law: An extraordinary dividend includes any dividend or distribution when combined with the dividends or distributions of the preceding 12 months that exceeds 10% of the insurer's surplus.

A domestic insurer that is part of an insurance holding company system may not pay an extraordinary dividend or make any other extraordinary distribution to its shareholders

unless: (1) the insurer provides notice of the declaration to the Insurance Commissioner at least 30 days before the declaration is made; and (2) the Commissioner has approved or not disapproved the declaration within 30 days following the notice.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 29, 2000

mld/jr Revised - Enrolled Bill - May 2, 2000

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