

# SENATE BILL 936

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71r2706  
CF HB 487

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By: **Senators Klausmeier, Astle, Edwards, Garagiola, Kittleman, Middleton,  
and Pugh**

Introduced and read first time: February 26, 2007

Assigned to: Rules

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## A BILL ENTITLED

1 AN ACT concerning

2 **Nonprofit Health Service Plans – Boards of Directors – Term Limits and**  
3 **Compensation**

4 FOR the purpose of altering the number of terms and the total number of years that  
5 may be served by a member of the board of directors of a nonprofit health  
6 service plan; altering the amount and type of compensation that may be  
7 received by a board member; requiring the Maryland Insurance Commissioner  
8 to make a certain review in a certain manner about the amount of compensation  
9 to be paid to board members; requiring the Commissioner to submit a certain  
10 report to certain committees of the General Assembly on or before a certain date  
11 each year; altering the requirement that a certain corporation report certain  
12 information to the Commissioner; and generally relating to the boards of  
13 directors of nonprofit health service plans.

14 BY repealing and reenacting, with amendments,  
15 Article – Insurance  
16 Section 14–115(e)(6) and (g)  
17 Annotated Code of Maryland  
18 (2006 Replacement Volume and 2006 Supplement)

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

21 **Article – Insurance**

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 14-115.

2 (e) (6) A member may not serve for more than:

3 (i) [two] **THREE** full terms; or

4 (ii) a total of more than [6] **9** years.

5 (g) (1) [Excluding reimbursement for ordinary and necessary expenses, a  
6 board member, in any calendar year, may receive compensation not to exceed:

7 (i) \$15,000 for the chairman of the board or a board member  
8 who is the chairman of a committee; or

9 (ii) \$12,000 for a board member who is not the chairman of the  
10 board or a board committee.]

11 (I) **BOARD MEMBERS MAY RECEIVE THE FOLLOWING**  
12 **COMPENSATION:**

13 **1. REIMBURSEMENT FOR ORDINARY AND**  
14 **NECESSARY EXPENSES; AND**

15 **2. AN AMOUNT OF BASE COMPENSATION AND**  
16 **COMPENSATION FOR ATTENDANCE AT MEETINGS DETERMINED BY THE**  
17 **COMMISSIONER IN ACCORDANCE WITH SUBPARAGRAPH (II) OF THIS**  
18 **PARAGRAPH.**

19 (II) **THE COMMISSIONER AT LEAST ANNUALLY SHALL**  
20 **REVIEW THE AMOUNT OF BASE COMPENSATION AND COMPENSATION FOR**  
21 **ATTENDANCE AT MEETINGS TO BE PAID TO BOARD MEMBERS.**

22 (III) **IN EVALUATING THE FAIRNESS AND REASONABLENESS**  
23 **OF THE PROPOSED COMPENSATION, THE COMMISSIONER SHALL TAKE INTO**  
24 **ACCOUNT THE COMPENSATION PAID TO MEMBERS OF THE BOARDS OF OTHER**  
25 **NONPROFIT HEALTH SERVICE PLANS, INSURERS, AND BLUECROSS**  
26 **BLUESHIELD PLANS OF A SIMILAR SIZE.**

27 (IV) **ON OR BEFORE JANUARY 1 OF EACH YEAR, THE**  
28 **COMMISSIONER SHALL REPORT, IN ACCORDANCE WITH § 2-1246 OF THE STATE**

1 **GOVERNMENT ARTICLE, THE RESULTS OF THE REVIEW UNDER SUBPARAGRAPH**  
2 **(II) OF THIS PARAGRAPH TO THE SENATE FINANCE COMMITTEE AND THE**  
3 **HOUSE HEALTH AND GOVERNMENT OPERATIONS COMMITTEE.**

4 (2) A board member may not receive more than the amount specified  
5 in paragraph (1) of this subsection for serving on more than one board of a corporation  
6 subject to this section.

7 (3) (i) This paragraph applies to a corporation that is:

8 1. issued a certificate of authority as a nonprofit health  
9 service plan; and

10 2. the sole member of a corporation issued a certificate of  
11 authority as a nonprofit health service plan.

12 (ii) [On or before March 1, 2004, and annually thereafter, a  
13 corporation subject to this paragraph shall report to the Commissioner on the amount  
14 of the ordinary and necessary expenses paid to each board member in the preceding  
15 calendar year.] **ON OR BEFORE JUNE 30 OF EACH CALENDAR YEAR, A**  
16 **CORPORATION SUBJECT TO THIS PARAGRAPH SHALL REPORT TO THE**  
17 **COMMISSIONER ON:**

18 **1. THE TOTAL AMOUNT OF BASE COMPENSATION,**  
19 **COMPENSATION FOR ATTENDANCE AT MEETINGS, AND REIMBURSEMENT FOR**  
20 **ORDINARY AND NECESSARY EXPENSES PAID TO EACH BOARD MEMBER IN THE**  
21 **PRECEDING CALENDAR YEAR; AND**

22 **2. THE PROPOSED ANNUAL COMPENSATION,**  
23 **TOGETHER WITH NECESSARY SUPPORTING DOCUMENTATION, TO BE PAID TO**  
24 **BOARD MEMBERS FOR THE NEXT CALENDAR YEAR.**

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
26 October 1, 2007.