

SENATE BILL 437

C3

EMERGENCY BILL

5lr2616
CF 5lr1381

By: **Senator Middleton**

Introduced and read first time: February 6, 2015

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Nonprofit Health Service Plans – Hearing and Order – Impact of Law or**
3 **Regulatory Action by Another State**

4 FOR the purpose of requiring, instead of authorizing, the Maryland Insurance
5 Commissioner to hold a certain hearing relating to the impact of a law of another
6 state on a nonprofit health service plan operating in this State; authorizing the
7 Commissioner to conduct an examination instead of holding a hearing; adding a
8 regulatory action by another state to the circumstances that require the
9 Commissioner to hold a hearing or conduct an examination; adding a requirement
10 by another state that a nonprofit health service plan operating in this State
11 distribute or reduce its surplus to the circumstances that require the Commissioner
12 to hold a hearing or conduct an examination; authorizing an order issued by the
13 Commissioner to include certain actions; prohibiting a nonprofit health service plan
14 from distributing or reducing its surplus under certain circumstances except with
15 certain approval of the Commissioner; making certain conforming changes; making
16 this Act an emergency measure; and generally relating to the impact of a law or
17 regulatory action by another state on a nonprofit health service plan operating in
18 this State and actions by the Maryland Insurance Commissioner.

19 BY repealing and reenacting, with amendments,
20 Article – Insurance
21 Section 14–124
22 Annotated Code of Maryland
23 (2011 Replacement Volume and 2014 Supplement)

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

26 **Article – Insurance**

27 14–124.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (a) (1) The Commissioner may conduct any investigation or hearing that the
2 Commissioner considers necessary to enforce this subtitle.

3 (2) In conducting a hearing or investigation under this section, the
4 Commissioner has the same powers with respect to nonprofit health service plans as are
5 granted to the Commissioner under Titles 2 and 4 of this article with respect to any other
6 activity regulated under this article.

7 (3) If another state enacts a law **OR TAKES A REGULATORY ACTION** that
8 requires a nonprofit health service plan operating in this State to provide a program or
9 benefits for the residents of the other state **OR TO DISTRIBUTE OR REDUCE ITS SURPLUS**
10 **ON THE GROUNDS THAT THE SURPLUS IS EXCESSIVE IN WHOLE OR IN PART**, the
11 Commissioner [may] **SHALL** hold a quasi-legislative hearing or a hearing under Title 2 of
12 this article **OR CONDUCT AN EXAMINATION** to review and evaluate the impact of the law
13 **OR REGULATORY ACTION** on the nonprofit health service plan, including the impact on:

14 (i) surplus;

15 (ii) premium rates for policies issued or delivered in this State; and

16 (iii) solvency.

17 (4) Based on the review and evaluation under paragraph (3) of this
18 subsection, the Commissioner shall determine whether the impact on the nonprofit health
19 service plan is harmful to the interests of subscribers covered by policies issued or delivered
20 in this State.

21 (5) (i) If the Commissioner determines the program or benefits for the
22 residents of another state **OR THE SURPLUS DISTRIBUTION OR REDUCTION** have an
23 impact on the nonprofit health service plan that is harmful to the interests of subscribers
24 covered by policies issued or delivered in this State, the Commissioner shall issue an
25 appropriate order to protect the subscribers.

26 (ii) The order issued under subparagraph (i) of this paragraph may
27 include:

28 1. a prohibition on the nonprofit health service plan
29 subsidizing the program or benefits for the residents of another state through:

30 [1.] **A.** premiums charged to subscribers under policies
31 issued or delivered in this State; or

32 [2.] **B.** use of any surplus earned through policies issued or
33 delivered in this State;

1 **2. A PROHIBITION ON THE NONPROFIT HEALTH SERVICE**
2 **PLAN DISTRIBUTING OR REDUCING ITS SURPLUS FOR THE BENEFIT OF RESIDENTS**
3 **OF ANOTHER STATE; OR**

4 **3. ANY OTHER ACTION THE COMMISSIONER CONSIDERS**
5 **NECESSARY TO PROTECT THE INTERESTS OF THE SUBSCRIBERS COVERED BY**
6 **POLICIES ISSUED OR DELIVERED IN THIS STATE.**

7 **(6) A NONPROFIT HEALTH SERVICE PLAN MAY NOT DISTRIBUTE OR**
8 **REDUCE ITS SURPLUS UNDER A LAW OR REGULATORY ACTION THE IMPACT OF**
9 **WHICH IS SUBJECT TO A HEARING OR AN EXAMINATION UNDER PARAGRAPH (3) OF**
10 **THIS SUBSECTION, EXCEPT WITH THE APPROVAL OF THE COMMISSIONER AFTER**
11 **THE HEARING IS HELD OR THE EXAMINATION IS CONDUCTED.**

12 (b) The Commissioner may adopt regulations to carry out this subtitle.

13 (c) The Commissioner may commence a delinquency proceeding against a
14 corporation operating under this subtitle for any of the reasons set forth in § 9–211(a) and
15 (b) of this article.

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