

# SENATE BILL 532

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CF HB 529

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By: **Senators Klausmeier, Beidle, Benson, Feldman, Hayes, and Reilly**

Introduced and read first time: February 4, 2019

Assigned to: Finance

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## A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Formation of Domestic Insurers – Number of Directors**

3 FOR the purpose of reducing the minimum number of members that a certain type of  
4 domestic insurance company is required to have on its board of directors; and  
5 generally relating to the formation of a domestic insurance company.

6 BY repealing and reenacting, with amendments,

7 Article – Insurance

8 Section 3–103

9 Annotated Code of Maryland

10 (2017 Replacement Volume and 2018 Supplement)

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

12 That the Laws of Maryland read as follows:

13 **Article – Insurance**

14 3–103.

15 (a) A domestic insurer may be formed for insurance purposes under Title 2 of the  
16 Corporations and Associations Article.

17 (b) A domestic insurer may be formed either as a mutual insurer or stock insurer,  
18 as stated in its articles of incorporation.

19 (c) (1) Each policyholder of a domestic mutual insurer, other than a holder of  
20 a reinsurance contract, is a member of the mutual insurer, with each right and obligation  
21 of membership.

22 (2) Each policy shall state the provisions of paragraph (1) of this  
23 subsection.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(3) Any person, government, governmental unit, state, or political subdivision may be a member of a domestic, foreign, or alien mutual insurer.

3 (4) An officer, stockholder, trustee, or legal representative of a member;

4 (i) may be recognized as acting in a representative capacity for or  
5 on behalf of the member for the purpose of the membership; and

6 (ii) is not personally liable on the insurance contract for acting in  
7 that representative capacity.

10 (d) (1) Each member of a domestic mutual insurer is entitled to one vote, or to  
11 the number of votes the bylaws provide, based on:

12 (i) the insurance in force;

13 (ii) the number of policies held; or

14 (iii) the amount of premium paid.

15 (2) Only the policyholder under a group policy is a member of the mutual  
16 insurer and is entitled to vote at the meetings of the mutual insurer.

17 (e) (1) [The] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS  
18 SUBSECTION, THE board of directors of a domestic insurer shall have at least nine  
19 members.

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
25 October 1, 2019.