

Chapter 688

(House Bill 1616)

AN ACT concerning

Mutual Insurance Holding Companies – Conversion to Mutual Insurers

FOR the purpose of authorizing a mutual insurance holding company to convert its mutual insurance holding company system to a mutual insurer on adoption and approval of a plan of conversion; establishing certain requirements related to the plan of conversion and its submission to the Maryland Insurance Commissioner for approval; and generally relating to the conversion of mutual insurance holding companies to mutual insurers.

BY repealing and reenacting, without amendments,

Article – Insurance

Section 3–121.1(a)

Annotated Code of Maryland

(2017 Replacement Volume and 2025 Supplement)

BY repealing and reenacting, with amendments,

Article – Insurance

Section 3–121.1(l) and (m)

Annotated Code of Maryland

(2017 Replacement Volume and 2025 Supplement)

BY adding to

Article – Insurance

Section 3–121.2

Annotated Code of Maryland

(2017 Replacement Volume and 2025 Supplement)

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

Article – Insurance

3–121.1.

(a) (1) In this section the following words have the meanings indicated.

(2) “Mutual insurance holding company” means a nonstock corporation
that:(i) is incorporated in the State in accordance with a plan of
reorganization adopted and approved under this section; and

(ii) is the parent of a reorganized stock insurer.

(3) “Reorganized stock insurer” means the stock corporation into which a mutual insurer is reorganized in accordance with a plan of reorganization adopted and approved under this section.

(l) (1) A mutual insurance holding company:

(i) may not dissolve or liquidate except through proceedings under Title 9 of this article **OR IN ACCORDANCE WITH § 3–121.2 OF THIS SUBTITLE**; and

(ii) shall be a party to any proceeding under Title 9 of this article involving a reorganized stock insurer that is a subsidiary of the mutual insurance holding company.

(2) In any proceeding under Title 9 involving a reorganized stock insurer that is a subsidiary of a mutual insurance holding company, the assets of the mutual insurance holding company shall be deemed to be assets of the estate of the reorganized stock insurer for purposes of satisfying the claims of the reorganized stock insurer’s policyholders.

(m) A mutual insurance holding company may become a stock insurer in accordance with § 3–121 of this subtitle **OR A MUTUAL INSURER IN ACCORDANCE WITH § 3–121.2 OF THIS SUBTITLE**.

3–121.2.

(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) “MUTUAL INSURANCE HOLDING COMPANY” MEANS A NONSTOCK CORPORATION THAT:

(I) IS INCORPORATED IN THE STATE IN ACCORDANCE WITH A PLAN OF REORGANIZATION ADOPTED AND APPROVED UNDER § 3–121.1 OF THIS SUBTITLE; AND

(II) IS THE PARENT OF A REORGANIZED STOCK INSURER.

(3) “REORGANIZED STOCK INSURER” MEANS THE STOCK CORPORATION INTO WHICH A MUTUAL INSURER IS REORGANIZED IN ACCORDANCE WITH A PLAN OF REORGANIZATION ADOPTED AND APPROVED UNDER § 3–121.1 OF THIS SUBTITLE.

(B) A MUTUAL INSURANCE HOLDING COMPANY THAT, DIRECTLY OR INDIRECTLY, OWNS 100% OF THE CAPITAL STOCK OF A REORGANIZED STOCK INSURER MAY CONVERT ITS MUTUAL INSURANCE HOLDING COMPANY SYSTEM INTO A MUTUAL INSURER IN ACCORDANCE WITH A PLAN OF CONVERSION ADOPTED AND APPROVED UNDER THIS SECTION.

(C) A PLAN OF CONVERSION SHALL PROVIDE THAT:

(1) ON THE EFFECTIVE DATE OF THE CONVERSION, THE MEMBERSHIP INTERESTS IN THE MUTUAL INSURANCE HOLDING COMPANY SHALL BECOME NONTRANSFERABLE MEMBERSHIP INTERESTS IN THE CONVERTED MUTUAL INSURER;

(2) FUTURE POLICYHOLDERS OF THE CONVERTED MUTUAL INSURER SHALL BE MEMBERS OF THE CONVERTED MUTUAL INSURER;

(3) ON THE EFFECTIVE DATE OF THE CONVERSION, EACH POLICY OF THE REORGANIZED STOCK INSURER SHALL REMAIN IN EFFECT AND MAY BE ENDORSED;

(4) THE SHARES OF THE REORGANIZED STOCK INSURER AND ANY INTERMEDIATE STOCK HOLDING COMPANY SHALL BE RETIRED;

(5) THE MUTUAL INSURANCE HOLDING COMPANY AND ANY INTERMEDIATE STOCK HOLDING COMPANY SHALL BE DISSOLVED BY FILING ARTICLES OF DISSOLUTION WITH THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION; AND

(6) THE CONVERTED MUTUAL INSURER SHALL HAVE SURPLUS FUNDS THAT ARE REASONABLY ADEQUATE FOR THE SECURITY OF ITS POLICYHOLDERS.

(D) (1) A PLAN OF CONVERSION SHALL BE:

(I) APPROVED BY THE VOTE OF A MAJORITY OF THE BOARD OF DIRECTORS OF THE MUTUAL INSURANCE HOLDING COMPANY AND ANY INTERMEDIATE STOCK HOLDING COMPANY;

(II) SUBMITTED TO A MEETING OF MEMBERS OF THE MUTUAL INSURANCE HOLDING COMPANY; AND

(III) APPROVED BY THE VOTE OF AT LEAST 75% OF THE MEMBERS WHO VOTE ON THE PLAN OF CONVERSION IN PERSON, BY PROXY, OR BY MAIL.

(2) NOTICE OF THE TIME, PLACE, AND PURPOSE OF THE MEETING OF MEMBERS REQUIRED UNDER PARAGRAPH (1)(II) OF THIS SUBSECTION SHALL BE PROVIDED IN THE MANNER APPROVED BY THE COMMISSIONER.

(E) A PLAN OF CONVERSION SHALL BE SUBMITTED TO THE COMMISSIONER FOR APPROVAL AT LEAST 60 DAYS BEFORE THE EFFECTIVE DATE OF THE CONVERSION, TOGETHER WITH:

(1) AMENDMENTS TO THE ARTICLES OF INCORPORATION AND BYLAWS OF THE REORGANIZED STOCK INSURER NECESSARY TO CONVERT TO A MUTUAL INSURER;

(2) A 5-YEAR PLAN OF OPERATION FOR THE CONVERTED MUTUAL INSURER, INCLUDING ANY PLANS FOR THE TRANSFER OF ASSETS OR LIABILITIES FROM THE MUTUAL INSURANCE HOLDING COMPANY OR ANY INTERMEDIATE HOLDING COMPANY TO THE CONVERTED MUTUAL INSURER;

(3) A LIST OF THE OFFICERS AND DIRECTORS OF THE CONVERTED MUTUAL INSURER;

(4) A BIOGRAPHICAL AFFIDAVIT OF EACH OFFICER AND DIRECTOR OF THE CONVERTED MUTUAL INSURER; AND

(5) ANY OTHER DOCUMENTS OR INFORMATION REQUESTED BY THE COMMISSIONER.

(F) (1) UNLESS DISAPPROVED BY THE COMMISSIONER, A PLAN OF CONVERSION IS APPROVED:

(I) ON WRITTEN NOTICE FROM THE COMMISSIONER; OR

(II) 60 DAYS AFTER THE DATE THAT THE PLAN AND ALL INFORMATION REQUIRED UNDER THIS SECTION AND UNDER ANY REGULATION ADOPTED IN ACCORDANCE WITH THIS SECTION ARE SUBMITTED TO THE COMMISSIONER.

(2) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE COMMISSIONER SHALL APPROVE THE PLAN OF CONVERSION IF THE PLAN:

1. COMPLIES WITH THIS SECTION; AND

2. IS EQUITABLE TO THE MEMBERS OF THE MUTUAL INSURANCE HOLDING COMPANY AND THE POLICYHOLDERS OF THE REORGANIZED STOCK INSURER.

(II) IN APPROVING A PLAN OF CONVERSION, THE COMMISSIONER MAY IMPOSE ADDITIONAL CONDITIONS AND REQUIREMENTS THAT THE COMMISSIONER DETERMINES ARE NECESSARY TO ACHIEVE THE PURPOSES OF THIS SECTION.

(III) ON WRITTEN NOTICE TO THE MUTUAL INSURANCE HOLDING COMPANY, THE COMMISSIONER MAY HOLD A HEARING NECESSARY TO DETERMINE IF THE PLAN OF CONVERSION MEETS THE REQUIREMENTS OF THIS PARAGRAPH.

(3) THE COMMISSIONER MAY RETAIN, AT THE EXPENSE OF THE MUTUAL INSURANCE HOLDING COMPANY, A QUALIFIED EXPERT WHO IS NOT A PART OF THE COMMISSIONER'S STAFF TO ASSIST IN REVIEWING THE PLAN OF CONVERSION.

(G) THE COMMISSIONER MAY ADOPT REGULATIONS TO CARRY OUT THIS SECTION.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2026.

Approved by the Governor, May 26, 2026.