

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 982
Finance

(Senator McCray)

Mutual Insurance Holding Companies - Conversion to Mutual Insurers

This bill authorizes a “mutual insurance holding company” that, directly or indirectly, owns 100% of the capital stock of a reorganized stock insurer to convert its mutual insurance holding company system into a mutual insurer in accordance with a plan of conversion adopted and approved under the provisions set forth in the bill. The Insurance Commissioner may adopt regulations to implement the bill.

Fiscal Summary

State Effect: Special fund expenditures and revenues for the Maryland Insurance Administration (MIA) increase correspondingly, resulting in no net impact to MIA finances, to the extent that MIA retains an expert to assist in reviewing any plan of conversion under the bill and is subsequently reimbursed, as discussed below.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary:

Definitions

A “mutual insurance holding company” means a nonstock corporation that is incorporated in the State in accordance with a plan of reorganization, as specified, and is the parent of a reorganized stock insurer.

A “reorganized stock insurer” means the stock corporation into which a mutual insurer is reorganized in accordance with a plan of reorganization, as specified in current law.

Plan of Conversion

A plan of conversion must be submitted to the Commissioner for approval at least 60 days prior to the effective date of the conversion. A plan of conversion must provide that:

- on the effective date of the conversion, the membership interests in the mutual insurance holding company must become nontransferable membership interests in the converted mutual insurer;
- future policy holders of the converted mutual insurer will become members of the converted mutual insurer;
- on the effective date of the conversion, each policy of the reorganized stock insurer must remain in effect and may be endorsed;
- the shares of the reorganized stock insurer and any intermediate stock holding company must be retired;
- the mutual insurance holding company and any intermediate stock holding company will be dissolved by filing article of dissolution with the State Department of Assessments and Taxation; and
- the converted mutual insurer must have surplus funds that are reasonably adequate for the security of its policyholders.

The plan of conversion must be submitted to a meeting of members of the mutual insurance holding company and subject to review and approval by: (1) a majority of the board of directors and any intermediate stock holding company; (2) three-fourths of the members of the mutual insurer voting on the reorganization; and (3) the Commissioner. Notice of the time, place and purpose of the meeting of members required to approve a plan of conversion must be provided in the manner approved by the Commissioner.

In addition to a plan of conversion, a mutual insurance holding company must submit the following to MIA:

- amendments to the articles of incorporation and bylaws of the reorganized stock insurer necessary to convert the mutual insurer;
- a five year plan of operation for the converted mutual insurer, as specified;
- a list of the officers and directors of the converted mutual insurer;
- a biographical affidavit of each officer and director of the converted mutual insurer; and
- any other documents or information requested by MIA.

The Commissioner may retain, at the expense of the company, an expert to review the reorganization plan. The Commissioner may also hold a hearing on whether the plan complies with the provisions of the bill and is equitable to the mutual insurer's members.

Approval of a Plan of Conversion

Unless disapproved by the Commissioner, a plan of conversion is approved upon written notice from the Commissioner or 60 days after the date that the plan and all information required by the bill, or additional regulations, has been submitted. The Commissioner must approve the plan of conversion if it complies with the provisions of the bill and is equitable to the mutual insurer's members. In approving a reorganization plan, the Commissioner may impose additional requirements and conditions.

Current Law: A mutual insurer in the State is authorized to reorganize as a stock insurer and establish a mutual insurance holding company to hold the capital stock of the reorganized stock insurer. Any such reorganization must be completed in accordance with a plan of reorganization approved by the Commissioner.

More specifically, the reorganization is subject to review and approval by a majority of the board of directors, three-fourths of the members of the mutual insurer voting on the reorganization, and the Commissioner. The Commissioner may retain, at the expense of the insurer, an expert to review the reorganization plan. The Commissioner may also hold a hearing on whether the plan complies with the provisions of the bill and is equitable to the mutual insurer's members.

The Commissioner must approve the reorganization plan if it complies with the provisions of the bill and is equitable to the mutual insurer's members. In approving a reorganization plan, the Commissioner may impose additional requirements and conditions.

State Fiscal Effect: The bill authorizes MIA to retain, at the expense of the mutual insurance holding company, a qualified expert to assist in reviewing the company's plan of conversion. This analysis assumes that any such expert contracts with MIA and that MIA is reimbursed for its expenses by the company. Accordingly, special fund expenditures and revenues may increase correspondingly in any fiscal year in which MIA chooses to retain such an expert; however, any such impact cannot be reliably estimated at this time.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1616 (Delegate Rogers) - Judiciary.

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

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