

Chapter 234

(Senate Bill 532)

AN ACT concerning

Insurance – Formation of Domestic Insurers – Number of Directors

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

BY repealing and reenacting, with amendments,
Article – Insurance
Section 3–103
Annotated Code of Maryland
(2017 Replacement Volume and 2018 Supplement)

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

Article – Insurance

3–103.

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

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

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

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

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

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

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

(ii) is not personally liable on the insurance contract for acting in

that representative capacity.

(5) A Maryland corporation may participate as a member of a mutual insurer incidentally to the purpose for which the corporation is organized.

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

- (i) the insurance in force;
- (ii) the number of policies held; or
- (iii) the amount of premium paid.

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

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

(2) THE BOARD OF DIRECTORS OF A DOMESTIC FINANCIAL GUARANTY INSURANCE COMPANY THAT IS PROHIBITED FROM ISSUING NEW POLICIES OF FINANCIAL GUARANTY INSURANCE SHALL HAVE AT LEAST FIVE MEMBERS.

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

Approved by the Governor, April 30, 2019.