

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article - Insurance

§3-121.

(a) A domestic mutual insurer may become a stock insurer under a plan and procedure that is approved by the Commissioner ~~after a hearing~~.

(b) The Commissioner may not approve a plan or procedure for conversion of a mutual insurer to a stock insurer unless:

(1) the plan or procedure is equitable to the insurer's members;

(2) the plan is subject to approval by vote of at least three-fourths of the insurer's current members who vote on the plan in person, by proxy, or by mail at a meeting of members called for that purpose under reasonable notice and procedure approved by the Commissioner;

(3) for a life insurer, the right to vote may be limited to members who hold policies, other than term or group policies, that have been in force for at least 1 year;

(4) THE PLAN PROVIDES AS TO ANY HOLDER OF A SURPLUS NOTE PARTICIPATING IN THE CONVERSION THAT:

(I) THE RIGHTS OF THE HOLDER SHALL BE GOVERNED BY THE TERMS OF THE SURPLUS NOTE; OR

(II) IF THE TERMS OF THE SURPLUS NOTE ARE SILENT REGARDING A CONVERSION AND THE HOLDER IS NOT ALSO A MEMBER, THE HOLDER MAY NOT VOTE ON THE PLANNED CONVERSION;

(4) (5) the equity of each policyholder in the insurer:

(i) is determinable under a fair formula approved by the Commissioner; and

(ii) is based on not less than the insurer's entire surplus, minus contributed or borrowed surplus funds, plus a reasonable present equity in reserves and in all nonadmitted assets;

(5) (6) all current policyholders and all persons that were policyholders of the insurer within 3 years before the date the plan was submitted to the Commissioner are entitled to participate in the purchase of stock or distribution of assets;

(6) (7) the plan gives to each policyholder specified in item (5) (6) of this subsection a preemptive right:

(i) within a designated reasonable period, to acquire the policyholder's proportionate part of all of the proposed capital stock of the insurer; and