



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 159

PRINTERS NO. 145

PRIME SPONSOR: Kampf

### COST / (SAVINGS)

FUND	FY 2014/15	FY 2015/16
General Fund	\$0	\$0

#### SUMMARY:

House Bill 159 amends Title 40 (Insurance) concerning medical professional liability reciprocal exchange-to-stock conversion. It would take effect in 60 days.

#### ANALYSIS:

This legislation adds a new chapter, proposed as Chapter 35, Medical Professional Liability Reciprocal Exchange-to-Stock Conversion, to Title 40 (Insurance). A reciprocal insurance exchange is a private unincorporated insurer that consists of members who insure each other through the payment of premiums and share the risk of loss. A stock insurance company is a corporation with stockholders that participate in the gains and losses of the corporation. A mutual insurance company is an insurance company owned entirely by its policyholders. Any profits earned by a mutual insurance company are rebated to policyholders in the form of dividend distributions or reduced future premiums. The Insurance Company Law of 1921 prescribes the process for a mutual insurance company to convert its structure to a stock insurance company. A reciprocal exchange, which is very similar to a mutual insurer, is not provided the same option. This legislation will allow a medical malpractice reciprocal insurance exchange to convert to a stock company under a similar process, subject to the approval of the Insurance Commissioner. This process must include a vote in which at least two-thirds of the reciprocal insurance exchange's subscriber's advisory committee votes in favor of the conversion.

#### FISCAL IMPACT:

Enactment of this legislation will have no adverse impact on Commonwealth funds.

**PREPARED BY:** Jeff Miller  
House Appropriations Committee (R)

**DATE:** February 2, 2015

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*