

By Representative Thrasher

1                           A bill to be entitled  
2           An act relating to mutual insurance holding  
3           companies; creating a new part III of chapter  
4           628, F.S.; providing definitions; prohibiting  
5           certain stock transfers; providing application;  
6           providing for formation of mutual insurance  
7           holding companies; specifying requirements for  
8           a plan of reorganization; prohibiting payment  
9           of dividends; providing for mergers and  
10          acquisitions of mutual insurance holding  
11          companies; providing providing for filing and  
12          amending articles of incorporation; providing  
13          for bylaws; providing for directors; requiring  
14          notice of a change in director; providing for  
15          membership; providing for distribution of a  
16          member's share upon liquidation; providing for  
17          applicability; providing for conversion of a  
18          mutual insurance holding company to a stock  
19          holding company; providing an effective date.

20  
21 Be It Enacted by the Legislature of the State of Florida:

22  
23           Section 1. Parts III and IV of chapter 628, Florida  
24 Statutes, are redesignated as parts IV and V, respectively,  
25 and a new part III, consisting of sections 628.701, 628.703,  
26 628.705, 628.707, 628.709, 628.711, 628.713, 628.715, 628.717,  
27 628.719, 628.721, 628.723, 628.725, 628.727, 628.729, 628.731,  
28 and 628.733, Florida Statutes, is created to read:

29                           PART III

30                           MUTUAL INSURANCE HOLDING COMPANIES

31

1           628.701 Scope.--This part applies only to domestic  
2 mutual insurance holding companies.

3           628.703 For purposes of this part:

4           (1) "Mutual insurance holding company" means an  
5 incorporated entity without permanent capital stock that is  
6 organized under this part and whose members are determined in  
7 accordance with this part.

8           (2) "Subsidiary insurance company" means stock  
9 insurance company, the majority of the voting shares of the  
10 capital stock of which are at all times owned by a mutual  
11 insurance holding company. For purposes of this part,  
12 "majority of the voting shares of the capital stock" means  
13 shares of the capital stock of such company which carry the  
14 right to cast a majority of the votes entitled to be cast by  
15 all of the outstanding shares of the capital stock for the  
16 election of directors. The ownership of a majority of the  
17 voting shares of the capital stock of a reorganized insurance  
18 company which are required by this part to be at all times  
19 owned by a mutual insurance holding company includes indirect  
20 ownership through one or more intermediate holding companies.  
21 However, indirect ownership through one or more intermediate  
22 holding companies shall not result in a mutual insurance  
23 holding company owning less than the equivalent of a majority  
24 of the voting shares of the capital stock of the reorganized  
25 insurance company.

26           (3) "Intermediate holding company" means a holding  
27 company which is a subsidiary of a mutual insurance holding  
28 company, and which directly or through a subsidiary  
29 intermediate holding company owns a majority of the voting  
30 shares of the capital stock of one or more subsidiary  
31 insurance companies.

1           628.705 Prohibition of stock transfers.--  
2           (1) The voting shares of the capital stock of a  
3 subsidiary insurance company, which are required by this part  
4 in order to maintain a majority of the voting shares, are to  
5 be at all times owned by a mutual insurance holding company or  
6 one or more intermediate holding companies and the voting  
7 shares of the capital stock of any intermediate holding  
8 company, which are necessary to satisfy such ownership  
9 requirement through indirect ownership, shall not be conveyed,  
10 transferred, assigned, pledged, subjected to a security  
11 interest or lien, encumbered, or otherwise hypothecated or  
12 alienated by the mutual insurance holding company or any  
13 intermediate holding company. Any conveyance, transfer,  
14 assignment, pledge, security interest, lien, encumbrance, or  
15 hypothecation or alienation of, in, or on such voting shares  
16 of capital stock is in violation of this section and shall be  
17 void in inverse chronological order of the date of such  
18 conveyance, transfer, assignment, pledge, security interest,  
19 lien, encumbrance, or hypothecation or alienation, as to such  
20 shares of capital stock. The shares of the capital stock of  
21 the surviving or new company resulting from a merger or  
22 consolidation of two or more subsidiary insurance companies or  
23 two or more intermediate holding companies which were  
24 subsidiaries of the same mutual insurance holding company are  
25 subject to the same requirements, restrictions, and  
26 limitations as provided in this section to which the shares of  
27 the merging or consolidating reorganized insurance companies  
28 or intermediate holding companies were subject by this section  
29 prior to the merger or consolidation.  
30           (2) Voting shares of the capital stock of a subsidiary  
31 insurance company or an intermediate holding company which are

1 issued or sold to directors, officers, or employees as part of  
2 an employee stock dividend plan or as part of a plan of  
3 compensation are not to be considered as part of the majority  
4 of shares required to be owned by the mutual insurance holding  
5 company under subsection (1).

6 628.707 Applicability of general corporation  
7 statutes.--The applicable statutes of this state relating to  
8 the powers and procedures of domestic private corporations  
9 formed for profit shall apply to domestic mutual insurance  
10 holding companies, except:

11 (1) A mutual insurance holding company shall be  
12 organized exclusively under this act and shall be a mutual  
13 company without capital stock.

14 (2) The articles of incorporation of the mutual  
15 insurance holding company, and any amendment to such articles  
16 or restatement of such articles shall be subject to the  
17 approval of the department for compliance with the provisions  
18 of this act prior to filing with the Department of State, and  
19 shall contain the name of the mutual insurance holding  
20 company, which shall include the word "Mutual."

21 (3) The provisions of chapter 617 shall be deemed to  
22 be incorporated into this part to govern a mutual insurance  
23 holding company to the extent that this act and the insurance  
24 code are silent with respect to the articles of incorporation,  
25 bylaws, organization, members, directors, or other matters  
26 relating to a mutual insurance holding company.

27 (4) Nothing in this part shall be construed to require  
28 that a mutual insurance holding company be governed by part II  
29 of chapter 625.

30 (5) In the case of the reorganization of any mutual  
31 insurance company organized as a nonprofit corporation under

1 chapter 617, a mutual insurance holding company organized  
2 under this part shall be deemed to be a nonprofit corporation.

3 628.709 Formation of a mutual insurance holding  
4 company.--

5 (1) A domestic mutual insurance company may, pursuant  
6 to a plan of reorganization, reorganize as a mutual insurance  
7 holding company system that must consist of a mutual insurance  
8 holding company and one or more controlled subsidiaries and  
9 which may consist of one or more intermediate stock holding  
10 companies and other subsidiaries. The reorganization may be  
11 effected by the organization of one or more companies,  
12 amendment or restatement of the articles of incorporation and  
13 bylaws of one or more companies, transfer of assets and  
14 liabilities among two or more companies, issuance, acquisition  
15 or transfer of capital stock of one or more companies, or  
16 merger or consolidation of two or more companies. On and after  
17 the effective date of a plan of reorganization, the mutual  
18 insurance holding company shall at all times have the power,  
19 directly or indirectly, to cast at least a majority of the  
20 votes for the election of the board of directors of each  
21 controlled subsidiary and any intermediate stock holding  
22 company.

23 (2) All of the initial shares of the capital stock of  
24 the insurance company which reorganized as a subsidiary  
25 insurance company shall be issued either to the mutual  
26 insurance holding company, or to an intermediate holding  
27 company which is wholly owned by the mutual insurance holding  
28 company. This restriction does not preclude the subsequent  
29 issuance of additional shares of stock by the subsidiary  
30 insurance company so long as the mutual insurance holding  
31 company at all times owns directly or through one or more

1 intermediate holding companies, a majority of the voting  
2 shares of the capital stock of the subsidiary insurance  
3 company. The membership interests of the policyholders of the  
4 subsidiary insurance company shall become membership interests  
5 in the mutual insurance holding company. Policyholders of the  
6 subsidiary insurance company which was formerly the mutual  
7 insurer shall be members of the mutual insurance holding  
8 company in accordance with the articles of incorporation and  
9 bylaws of the mutual insurance holding company. Policyholders  
10 of any other subsidiary insurance company of the mutual  
11 insurance holding company shall not be members of the mutual  
12 insurance holding company unless they are policyholders of a  
13 subsidiary which was a mutual insurer which merged with the  
14 holding company pursuant to s. 628.715.

15 628.711 Plan of reorganization.--

16 (1) A plan of reorganization shall include the  
17 following provisions:

18 (a) A description of the structure of the mutual  
19 insurance holding company system consistent with the  
20 requirements therefor set forth in this act.

21 (b) A description of the qualifications for membership  
22 in and the rights of members of the mutual insurance holding  
23 company consistent with the requirements therefor set forth in  
24 this act.

25 (c) A description of the transactions, and parties to  
26 such transactions, that will effect the reorganization,  
27 including, but not limited to, transfer and assumption of  
28 policies, contracts, assets, and liabilities.

29 (d) A description of corporate restructuring and other  
30 corporate transactions that will effect the reorganization,  
31 including, but not limited to, organization of companies,

1 amendment or restatement of articles of incorporation or  
2 bylaws, and mergers and consolidations.

3 (e) A description of those persons who shall serve as  
4 directors and officers of the mutual insurance holding  
5 company, its intermediate stock holding companies, if any, its  
6 controlled subsidiaries, and other subsidiaries as of the  
7 effective date of the reorganization. The initial directory  
8 shall be the directors of the mutual insurance company who  
9 shall have terms concurrent with the terms as directors of the  
10 reorganized mutual insurance company unless otherwise  
11 specified in the plan.

12 (f) A representation that, following the  
13 reorganization, the material terms and conditions of  
14 indemnification or coverage of policyholders of the mutual  
15 insurance company shall remain in full force and effect under  
16 policies transferred to and assumed by one or more  
17 subsidiaries of the mutual insurance holding company or  
18 retained by a mutual insurance company that has reorganized  
19 either as a mutual insurance holding company that elects to  
20 write insurance or a stock subsidiary.

21 (g) A representation that, following the  
22 reorganization, the material terms and conditions of  
23 subordinated surplus notes and other contractual obligations,  
24 other than those arising under policies described in paragraph  
25 (f), of the mutual insurance company shall, subject to the  
26 rights of the mutual insurance company under applicable law,  
27 and to the extent such obligations are not otherwise satisfied  
28 or terminated in accordance with their terms or retained by a  
29 mutual insurance holding company or controlled subsidiary,  
30 remain in full force and effect upon the transfer of such  
31

1 obligations to, and assumption of such obligations by, one or  
2 more subsidiaries of the mutual insurance holding company.

3 (2) A plan of reorganization must be adopted by the  
4 board of directors of the mutual insurance company or, in the  
5 case of the formation of any intermediate stock insurance  
6 holding company that is not concurrent with the formation of  
7 the mutual insurance holding company, by the board of  
8 directors of the mutual insurance holding company.

9 (3) Following the adoption of a plan of  
10 reorganization, and prior to the meeting of the mutual  
11 insurance company members to approve the plan, the mutual  
12 insurance company shall submit to the department the  
13 following:

14 (a) The plan of reorganization, as adopted.

15 (b) The form of notice to be sent to the mutual  
16 insurance company members, informing them of their right to  
17 vote on the plan of reorganization.

18 (c) The form of proxy statement to be sent to the  
19 mutual insurance company members, informing them of their  
20 right to vote by proxy on the plan of reorganization, and  
21 describing the plan.

22 (d) The form of proxy to be sent to the mutual  
23 insurance company members to solicit their vote on the plan of  
24 reorganization.

25 (e) Proposed articles of incorporation, merger, or  
26 consolidation, restatements of or amendments to articles of  
27 incorporation or bylaws, and plans of merger or consolidation,  
28 with respect to each entity to be organized, reorganized or  
29 otherwise subject to such action under the plan of  
30 reorganization.

31



1       (4) Within 90 days after the department receives a  
2 submission hereunder, the department shall either approve the  
3 submission or shall inform the applicant of revisions or  
4 modifications required to conform the submission to the  
5 express requirements of this act or to the applicable  
6 provisions of chapter 628 not inconsistent with the provisions  
7 of this act, or to provide sufficient information to members  
8 of the mutual insurance company entitled to vote on the plan  
9 of reorganization.

10       (5)(a) A plan of reorganization adopted by the board  
11 of directors of the applicant may be:

12           1. Amended by the board of directors of the applicant  
13 in response to the comments or recommendations of the  
14 department, or any other state or federal agency or  
15 governmental entity, before any solicitation of proxies from  
16 members of the mutual insurance company to vote on the plan of  
17 reorganization, or at any time with the consent of the  
18 department, except that any material amendment after the  
19 members' approval shall require the members' approval; or

20           2. Terminated by the board of directors of the  
21 applicant at any time before members of the mutual insurance  
22 company vote on the plan of reorganization and, otherwise, at  
23 any time with the consent of the department.

24       (b) The plan of reorganization is approved upon the  
25 affirmative vote of at least a majority of the votes cast by  
26 members of the mutual insurance company, notwithstanding  
27 quorum or voting action requirements otherwise applicable to  
28 the mutual insurance company to the contrary.

29       (c) Within 30 days after members have approved the  
30 plan of reorganization, the applicant must file with the  
31

1 department the minutes of the meeting at which the plan of  
2 reorganization was approved.

3 628.713 Prohibition of dividends.--A mutual insurance  
4 holding company shall not be authorized to pay dividends or  
5 make distributions to mutual insurance holding company members  
6 except as may be expressly approved by the department. Neither  
7 the adoption nor the implementation of a plan of  
8 reorganization shall be deemed to give rise to any obligation  
9 by or on behalf of a mutual insurance company to make any  
10 distribution or payment to any member or policyholder, or to  
11 any other person, fund, or entity of any nature whatsoever, in  
12 connection with the ownership, control, benefits, policies,  
13 purpose, or nature of the mutual insurance company or  
14 otherwise, including, but not limited to, requirements imposed  
15 by the conversion and bulk reinsurance provisions of ss.  
16 628.441 and 628.491.

17 628.715 Merger and acquisitions.--Subject to  
18 applicable requirements of chapter 628, a mutual insurance  
19 holding company may:

20 (1)(a) Merge or consolidate with, or acquire the  
21 assets of, a mutual insurance holding company licensed  
22 pursuant to this act or any similar entity organization  
23 pursuant to laws of any other state;

24 (b) Either alone or together with one or more  
25 intermediate stock holding companies, or other subsidiaries,  
26 directly or indirectly acquire the stock of a stock insurance  
27 company or a mutual insurance company that reorganizes under  
28 this act or the law of its state of organization;

29 (c) Together with one or more of its stock insurance  
30 company subsidiaries, acquire the assets of a stock insurance  
31 company or a mutual insurance company;

1           (d) Acquire a stock insurance company through the  
2 merger of such stock insurance subsidiary with a stock  
3 insurance company or interim stock insurance company  
4 subsidiary of the mutual insurance holding company; or

5           (e) Acquire the stock or assets of any other person to  
6 the same extent as would be permitted for any not-for-profit  
7 corporation under chapter 617 or, if the mutual insurance  
8 holding company writes insurance, a mutual insurance company.

9           (2) A reorganization pursuant to this section is  
10 subject to the applicable procedures prescribed by the laws of  
11 this state applying to corporations formed for profit, except  
12 as otherwise provided in this subsection.

13           (a) The plan and agreement for merger shall be  
14 submitted to and approved by a majority of the members of each  
15 domestic mutual insurance holding company involved in the  
16 merger who vote either in person or by proxy thereon at  
17 meetings called for the purposes pursuant to such reasonable  
18 notice and procedure as has been approved by the department.

19           (b) No such merger shall be effectuated unless in  
20 advance thereof, the plan and agreement therefor have been  
21 filed with the department and approved by it. The department  
22 shall give such approval unless it finds such plan or  
23 agreement:

24           1. Is inequitable to the policyholders of any domestic  
25 insurer involved in the merger or the members of any domestic  
26 mutual insurance holding company involved in the merger; or

27           2. Would substantially reduce the security of and  
28 service to be rendered to policyholders of a domestic insurer  
29 in this state.

30           (c) All of the initial shares of the capital stock of  
31 the reorganized subsidiary insurance company shall be issued

1 either to the mutual insurance holding company, or to an  
2 intermediate holding company which is wholly owned by the  
3 mutual insurance holding company. The membership interests of  
4 the policyholders of the reorganized insurance company shall  
5 become membership interests in the mutual insurance holding  
6 company. Policyholders of the reorganized insurance company  
7 shall be members of the mutual insurance holding company in  
8 accordance with the articles of incorporation and bylaws of  
9 the mutual insurance holding company. The mutual insurance  
10 holding company shall at all times own a majority of the  
11 voting shares of the capital stock of the reorganized  
12 subsidiary insurance company.

13 628.717 Filing of articles of incorporation.--

14 (1) No mutual insurance holding company shall be  
15 formed unless its articles of incorporation are approved by  
16 the department prior to filing the same with and approval by  
17 the Department of State as provided by law.

18 (2) The department shall promptly examine the articles  
19 of incorporation; and, if it finds that the articles of  
20 incorporation comply with law, the department shall endorse  
21 its approval upon each of the originals, place one on file in  
22 its office, and return the remaining sets to the  
23 incorporators. The incorporators shall promptly file such  
24 endorsed articles of incorporation with the Department of  
25 State. The articles of incorporation shall be effective when  
26 filed with and approved by the Department of State.

27 628.719 Amendment of articles of incorporation.--

28 (1) A domestic mutual insurance holding company may  
29 amend its articles of incorporation by vote of a majority of  
30 those members present or represented by proxy at a lawful  
31

1 meeting of its members, if the notice given members included  
2 due notice of the proposal to amend.

3 (2)(a) Upon adoption of an amendment, the mutual  
4 insurance holding company shall make under its corporate seal  
5 a certificate thereof, setting forth the amendment and the  
6 date and manner of the adoption thereof, which certificate  
7 shall be executed by the mutual insurance holding company's  
8 president or vice president and secretary or assistant  
9 secretary and acknowledged before an officer authorized to  
10 take acknowledgments. The mutual insurance holding company  
11 shall deliver the originals of the certificate to the  
12 department.

13 (b) The department shall promptly examine the  
14 certificate of amendment, and, if the department finds that  
15 the certificate and the amendment comply with law, the  
16 department shall endorse its approval upon each of the  
17 originals, place one on file in its office, and return the  
18 remaining sets to the mutual insurance holding company. The  
19 mutual insurance holding company shall promptly file such  
20 endorsed certificates of amendment with the Department of  
21 State. The amendment shall be effective when filed with and  
22 approved by the Department of State.

23 628.721 Bylaws.--

24 (1) The initial board of directors of a domestic  
25 mutual insurance holding company shall adopt original bylaws,  
26 subject to the approval of the company's members at the next  
27 succeeding meeting.

28 (2) The bylaws shall provide:

29 (a) That each member is entitled to one vote upon each  
30 matter coming to a vote at meetings of members, or to more  
31 votes in accordance with a reasonable classification of

1 members as set forth in the bylaws and based upon the amount  
2 of insurance in force with the mutual insurance holding  
3 company's subsidiaries, or upon the amount of the premiums  
4 paid to the mutual insurance holding company's subsidiaries by  
5 such member, or upon other reasonable factors. If a person's  
6 membership is based upon that person holding an insurance  
7 policy from a life insurer, the right to vote may be limited  
8 to those members whose policies are other than term and group  
9 policies and have been in effect for more than 1 year. A  
10 member has the right to vote in person or by his written  
11 proxy. No such proxy shall be made irrevocable or for longer  
12 than a reasonable period of time.

13 (b) For the election of directors by the members and  
14 the number, qualifications, terms of office, and powers of the  
15 directors.

16 (c) The time, notice, quorum, and conduct of annual  
17 and special meetings of members and voting thereat. The bylaws  
18 may provide that the annual meeting shall be held at a place,  
19 date, and time to be set forth in the policy and without  
20 giving other notice of such meeting.

21 (d) The number, designation, election, terms, and  
22 powers and duties of the respective corporate officers.

23 (e) For deposit, custody, and disbursement of and  
24 accounting for corporate funds.

25 (f) That a quorum at all annual and special meetings  
26 of members will consist of all members present and voting in  
27 person or by proxy, after due notice of such meeting.

28 (g) For any other reasonable provisions customary,  
29 necessary, or convenient for the management or regulation of  
30 the company's corporate affairs, not inconsistent with law.

31

1           (3) The mutual insurance holding company shall  
2 promptly file with the department a copy, certified by the  
3 mutual insurance holding company's secretary, of its bylaws  
4 and of every modification thereof or addition thereto. The  
5 department shall promptly disapprove any bylaw provision  
6 deemed by it to be unlawful, unreasonable, inadequate, unfair,  
7 or detrimental to the proper interests or protection of the  
8 mutual insurance holding company's members or any class  
9 thereof. The insurer shall not, after receiving written notice  
10 of such disapproval and during the existence thereof,  
11 effectuate and bylaw provision disapproved.

12           628.723 Directors; number; election.--

13           (1) The affairs of every domestic mutual insurance  
14 holding company shall be managed by not less than five  
15 directors.

16           (2) Directors must be elected by the members of the  
17 mutual insurance holding company at the annual meeting of  
18 members. Directors may be elected for terms of not more than 5  
19 years each and until their successors are elected and have  
20 qualified, and, if to be elected for terms of more than 1  
21 year, the mutual insurance holding company's bylaws shall  
22 provide for a staggered-terms system under which the terms of  
23 a proportionate part of the members of the board of directors  
24 will expire on the date of each annual meeting of members.

25           (3) A majority of the directors must be citizens of  
26 the United States.

27           (4) If so provided in a mutual insurance holding  
28 company's bylaws, a director of such mutual insurance holding  
29 company must be a policyholder thereof.

30           628.725 Notice of change of director or officer.--A  
31 mutual insurance holding company shall give the department

1 written notice of any change of personnel among the directors  
2 or principal officers of the mutual insurance holding company  
3 within 45 days after such change. The written notice shall  
4 include all information necessary to allow the department to  
5 determine that the mutual insurance holding company's  
6 subsidiary stock insurers will be in compliance with s.  
7 624.404(3) and, at a minimum, shall contain information  
8 similar to the information required by s. 628.051(2)(b), (c),  
9 and (d) for directors of insurance companies.

10 628.727 Membership.--

11 (1) Membership in a mutual insurance holding company  
12 shall be determined in accordance with the mutual insurance  
13 holding company's articles of incorporation and bylaws and  
14 shall be based upon each member holding a policy of insurance  
15 with a subsidiary insurance company or subsidiary health  
16 service corporation. Group certificateholders may also be  
17 members of the mutual insurance holding company if specified  
18 in the bylaws.

19 (2) Any person, public or private corporation, board,  
20 association, firm, estate, trustee, or fiduciary may be a  
21 member of a domestic mutual insurance holding company.  
22 However, the state or any county or municipality may not  
23 participate as a member in the profits of any mutual insurance  
24 holding company.

25 (3) No member of a mutual insurance holding company  
26 may transfer membership or any right arising therefrom.

27 (4) A member of a mutual insurance holding company is  
28 not, as such, personally liable for the acts, debts,  
29 liabilities, or obligations of the company and may not be  
30 assessed by the directors of such company.

31



1           (5) A membership interest in a mutual insurance  
2 holding company shall not constitute a security as defined by  
3 s. 517.021.

4           628.729 Member's share of assets on liquidation.--

5           (1) Upon any liquidation of a domestic mutual  
6 insurance holding company, its assets remaining after  
7 discharge of its indebtedness, if any, and expenses of  
8 administration, shall be distributed to existing persons who  
9 were its members at any time within the 3-year period  
10 preceding the date such liquidation was authorized or ordered,  
11 or date of last termination of the insurer's certificate of  
12 authority, whichever date is earlier; except, if the  
13 department has reason to believe that those in charge of the  
14 management of the mutual insurance holding company have caused  
15 or encouraged the reduction of the number of members of the  
16 insurer in anticipation of liquidation and for the purpose of  
17 reducing thereby the number of persons who may be entitled to  
18 share in distribution of the insurer's assets, the department  
19 may enlarge the 5-year qualification period by such additional  
20 time as the department may deem to be reasonable.

21           (2) The distributive share of each such member shall  
22 be determined by a formula based upon such reasonable  
23 classifications of members as the department may approve.

24           628.731 Application of holding company statutes and  
25 regulations.--Each reorganized subsidiary insurance company  
26 shall be subject to the applicable laws and rules of this  
27 state relating to insurance holding company systems. A mutual  
28 insurance holding company may elect to write insurance or to  
29 not write insurance. A mutual insurance holding company that  
30 elects to not write insurance shall not be subject to  
31 provisions of chapter 628 or rules adopted thereunder with

1 respect to the writing of insurance or required capital or  
2 surplus. A mutual insurance holding company system shall be  
3 considered an insurance holding company system but shall not  
4 require separate approval under chapter 628 for an acquisition  
5 of controlling stock, ownership interest, assets, or control,  
6 or for a merger or consolidation, share exchange,  
7 organization, or reorganization of insurance companies, or  
8 other transaction with respect to any action approved pursuant  
9 to the provisions of this part.

10 628.733 Converting mutual insurance holding company.--

11 (1) A mutual insurance holding company may become a  
12 stock holding company under such plan and procedure as may be  
13 approved by the department.

14 (2) The department shall not approve any such plan and  
15 procedure unless:

16 (a) The plan and procedure is subject to approval by  
17 vote of not less than a majority of the company's current  
18 members voting thereon in person, by proxy, or by mail at a  
19 meeting of members called for the purpose pursuant to such  
20 reasonable notice and procedure as may be approved by the  
21 department.

22 (b) The corporate equity of each member is  
23 determinable under a fair formula approved by the department,  
24 which equity shall be based upon not more than the company's  
25 net assets.

26 (c) The persons entitled to participate in the  
27 distribution of stock shall include all current members and  
28 all existing persons who had been members within 3 years prior  
29 to the date such plan was submitted to the department.

30 (d) The plan calls for the distribution to each person  
31 as specified in paragraph (c) of capital stock or other

1 property of the stock holding company, using each person's  
2 equity as determined under paragraph (b).  
3 (e) The plan gives to each member as specified in  
4 paragraph (c) a preemptive right to acquire his or her  
5 proportionate part of all of the proposed capital stock of the  
6 mutual insurance holding company, within a designated  
7 reasonable period, and to apply upon the purchase thereof the  
8 amount of his equity as determined under paragraph (b).  
9 (f) Shares are so offered to policyholders at a price  
10 not greater than to be thereafter offered to others.  
11 (g) The plan provides for payment of cash to each  
12 member not electing to apply his or her equity towards the  
13 purchase price of stock to which he or she is preemptively  
14 entitled. The amount so paid shall be not less than 50 percent  
15 of the amount of his or her equity not so used for the  
16 purchase of stock. Such cash payment together with stock so  
17 purchased, if any, shall constitute full payment and discharge  
18 of the member's corporate equity in such mutual insurance  
19 holding company.

20 Section 2. This act shall take effect October 1, 1997.

21 \*\*\*\*\*

22 HOUSE SUMMARY

23 Provides for regulation of mutual insurance holding  
24 companies. Provides for formation, articles of  
25 incorporation, bylaws, directors, membership, conversion,  
26 merger, and liquidation of mutual insurance holding  
27 companies. See bill for details.