

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; providing for a  
9           public hearing; prohibiting payment of  
10          dividends; providing for mergers and  
11          acquisitions of mutual insurance holding  
12          companies; providing providing for filing and  
13          amending articles of incorporation; providing  
14          for bylaws; providing for directors; requiring  
15          notice of a change in director; providing for  
16          membership; providing for distribution of a  
17          member's share upon liquidation; providing for  
18          applicability; providing for conversion of a  
19          mutual insurance holding company to a stock  
20          holding company; providing an effective date.

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

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

30                                   PART III

31                                   MUTUAL INSURANCE HOLDING COMPANIES

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 former mutual  
18 reorganized insurance company which are required by this part  
19 to be at all times owned by a mutual insurance holding company  
20 includes indirect ownership through one or more intermediate  
21 holding companies. However, indirect ownership through one or  
22 more intermediate holding companies shall not result in a  
23 mutual insurance holding company owning less than the  
24 equivalent of a majority of the voting shares of the capital  
25 stock of the former mutual reorganized 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 former mutual reorganized  
28 insurance companies or intermediate holding companies were  
29 subject by this section prior to the merger or consolidation.  
30           (2) Voting shares of the capital stock of a subsidiary  
31 insurance company or the intermediate holding company may not

1 be acquired by any affiliated member of the holding company  
2 system except where the affiliated member of the mutual  
3 holding company system is the majority shareholder. Voting  
4 shares of the capital stock of a subsidiary insurance company  
5 or an intermediate holding company may be issued or sold to  
6 directors, officers, or employees as part of an employee stock  
7 dividend plan or as part of a plan of compensation and are not  
8 to be considered as part of compensation or part of the  
9 majority of shares to be owned by the mutual insurance company  
10 under subsection (1).

11 628.707 Applicability of general corporation  
12 statutes.--The applicable statutes of this state relating to  
13 the powers and procedures of domestic private corporations  
14 formed for profit shall apply to domestic mutual insurance  
15 holding companies, except:

16 (1) A mutual insurance holding company shall be  
17 organized exclusively under this act and shall be a mutual  
18 company without capital stock.

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

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

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

4           (5) In the case of the reorganization of any mutual  
5 insurance company organized as a nonprofit corporation under  
6 chapter 617, a mutual insurance holding company organized  
7 under this part shall be deemed to be a nonprofit corporation.

8           628.709 Formation of a mutual insurance holding  
9 company.--

10           (1) A domestic mutual insurance company, other than a  
11 mutual insurer that issued assessable policies as a mutual  
12 insurer and which held a certificate of authority in this  
13 state on July 1, 1997, may, pursuant to a plan of  
14 reorganization, reorganize as a mutual insurance holding  
15 company system that must consist of a mutual insurance holding  
16 company and one or more controlled subsidiaries and which may  
17 consist of one or more intermediate stock holding companies  
18 and other subsidiaries. The reorganization may be effected by  
19 the organization of one or more companies, amendment or  
20 restatement of the articles of incorporation and bylaws of one  
21 or more companies, transfer of assets and liabilities among  
22 two or more companies, issuance, acquisition or transfer of  
23 capital stock of one or more companies, or merger or  
24 consolidation of two or more companies. On and after the  
25 effective date of a plan of reorganization, the mutual  
26 insurance holding company shall at all times have the power,  
27 directly or indirectly, to cast at least a majority of the  
28 votes for the election of the board of directors of each  
29 controlled subsidiary and any intermediate stock holding  
30 company.

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1           (2) All of the initial shares of the capital stock of  
2 the insurance company which reorganized as a subsidiary  
3 insurance company shall be issued either to the mutual  
4 insurance holding company, or to an intermediate holding  
5 company which is wholly owned by the mutual insurance holding  
6 company. This restriction does not preclude the subsequent  
7 issuance of additional shares of stock by the subsidiary  
8 insurance company so long as the mutual insurance holding  
9 company at all times owns directly or through one or more  
10 intermediate holding companies, a majority of the voting  
11 shares of the capital stock of the subsidiary insurance  
12 company. The membership interests of the policyholders of the  
13 subsidiary insurance company shall become membership interests  
14 in the mutual insurance holding company. Policyholders of the  
15 subsidiary insurance company which was formerly the mutual  
16 insurer shall be members of the mutual insurance holding  
17 company in accordance with the articles of incorporation and  
18 bylaws of the mutual insurance holding company. Policyholders  
19 of any other subsidiary insurance company of the mutual  
20 insurance holding company shall not be members of the mutual  
21 insurance holding company unless they are policyholders of a  
22 subsidiary which was a mutual insurer which merged with the  
23 holding company pursuant to s. 628.715.

24           628.711 Plan of reorganization.--

25           (1) A plan of reorganization shall include the  
26 following provisions:

27           (a) A description of the structure of the mutual  
28 insurance holding company system consistent with the  
29 requirements therefor set forth in this act.

30           (b) A description of the qualifications for membership  
31 in and the rights of members of the mutual insurance holding

1 company consistent with the requirements therefor set forth in  
2 this act.

3 (c) A description of the transactions, and parties to  
4 such transactions, that will effect the reorganization,  
5 including, but not limited to, transfer and assumption of  
6 policies, contracts, assets, and liabilities.

7 (d) A description of corporate restructuring and other  
8 corporate transactions that will effect the reorganization,  
9 including, but not limited to, organization of companies,  
10 amendment or restatement of articles of incorporation or  
11 bylaws, and mergers and consolidations.

12 (e) A description of those persons who shall serve as  
13 directors and officers of the mutual insurance holding  
14 company, its intermediate stock holding companies, if any, its  
15 controlled subsidiaries, and other subsidiaries as of the  
16 effective date of the reorganization. The initial directory  
17 shall be the directors of the mutual insurance company who  
18 shall have terms concurrent with the terms as directors of the  
19 reorganized mutual insurance company unless otherwise  
20 specified in the plan.

21 (f) A representation that, following the  
22 reorganization, the material terms and conditions of  
23 indemnification or coverage of policyholders of the mutual  
24 insurance company shall remain in full force and effect under  
25 policies transferred to and assumed by one or more  
26 subsidiaries of the mutual insurance holding company or  
27 retained by a mutual insurance company that has reorganized  
28 either as a mutual insurance holding company that elects to  
29 write insurance or a stock subsidiary.

30 (g) A representation that, following the  
31 reorganization, the material terms and conditions of

1 subordinated surplus notes and other contractual obligations,  
2 other than those arising under policies described in paragraph  
3 (f), of the mutual insurance company shall, subject to the  
4 rights of the mutual insurance company under applicable law,  
5 and to the extent such obligations are not otherwise satisfied  
6 or terminated in accordance with their terms or retained by a  
7 mutual insurance holding company or controlled subsidiary,  
8 remain in full force and effect upon the transfer of such  
9 obligations to, and assumption of such obligations by, one or  
10 more subsidiaries of the mutual insurance holding company.

11 (2) A plan of reorganization must be adopted by the  
12 board of directors of the mutual insurance company or, in the  
13 case of the formation of any intermediate stock insurance  
14 holding company that is not concurrent with the formation of  
15 the mutual insurance holding company, by the board of  
16 directors of the mutual insurance holding company.

17 (3) Following the adoption of a plan of  
18 reorganization, and prior to the meeting of the mutual  
19 insurance company members to approve the plan, the mutual  
20 insurance company shall submit to the department the  
21 following:

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

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

26 (c) The form of proxy statement to be sent to the  
27 mutual insurance company members, informing them of their  
28 right to vote by proxy on the plan of reorganization, and  
29 describing the plan.

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1        (d) The form of proxy to be sent to the mutual  
2 insurance company members to solicit their vote on the plan of  
3 reorganization.

4        (e) Proposed articles of incorporation, merger, or  
5 consolidation, restatements of or amendments to articles of  
6 incorporation or bylaws, and plans of merger or consolidation,  
7 with respect to each entity to be organized, reorganized or  
8 otherwise subject to such action under the plan of  
9 reorganization.

10        (f) A proposed business plan for the 3 years following  
11 the date of the reorganization.

12        (g) An audited financial statement prepared on a  
13 statutory basis consistent with the Florida Insurance Code,  
14 including an actuarial opinion for the most recent calendar  
15 year ended, or a copy thereof, if the statement was previously  
16 filed with the department.

17        (4) The department may hold a public hearing to allow  
18 public comment on the plan of reorganization. Any hearing must  
19 be held within 30 days after receipt by the department of a  
20 completed plan of reorganization. The department may not  
21 approve a plan of reorganization unless it finds that it is  
22 fair and equitable to the members of the mutual insurance  
23 company. Ninety days after filing, the plan of reorganization  
24 shall be deemed approved unless it has previously been  
25 approved or disapproved by the department. The department  
26 shall inform the mutual insurer of the specific reasons for  
27 the disapproval of any plan of reorganization.

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

30            1. Amended by the board of directors of the applicant  
31 in response to the comments or recommendations of the

1 department, or any other state or federal agency or  
2 governmental entity, before any solicitation of proxies from  
3 members of the mutual insurance company to vote on the plan of  
4 reorganization, or at any time with the consent of the  
5 department, except that any material amendment after the  
6 members' approval shall require the members' approval; or

7 2. Terminated by the board of directors of the  
8 applicant at any time before members of the mutual insurance  
9 company vote on the plan of reorganization and, otherwise, at  
10 any time with the consent of the department.

11 (b) The plan of reorganization is approved upon the  
12 affirmative vote of at least a majority of the votes cast by  
13 members of the mutual insurance company, notwithstanding  
14 quorum or voting action requirements otherwise applicable to  
15 the mutual insurance company to the contrary.

16 (c) Within 30 days after members have approved the  
17 plan of reorganization, the applicant must file with the  
18 department the minutes of the meeting at which the plan of  
19 reorganization was approved.

20 628.713 Dividends.--A mutual insurance holding company  
21 shall not be authorized to pay dividends or make distributions  
22 to mutual insurance holding company members except as may be  
23 expressly approved by the department. Neither the adoption nor  
24 the implementation of a plan of reorganization shall be deemed  
25 to give rise to any obligation by or on behalf of a mutual  
26 insurance company to make any distribution or payment to any  
27 member or policyholder, or to any other person, fund, or  
28 entity of any nature whatsoever, in connection with the  
29 ownership, control, benefits, policies, purpose, or nature of  
30 the mutual insurance company or otherwise, including, but not

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1 limited to, requirements imposed by the conversion and bulk  
2 reinsurance provisions of ss. 628.441 and 628.491.

3 628.715 Merger and acquisitions.--Subject to  
4 applicable requirements of chapter 628, a mutual insurance  
5 holding company may:

6 (1)(a) Merge or consolidate with, or acquire the  
7 assets of, a mutual insurance holding company licensed  
8 pursuant to this act or any similar entity organization  
9 pursuant to laws of any other state;

10 (b) Either alone or together with one or more  
11 intermediate stock holding companies, or other subsidiaries,  
12 directly or indirectly acquire the stock of a stock insurance  
13 company or a mutual insurance company that reorganizes under  
14 this act or the law of its state of organization;

15 (c) Together with one or more of its stock insurance  
16 company subsidiaries, acquire the assets of a stock insurance  
17 company or a mutual insurance company;

18 (d) Acquire a stock insurance company through the  
19 merger of such stock insurance subsidiary with a stock  
20 insurance company or interim stock insurance company  
21 subsidiary of the mutual insurance holding company; or

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

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

30 (a) The plan and agreement for merger shall be  
31 submitted to and approved by a majority of the members of each

1 domestic mutual insurance holding company involved in the  
2 merger who vote either in person or by proxy thereon at  
3 meetings called for the purposes pursuant to such reasonable  
4 notice and procedure as has been approved by the department.

5 (b) No such merger shall be effectuated unless in  
6 advance thereof, the plan and agreement therefor have been  
7 filed with the department and approved by it. The department  
8 shall give such approval unless it finds such plan or  
9 agreement:

10 1. Is inequitable to the policyholders of any domestic  
11 insurer involved in the merger or the members of any domestic  
12 mutual insurance holding company involved in the merger; or

13 2. Would substantially reduce the security of and  
14 service to be rendered to policyholders of a domestic insurer  
15 in this state.

16 (c) All of the initial shares of the capital stock of  
17 the reorganized subsidiary insurance company shall be issued  
18 either to the mutual insurance holding company, or to an  
19 intermediate holding company which is wholly owned by the  
20 mutual insurance holding company. The membership interests of  
21 the policyholders of the reorganized insurance company shall  
22 become membership interests in the mutual insurance holding  
23 company. Policyholders of the reorganized insurance company  
24 shall be members of the mutual insurance holding company in  
25 accordance with the articles of incorporation and bylaws of  
26 the mutual insurance holding company. The mutual insurance  
27 holding company shall at all times own a majority of the  
28 voting shares of the capital stock of the reorganized  
29 subsidiary insurance company.

30 628.717 Filing of articles of incorporation.--  
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1           (1) No mutual insurance holding company shall be  
2 formed unless its articles of incorporation are approved by  
3 the department prior to filing the same with and approval by  
4 the Department of State as provided by law.

5           (2) The department shall promptly examine the articles  
6 of incorporation; and, if it finds that the articles of  
7 incorporation comply with law, the department shall endorse  
8 its approval upon each of the originals, place one on file in  
9 its office, and return the remaining sets to the  
10 incorporators. The incorporators shall promptly file such  
11 endorsed articles of incorporation with the Department of  
12 State. The articles of incorporation shall be effective when  
13 filed with and approved by the Department of State.

14           628.719 Amendment of articles of incorporation.--

15           (1) A domestic mutual insurance holding company may  
16 amend its articles of incorporation by vote of a majority of  
17 those members present or represented by proxy at a lawful  
18 meeting of its members, if the notice given members included  
19 due notice of the proposal to amend.

20           (2)(a) Upon adoption of an amendment, the mutual  
21 insurance holding company shall make under its corporate seal  
22 a certificate thereof, setting forth the amendment and the  
23 date and manner of the adoption thereof, which certificate  
24 shall be executed by the mutual insurance holding company's  
25 president or vice president and secretary or assistant  
26 secretary and acknowledged before an officer authorized to  
27 take acknowledgments. The mutual insurance holding company  
28 shall deliver the originals of the certificate to the  
29 department.

30           (b) The department shall promptly examine the  
31 certificate of amendment, and, if the department finds that

1 the certificate and the amendment comply with law, the  
2 department shall endorse its approval upon each of the  
3 originals, place one on file in its office, and return the  
4 remaining sets to the mutual insurance holding company. The  
5 mutual insurance holding company shall promptly file such  
6 endorsed certificates of amendment with the Department of  
7 State. The amendment shall be effective when filed with and  
8 approved by the Department of State.

9 628.721 Bylaws.--

10 (1) The initial board of directors of a mutual  
11 insurance holding company shall adopt original bylaws, subject  
12 to the approval of the company's members at the next  
13 succeeding meeting.

14 (2) The bylaws shall provide:

15 (a) That each member is entitled to one vote upon each  
16 matter coming to a vote at meetings of members, or to more  
17 votes in accordance with a reasonable classification of  
18 members as set forth in the bylaws and based upon the amount  
19 of insurance in force with the mutual insurance holding  
20 company's subsidiaries, or upon the amount of the premiums  
21 paid to the mutual insurance holding company's subsidiaries by  
22 such member, or upon other reasonable factors. If a person's  
23 membership is based upon that person holding an insurance  
24 policy from a life insurer, the right to vote may be limited  
25 to those members whose policies are other than term and group  
26 policies and have been in effect for more than 1 year. A  
27 member has the right to vote in person or by his written  
28 proxy. No such proxy shall be made irrevocable or for longer  
29 than a reasonable period of time.

1           (b) For the election of directors by the members and  
2 the number, qualifications, terms of office, and powers of the  
3 directors.

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

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

11           (e) For deposit, custody, and disbursement of and  
12 accounting for corporate funds.

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

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

19           (3) The mutual insurance holding company shall file  
20 within 30 days with the department a copy, certified by the  
21 mutual insurance holding company's secretary, of its bylaws  
22 and of every modification thereof or addition thereto. The  
23 department shall promptly disapprove any bylaw provision  
24 deemed by it to be unlawful, unreasonable, inadequate, unfair,  
25 or detrimental to the proper interests or protection of the  
26 mutual insurance holding company's members or any class  
27 thereof. The insurer shall not, after receiving written notice  
28 of such disapproval and during the existence thereof,  
29 effectuate and bylaw provision disapproved.

30           628.723 Directors; number; election.--  
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1       (1) The affairs of every mutual insurance holding  
2 company shall be managed by not less than five directors.

3       (2) Directors must be elected by the members of the  
4 mutual insurance holding company at the annual meeting of  
5 members. Directors may be elected for terms of not more than 5  
6 years each and until their successors are elected and have  
7 qualified, and, if to be elected for terms of more than 1  
8 year, the mutual insurance holding company's bylaws shall  
9 provide for a staggered-terms system under which the terms of  
10 a proportionate part of the members of the board of directors  
11 will expire on the date of each annual meeting of members.

12       (3) A majority of the directors must be citizens of  
13 the United States.

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

17       628.725 Notice of change of director or officer.--A  
18 mutual insurance holding company shall give the department  
19 written notice of any change of personnel among the directors  
20 or principal officers of the mutual insurance holding company  
21 within 45 days after such change. The written notice shall  
22 include all information necessary to allow the department to  
23 determine that the mutual insurance holding company's  
24 subsidiary stock insurers will be in compliance with s.  
25 624.404(3) and, at a minimum, shall contain information  
26 similar to the information required by s. 628.051(2)(b), (c),  
27 and (d) for directors of insurance companies.

28       628.727 Membership.--

29       (1) Membership in a mutual insurance holding company  
30 shall be determined in accordance with the mutual insurance  
31 holding company's articles of incorporation and bylaws and



1 shall be based upon each member holding a policy of insurance  
2 with a subsidiary insurance company or subsidiary health  
3 service corporation. Group certificateholders may also be  
4 members of the mutual insurance holding company if specified  
5 in the bylaws.

6 (2) Any person, public or private corporation, board,  
7 association, firm, estate, trustee, or fiduciary may be a  
8 member of a mutual insurance holding company. However, the  
9 state or any county or municipality may not participate as a  
10 member in the profits of any mutual insurance holding company.

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

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

17 (5) A membership interest in a mutual insurance  
18 holding company shall not constitute a security as defined by  
19 s. 517.021.

20 628.729 Member's share of assets on voluntary  
21 dissolution.--

22 (1) Upon any voluntary dissolution of a domestic  
23 mutual insurance holding company, its assets remaining after  
24 discharge of its indebtedness, if any, and expenses of  
25 administration, shall be distributed to existing persons who  
26 were its members at any time within the 3-year period  
27 preceding the date such liquidation was authorized or ordered,  
28 or date of last termination of the insurer's certificate of  
29 authority, whichever date is earlier; except, if the  
30 department has reason to believe that those in charge of the  
31 management of the mutual insurance holding company have caused

1 or encouraged the reduction of the number of members of the  
2 insurer in anticipation of liquidation and for the purpose of  
3 reducing thereby the number of persons who may be entitled to  
4 share in distribution of the insurer's assets, the department  
5 may enlarge the 5-year qualification period by such additional  
6 time as the department may deem to be reasonable.

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

10 628.731 Application of holding company statutes and  
11 regulations.--Each reorganized subsidiary insurance company  
12 shall be subject to the applicable laws and rules of this  
13 state relating to insurance holding company systems. A mutual  
14 insurance holding company shall not be subject to provisions  
15 of chapter 628 or rules adopted thereunder with respect to the  
16 writing of insurance or required capital or surplus. A mutual  
17 insurance holding company system shall be considered an  
18 insurance holding company system but shall not require  
19 separate approval under chapter 628 for an acquisition of  
20 controlling stock, ownership interest, assets, or control, or  
21 for a merger or consolidation, share exchange, organization,  
22 or reorganization of insurance companies, or other transaction  
23 with respect to any action approved pursuant to the provisions  
24 of this part.

25 628.733 Converting mutual insurance holding company.--

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

29 (2) The department shall not approve any such plan and  
30 procedure unless:

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1           (a) The plan and procedure is subject to approval by  
2 vote of not less than a majority of the company's current  
3 members voting thereon in person, by proxy, or by mail at a  
4 meeting of members called for the purpose pursuant to such  
5 reasonable notice and procedure as may be approved by the  
6 department.

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

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

15           (d) The plan calls for the distribution to each person  
16 as specified in paragraph (c) of capital stock or other  
17 property of the stock holding company, using each person's  
18 equity as determined under paragraph (b).

19           (e) The plan gives to each member as specified in  
20 paragraph (c) a preemptive right to acquire his or her  
21 proportionate part of all of the proposed capital stock of the  
22 new stock holding company, within a designated reasonable  
23 period, and to apply upon the purchase thereof the amount of  
24 his equity as determined under paragraph (b).

25           (f) Shares are so offered to policyholders at a price  
26 not greater than to be thereafter offered to others.

27           (g) The plan provides for payment of cash to each  
28 member not electing to apply his or her equity towards the  
29 purchase price of stock to which he or she is preemptively  
30 entitled. The amount so paid shall be not less than 50 percent  
31 of the amount of his or her equity not so used for the

1 purchase of stock. Such cash payment together with stock so  
2 purchased, if any, shall constitute full payment and discharge  
3 of the member's corporate equity in such mutual insurance  
4 holding company.

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