

1
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 for filing and amending
13 articles of incorporation; providing for
14 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. A number
4 of shares equal to 5 percent of the outstanding voting shares
5 of the capital stock of one corporate member of the Mutual
6 Insurance Holding Company System selected by the mutual
7 insurance holding company may be issued or sold to directors
8 and officers as part of plan of compensation and such shares
9 shall not be considered part of the majority shares to be
10 owned by the mutual insurance company under subsection (1). A
11 number of shares equal to an additional 5 percent of the
12 outstanding voting shares of the capital stock of one
13 corporate member of the Mutual Insurance Holding Company
14 System selected by the mutual insurance holding company may be
15 issued or sold to employees, which may not include any officer
16 or director, as part of an employee stock dividend or benefit
17 plan and such shares shall not be considered part of the
18 majority shares to be owned by the mutual insurance company
19 under subsection (1). Prior to issuance of shares in excess
20 of the authorized 5 percent to either officers and directors
21 or employees, pursuant to this section, a fairness opinion
22 shall be rendered by an independent authority acceptable to
23 the department to assure that the long term interests of the
24 shareholders and policyholders are adequately protected. The
25 department shall approve or disapprove the transaction within
26 30 days after receipt of the fairness opinion. Nothing in
27 this section prohibits any officer or director from purchasing
28 shares of stock at market value which are not part of a plan
29 of compensation, in accordance with the requirements of s.
30 628.461, and, if such stock is not regularly traded on a
31 national stock exchange, the officer or director purchasing

1 the shares of stock is responsible for establishing its market
2 value.

3 628.707 Applicability of general corporation
4 statutes.--The applicable statutes of this state relating to
5 the powers and procedures of domestic private corporations
6 formed for profit shall apply to domestic mutual insurance
7 holding companies, except:

8 (1) A mutual insurance holding company shall be
9 organized exclusively under this act and shall be a mutual
10 company without capital stock.

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

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

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

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

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1 628.709 Formation of a mutual insurance holding
2 company.--

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

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

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

16 628.711 Plan of reorganization.--

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

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

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

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

30 (d) A description of corporate restructuring and other
31 corporate transactions that will effect the reorganization,

1 including, but not limited to, organization of companies,
2 amendment or restatement of articles of incorporation or
3 bylaws, and mergers and consolidations.

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

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

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

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.

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

3 (g) An audited financial statement prepared on a
4 statutory basis consistent with the Florida Insurance Code,
5 including an actuarial opinion for the most recent calendar
6 year ended, or a copy thereof, if the statement was previously
7 filed with the department.

8 (4) The department may hold a public hearing to allow
9 public comment on the plan of reorganization. Any hearing must
10 be held within 30 days after receipt by the department of a
11 completed plan of reorganization. The department may not
12 approve a plan of reorganization unless it finds that it is
13 fair and equitable to the members of the mutual insurance
14 company. Ninety days after filing, the plan of reorganization
15 shall be deemed approved unless it has previously been
16 approved or disapproved by the department. The department
17 shall inform the mutual insurer of the specific reasons for
18 the disapproval of any plan of reorganization.

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

21 1. Amended by the board of directors of the applicant
22 in response to the comments or recommendations of the
23 department, or any other state or federal agency or
24 governmental entity, before any solicitation of proxies from
25 members of the mutual insurance company to vote on the plan of
26 reorganization, or at any time with the consent of the
27 department, except that any material amendment after the
28 members' approval shall require the members' approval; or

29 2. Terminated by the board of directors of the
30 applicant at any time before members of the mutual insurance
31

1 company vote on the plan of reorganization and, otherwise, at
2 any time with the consent of the department.

3 (b) The plan of reorganization is approved upon the
4 affirmative vote of at least a majority of the votes cast by
5 members of the mutual insurance company, notwithstanding
6 quorum or voting action requirements otherwise applicable to
7 the mutual insurance company to the contrary.

8 (c) Within 30 days after members have approved the
9 plan of reorganization, the applicant must file with the
10 department the minutes of the meeting at which the plan of
11 reorganization was approved.

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

25 628.715 Merger and acquisitions.--Subject to
26 applicable requirements of chapter 628, a mutual insurance
27 holding company may:

28 (1)(a) Merge or consolidate with, or acquire the
29 assets of, a mutual insurance holding company licensed
30 pursuant to this act or any similar entity organization
31 pursuant to laws of any other state;

1 (b) Either alone or together with one or more
2 intermediate stock holding companies, or other subsidiaries,
3 directly or indirectly acquire the stock of a stock insurance
4 company or a mutual insurance company that reorganizes under
5 this act or the law of its state of organization;

6 (c) Together with one or more of its stock insurance
7 company subsidiaries, acquire the assets of a stock insurance
8 company or a mutual insurance company;

9 (d) Acquire a stock insurance company through the
10 merger of such stock insurance subsidiary with a stock
11 insurance company or interim stock insurance company
12 subsidiary of the mutual insurance holding company; or

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

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

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

27 (b) No such merger shall be effectuated unless in
28 advance thereof, the plan and agreement therefor have been
29 filed with the department and approved by it. The department
30 shall give such approval unless it finds such plan or
31 agreement:

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

4 2. Would substantially reduce the security of and
5 service to be rendered to policyholders of a domestic insurer
6 in this state.

7 (c) All of the initial shares of the capital stock of
8 the reorganized subsidiary insurance company shall be issued
9 either to the mutual insurance holding company, or to an
10 intermediate holding company which is wholly owned by the
11 mutual insurance holding company. The membership interests of
12 the policyholders of the reorganized insurance company shall
13 become membership interests in the mutual insurance holding
14 company. Policyholders of the reorganized insurance company
15 shall be members of the mutual insurance holding company in
16 accordance with the articles of incorporation and bylaws of
17 the mutual insurance holding company. The mutual insurance
18 holding company shall at all times own a majority of the
19 voting shares of the capital stock of the reorganized
20 subsidiary insurance company.

21 628.717 Filing of articles of incorporation.--

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

26 (2) The department shall promptly examine the articles
27 of incorporation; and, if it finds that the articles of
28 incorporation comply with law, the department shall endorse
29 its approval upon each of the originals, place one on file in
30 its office, and return the remaining sets to the
31 incorporators. The incorporators shall promptly file such

1 endorsed articles of incorporation with the Department of
2 State. The articles of incorporation shall be effective when
3 filed with and approved by the Department of State.

4 628.719 Amendment of articles of incorporation.--

5 (1) A domestic mutual insurance holding company may
6 amend its articles of incorporation by vote of a majority of
7 those members present or represented by proxy at a lawful
8 meeting of its members, if the notice given members included
9 due notice of the proposal to amend.

10 (2)(a) Upon adoption of an amendment, the mutual
11 insurance holding company shall make under its corporate seal
12 a certificate thereof, setting forth the amendment and the
13 date and manner of the adoption thereof, which certificate
14 shall be executed by the mutual insurance holding company's
15 president or vice president and secretary or assistant
16 secretary and acknowledged before an officer authorized to
17 take acknowledgments. The mutual insurance holding company
18 shall deliver the originals of the certificate to the
19 department.

20 (b) The department shall promptly examine the
21 certificate of amendment, and, if the department finds that
22 the certificate and the amendment comply with law, the
23 department shall endorse its approval upon each of the
24 originals, place one on file in its office, and return the
25 remaining sets to the mutual insurance holding company. The
26 mutual insurance holding company shall promptly file such
27 endorsed certificates of amendment with the Department of
28 State. The amendment shall be effective when filed with and
29 approved by the Department of State.

30 628.721 Bylaws.--
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1 (1) The initial board of directors of a mutual
2 insurance holding company shall adopt original bylaws, subject
3 to the approval of the company's members at the next
4 succeeding meeting.

5 (2) The bylaws shall provide:

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

21 (b) For the election of directors by the members and
22 the number, qualifications, terms of office, and powers of the
23 directors.

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

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

31

1 (e) For deposit, custody, and disbursement of and
2 accounting for corporate funds.

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

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

9 (3) The mutual insurance holding company shall file
10 within 30 days with the department a copy, certified by the
11 mutual insurance holding company's secretary, of its bylaws
12 and of every modification thereof or addition thereto. The
13 department shall promptly disapprove any bylaw provision
14 deemed by it to be unlawful, unreasonable, inadequate, unfair,
15 or detrimental to the proper interests or protection of the
16 mutual insurance holding company's members or any class
17 thereof. The insurer shall not, after receiving written notice
18 of such disapproval and during the existence thereof,
19 effectuate and bylaw provision disapproved.

20 628.723 Directors; number; election.--

21 (1) The affairs of every mutual insurance holding
22 company shall be managed by not less than five directors.

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

1 (3) A majority of the directors must be citizens of
2 the United States.

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

6 628.725 Notice of change of director or officer.--A
7 mutual insurance holding company shall give the department
8 written notice of any change of personnel among the directors
9 or principal officers of the mutual insurance holding company
10 within 45 days after such change. The written notice shall
11 include all information necessary to allow the department to
12 determine that the mutual insurance holding company's
13 subsidiary stock insurers will be in compliance with s.
14 624.404(3) and, at a minimum, shall contain information
15 similar to the information required by s. 628.051(2)(b), (c),
16 and (d) for directors of insurance companies.

17 628.727 Membership.--

18 (1) Membership in a mutual insurance holding company
19 shall be determined in accordance with the mutual insurance
20 holding company's articles of incorporation and bylaws and
21 shall be based upon each member holding a policy of insurance
22 with a subsidiary insurance company or subsidiary health
23 service corporation. Group certificateholders may also be
24 members of the mutual insurance holding company if specified
25 in the bylaws.

26 (2) Any person, public or private corporation, board,
27 association, firm, estate, trustee, or fiduciary may be a
28 member of a mutual insurance holding company. However, the
29 state or any county or municipality may not participate as a
30 member in the profits of any mutual insurance holding company.

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

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

7 (5) A membership interest in a mutual insurance
8 holding company shall not constitute a security as defined by
9 s. 517.021.

10 628.729 Member's share of assets on voluntary
11 dissolution.--

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

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

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1 628.731 Application of holding company statutes and
2 regulations.--Each reorganized subsidiary insurance company
3 shall be subject to the applicable laws and rules of this
4 state relating to insurance holding company systems. A mutual
5 insurance holding company shall not be subject to provisions
6 of chapter 628 or rules adopted thereunder with respect to the
7 writing of insurance or required capital or surplus. A mutual
8 insurance holding company system shall be considered an
9 insurance holding company system but shall not require
10 separate approval under chapter 628 for an acquisition of
11 controlling stock, ownership interest, assets, or control, or
12 for a merger or consolidation, share exchange, organization,
13 or reorganization of insurance companies, or other transaction
14 with respect to any action approved pursuant to the provisions
15 of this part.

16 628.733 Converting mutual insurance holding company.--
17 (1) A mutual insurance holding company may become a
18 stock holding company under such plan and procedure as may be
19 approved by the department.

20 (2) The department shall not approve any such plan and
21 procedure unless:

22 (a) The plan and procedure is subject to approval by
23 vote of not less than a majority of the company's current
24 members voting thereon in person, by proxy, or by mail at a
25 meeting of members called for the purpose pursuant to such
26 reasonable notice and procedure as may be approved by the
27 department.

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

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

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

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

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

17 (g) The plan provides for payment of cash to each
18 member not electing to apply his or her equity towards the
19 purchase price of stock to which he or she is preemptively
20 entitled. The amount so paid shall be not less than 50 percent
21 of the amount of his or her equity not so used for the
22 purchase of stock. Such cash payment together with stock so
23 purchased, if any, shall constitute full payment and discharge
24 of the member's corporate equity in such mutual insurance
25 holding company.

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