

By the Committee on Banking and Insurance; and Senator
Diaz-Balart

311-1114A-00

1 A bill to be entitled
2 An act relating to insurance; amending s.
3 628.231, F.S.; prescribing factors that
4 directors of a domestic insurer may consider in
5 carrying out their duties; amending s. 628.715,
6 F.S.; authorizing a mutual insurance holding
7 company to merge or consolidate with or acquire
8 the assets of a foreign mutual insurance
9 company; authorizing the Department of
10 Insurance to retain certain consultants for
11 merger evaluation purposes; requiring certain
12 companies to pay consultant costs; amending s.
13 628.723, F.S.; prescribing factors that
14 directors of a mutual insurance holding company
15 may consider in carrying out their duties;
16 amending s. 628.729, F.S.; correcting a
17 reference to the qualification period for
18 distribution of assets to members of a domestic
19 mutual insurance company upon voluntary
20 dissolution; providing an effective date.

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

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24 Section 1. Subsection (5) is added to section 628.231,
25 Florida Statutes, to read:

26 628.231 Directors; number, election.--
27 (5) In discharging their duties, directors may
28 consider such factors as they consider to be relevant,
29 including the long-term prospects and interests of the
30 corporation and its shareholders and the social, economic,
31 legal, or other effects of any action on the employees,

1 suppliers, or policyholders of the corporation or its
2 subsidiaries, the communities and society in which the
3 corporation or its subsidiaries operate, and the economy of
4 the state and nation. The directors may also consider the
5 short-term and long-term interests of the insurer, including
6 benefits that may accrue to the insurer from its long-term
7 plans, and the possibility that these interests may be best
8 served by the continued independence of the insurer; the
9 resources, intent, and conduct, past, stated, and potential,
10 of any person seeking to acquire control of the insurer; and
11 any other relevant factors.

12 Section 2. Subsection (1) and paragraph (b) of
13 subsection (2) of section 628.715, Florida Statutes, are
14 amended to read:

15 628.715 Merger and acquisitions.--Subject to
16 applicable requirements of this chapter, a mutual insurance
17 holding company may:

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

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

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

30 (d) Acquire a stock insurance company through the
31 merger of such stock insurance subsidiary with a stock

1 insurance company or interim stock insurance company
2 subsidiary of the mutual insurance holding company; ~~or~~

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

8 (f) Merge or consolidate with, or acquire the assets
9 of, a foreign mutual insurance company that redomesticates
10 pursuant to s. 628.520. The members of the foreign mutual
11 insurance company may approve in a contemporaneous vote both
12 the redomestication plan and the agreement for merger and
13 reorganization as provided in subsection (2).

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

18 (b) No such merger shall be effectuated unless, in
19 advance thereof, the plan and agreement therefor have been
20 filed with the department and approved by it. The department
21 may retain outside consultants to evaluate each merger. The
22 domestic mutual insurance holding company shall pay reasonable
23 costs associated with retaining such consultants. Such
24 payments shall be made directly to the consultant. The
25 department shall give such approval unless it finds that such
26 plan or agreement:

27 1. Is inequitable to the policyholders of any domestic
28 insurer involved in the merger or the members of any domestic
29 mutual insurance holding company involved in the merger; or
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1 2. Would substantially reduce the security of and
2 service to be rendered to policyholders of a domestic insurer
3 in this state.

4 Section 3. Subsection (5) is added to section 628.723,
5 Florida Statutes, to read:

6 628.723 Directors; number; election.--

7 (5) In discharging their duties, directors may
8 consider such factors as they consider to be relevant,
9 including the long-term prospects and interests of the
10 corporation and its shareholders and the social, economic,
11 legal, or other effects of any action on the employees,
12 suppliers, or policyholders of the corporation or its
13 subsidiaries, the communities and society in which the
14 corporation or its subsidiaries operate, and the economy of
15 the state and nation. The directors may also consider the
16 short-term and long-term interests of the insurer, including
17 benefits that may accrue to the insurer from its long-term
18 plans, and the possibility that these interests may be best
19 served by the continued independence of the insurer; the
20 resources, intent, and conduct, past, stated, and potential,
21 of any person seeking to acquire control of the insurer; and
22 any other relevant factors.

23 Section 4. Subsection (1) of section 628.729, Florida
24 Statutes, is amended to read:

25 628.729 Member's share of assets on voluntary
26 dissolution.--

27 (1) Upon any voluntary dissolution of a domestic
28 mutual insurance holding company, its assets remaining after
29 discharge of its indebtedness, if any, and expenses of
30 administration, shall be distributed to existing persons who
31 were its members at any time within the 3-year period

1 preceding the date such liquidation was authorized or ordered,
2 or date of last termination of the insurer's certificate of
3 authority, whichever date is earlier; except, if the
4 department has reason to believe that those in charge of the
5 management of the mutual insurance holding company have caused
6 or encouraged the reduction of the number of members of the
7 insurer in anticipation of liquidation and for the purpose of
8 reducing thereby the number of persons who may be entitled to
9 share in distribution of the insurer's assets, the department
10 may enlarge the 3-year ~~5-year~~ qualification period by such
11 additional time as the department may deem to be reasonable.

12 Section 5. This act shall take effect July 1, 2000.

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14 STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
15 COMMITTEE SUBSTITUTE FOR
16 Senate Bill 182

17 Authorizes the Department of Insurance to retain outside
18 consultants to evaluate each merger of a domestic mutual
19 insurance holding company and a foreign mutual insurance
company, for which the domestic mutual insurance holding
company would be required to pay reasonable costs.

20 Amends s. 627.729, F.S., to correct a reference in the current
21 law related to dissolution of a domestic mutual insurance
22 holding company. Upon dissolution, the assets are required to
23 be distributed to persons who were members at any time within
24 the 3-year period prior to the dissolution. However, a
25 provision of the law incorrectly refers to a "5-year"
26 qualification period, which the bill corrects by changing the
27 reference to a "3-year" qualification period.

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