

By the Committee on Insurance and Representative Tullis

1                                   A bill to be entitled  
2           An act relating to stock and mutual insurance  
3           companies; amending s. 628.715, F.S.;  
4           authorizing a mutual insurance holding company  
5           to merge the membership interests of certain  
6           mutual insurance companies into the mutual  
7           insurance holding company under certain  
8           circumstances; authorizing the Department of  
9           Insurance to retain certain consultants for  
10          merger evaluation purposes; requiring certain  
11          companies to pay consultant costs; amending ss.  
12          628.231 and 628.723, F.S.; authorizing  
13          directors of domestic insurers and mutual  
14          insurance holding companies to consider certain  
15          factors while taking corporate action in  
16          discharging their duties; amending s. 628.729,  
17          F.S.; conforming a reference to a qualification  
18          period; providing an effective date.

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

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22           Section 1. Paragraphs (d) and (e) of subsection (1)  
23          and paragraph (b) of subsection (2) of section 628.715,  
24          Florida Statutes, are amended, and paragraph (f) is added to  
25          subsection (1) of said section, to read:

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

29                   (1)

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) Jointly, with a domestic or foreign mutual  
9 insurance company which redomesticates pursuant to s. 628.520,  
10 file an application with the department, pursuant to the  
11 provisions of this part, to merge the domestic or foreign  
12 mutual insurance company policyholder's membership interests  
13 into the mutual insurance holding company. The reorganizing  
14 mutual insurance company may merge with the mutual insurance  
15 holding company's stock subsidiary or continue its corporate  
16 existence as a domestic stock insurance company subsidiary.  
17 The members of the foreign mutual insurance company may  
18 approve in a contemporaneous vote both the redomestication  
19 plan and the agreement for merger and reorganization.

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

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

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

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

9 Section 2. Subsection (5) is added to section 628.231,  
10 Florida Statutes, to read:

11 628.231 Directors; number, election.--

12 (5) In discharging his or her duties, a director may  
13 consider such factors as the directors deem relevant,  
14 including, but not limited to, the long-term prospects and  
15 interests of the corporation and its shareholders, the social,  
16 economic, legal, or other effects of any action on the  
17 employees, suppliers, or policyholders of the corporation or  
18 its subsidiaries, the communities and society in which the  
19 corporation or its subsidiaries operate, and the economy of  
20 the state and the nation. The director may also consider the  
21 short-term and long-term interests of the insurer, including,  
22 but not limited to, benefits that may accrue to the insured  
23 from the insurer's long-term plans, the possibility that such  
24 interests may be best served by the continued independence of  
25 the insurer, the resources, intent, and past, present, and  
26 potential conduct of any person seeking to acquire control of  
27 the insurer, and any other relevant factors.

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

30 628.723 Directors; number; election.--

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1       (5) In discharging his or her duties, a director may  
2 consider such factors as the directors deem relevant,  
3 including, but not limited to, the long-term prospects and  
4 interests of the corporation and its shareholders, the social,  
5 economic, legal, or other effects of any action on the  
6 employees, suppliers, or policyholders of the corporation or  
7 its subsidiaries, the communities and society in which the  
8 corporation or its subsidiaries operate, and the economy of  
9 the state and the nation. The director may also consider the  
10 short-term and long-term interests of the insurer, including,  
11 but not limited to, benefits that may accrue to the insured  
12 from the insurer's long-term plans, the possibility that such  
13 interests may be best served by the continued independence of  
14 the insurer, the resources, intent, and past, present, and  
15 potential conduct of any person seeking to acquire control of  
16 the insurer, and any other relevant factors.

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

19       628.729 Member's share of assets on voluntary  
20 dissolution.--

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

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

6           Section 5. This act shall take effect upon becoming a  
7 law.

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