

By Senator Bennett

21-563-03

See HB 235

1                                   A bill to be entitled  
2           An act relating to mutual insurance holding  
3           companies; amending s. 628.703, F.S.; providing  
4           a definition; amending s. 628.709, F.S.;  
5           revising membership criteria of mutual  
6           insurance holding companies; amending ss.  
7           628.729, 628.730, and 628.733, F.S.; specifying  
8           basis of distributive shares and corporate  
9           equity of members under certain circumstances;  
10          providing an effective date.

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

14           Section 1. Subsection (4) is added to section 628.703,  
15 Florida Statutes, to read:

16           628.703 Definitions.--For purposes of this part:  
17           (4) "Paid premiums" means all premiums paid for  
18 insurance by a member of a mutual insurance holding company to  
19 a subsidiary insurance company.

20           Section 2. Subsection (2) of section 628.709, Florida  
21 Statutes, is amended to read:

22           628.709 Formation of a mutual insurance 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. At the time of  
11 formation, policyholders of any other subsidiary insurance  
12 company of the mutual insurance holding company shall not be  
13 members of the mutual insurance holding company unless they  
14 are policyholders of a subsidiary which was a mutual insurer  
15 which merged with the holding company pursuant to s. 628.715.  
16 Subsequent to formation, membership shall be governed by s.  
17 628.727.

18 Section 3. Section 628.729, Florida Statutes, is  
19 amended to read:

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 3-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 the ratio that the total  
9 amount of paid premiums paid by such member for policies of  
10 insurance during the 3-year period or part of such period  
11 specified in subsection (1) during which such recipient was a  
12 member bears to the total amount of paid premiums paid by all  
13 members entitled to receive a distributive share as a result  
14 of such dissolution during such entire 3-year period and upon  
15 such reasonable classifications of members as the department  
16 may approve.

17 Section 4. Subsection (2) of section 628.730, Florida  
18 Statutes, is amended to read:

19 628.730 Merger with intermediate holding company.--

20 (2) The distributive share of each such member shall  
21 be ~~determined by a formula~~ based upon the ratio that the total  
22 amount of paid premiums paid by such member for policies of  
23 insurance during the 3-year period or part of such period  
24 preceding the date of such merger during which such recipient  
25 was a member bears to the total amount of paid premiums paid  
26 by all members entitled to receive a distributive share as a  
27 result of such merger during such entire 3-year period and  
28 upon such reasonable classifications of members as the  
29 department may approve.

30 Section 5. Paragraphs (b) and (c) of subsection (2) of  
31 section 628.733, Florida Statutes, are amended to read:

1           628.733   Converting mutual insurance holding company.--

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

4           (b)   The corporate equity of each member shall be based  
5 upon the ratio that the total amount of paid premiums paid by  
6 such member for policies of insurance during the 3-year period  
7 or part of such period specified in paragraph (c) during which  
8 such recipient was a member bears to the total amount of paid  
9 premiums paid by all members entitled to receive equity as a  
10 result of such conversion during such entire 3-year period and  
11 upon such reasonable classifications of members as the  
12 department may approve. ~~Such is determinable under a fair~~  
13 ~~formula approved by the department, which~~ equity shall be  
14 based upon not more than the company's net assets.

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

19           Section 6.   This act shall take effect upon becoming a  
20 law.

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