

By the Committee on Commerce, Economic Opportunities, and Consumer Services; and Senator Bennett

310-2481-03

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 ss. 628.709 and 628.727,
5 F.S.; 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.

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

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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. Subsection (1) of section 628.727, Florida
19 Statutes, is amended to read:

20 628.727 Membership.--

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

30 Section 4. Section 628.729, Florida Statutes, is
31 amended to read:

1 628.729 Member's share of assets on voluntary
2 dissolution.--

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

19 (2) The distributive share of each such member shall
20 be determined:

21 (a) For domestic mutual insurance holding companies
22 owning solely life and health insurance subsidiaries, by a
23 formula based upon such reasonable classifications of members
24 as the department may approve.

25 (b) For all other domestic mutual insurance holding
26 companies, based upon the ratio that the total amount of paid
27 premiums paid by such member for policies of insurance during
28 the 3-year period or part of such period specified in
29 subsection (1) during which such recipient was a member bears
30 to the total amount of paid premiums paid by all members
31 entitled to receive a distributive share as a result of such

1 dissolution during such entire 3-year period and upon such
2 reasonable classifications of members as the department may
3 approve, unless the domestic mutual insurance holding company
4 submits another fair formula that is approved by the
5 department.

6 Section 5. Subsection (2) of section 628.730, Florida
7 Statutes, is amended to read:

8 628.730 Merger with intermediate holding company.--

9 (2) The distributive share of each such member shall
10 be determined:

11 (a) For domestic mutual insurance holding companies
12 owning solely life and health insurance subsidiaries, by a
13 formula based upon such reasonable classifications of members
14 as the department may approve.

15 (b) For all other domestic mutual insurance holding
16 companies, based upon the ratio that the total amount of paid
17 premiums paid by such member for policies of insurance during
18 the 3-year period or part of such period preceding the date of
19 such merger during which such recipient was a member bears to
20 the total amount of paid premiums paid by all members entitled
21 to receive a distributive share as a result of such merger
22 during such entire 3-year period and upon such reasonable
23 classifications of members as the department may approve,
24 unless the domestic mutual insurance holding company submits
25 another fair formula that is approved by the department.

26 Section 6. Paragraphs (b) and (c) of subsection (2) of
27 section 628.733, Florida Statutes, are amended to read:

28 628.733 Converting mutual insurance holding company.--

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

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1 (b) The corporate equity of each member is
2 determinable:

3 1. For domestic mutual insurance holding companies
4 owning solely life and health insurance subsidiaries, under a
5 fair formula approved by the department, which equity shall be
6 based upon not more than the company's net assets.

7 2. For all other domestic mutual insurance holding
8 companies, based upon the ratio that the total amount of paid
9 premiums paid by such member for policies of insurance during
10 the 3-year period or part of such period specified in
11 paragraph (c) during which such recipient was a member bears
12 to the total amount of premiums paid by all members entitled
13 to receive equity as a result of such conversion during such
14 entire 3-year period and upon such reasonable classifications
15 of members as the department may approve, unless the domestic
16 mutual insurance holding company submits another fair formula
17 that is approved by the department. Such equity shall be based
18 upon not more than the company's net assets.

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

23 Section 7. This act shall take effect upon becoming a
24 law.

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1 STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
2 COMMITTEE SUBSTITUTE FOR
3 Senate Bill 1464

4 The committee substitute differs from the original bill by:

- 5 1) separating domestic mutual insurance holding companies
6 owning solely life and health insurance subsidiaries from
7 other kinds of domestic mutual insurance holding
8 companies, and providing that when a domestic mutual
9 insurance holding company owning solely life and health
10 insurance subsidiaries voluntarily dissolves, merges, or
11 converts, the value of the company to the policyholders
12 will be determined by a formula based upon such
13 reasonable classifications of members as the department
14 may approve;
- 15 2) adding the option for all other domestic mutual insurance
16 holding companies to request the Department of Insurance
17 to approve a fair formula that determines the fair value
18 of a mutual insurance holding company to policyholders
19 when the domestic mutual insurance holding company
20 voluntarily dissolves, merges, or converts, in lieu of a
21 formula that was the sole method for determining the fair
22 value for all domestic mutual insurance holding companies
23 in the original bill; and
- 24 3) clarifying that a person may be a member of a mutual
25 insurance holding company by holding a health maintenance
26 contract with a subsidiary health maintenance
27 organization.
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