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CHAMBER ACTION

The Committee on Insurance recommends the following:

**Committee Substitute**

Remove the entire bill and insert:

A bill to be entitled

An act relating to mutual insurance holding companies;  
amending s. 628.703, F.S.; providing a definition;  
amending ss. 628.709 and 628.727, F.S.; revising  
membership criteria of mutual insurance holding companies;  
amending ss. 628.729, 628.730, and 628.733, F.S.;  
specifying basis of distributive shares and corporate  
equity of members under certain circumstances; providing  
an effective date.

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

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

628.703 Definitions.--For purposes of this part:

(4) "Paid premiums" means all premiums paid for insurance  
by a member of a mutual insurance holding company to a  
subsidiary insurance company.



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

30 628.709 Formation of a mutual insurance holding company.--

31 (2) All of the initial shares of the capital stock of the  
32 insurance company which reorganized as a subsidiary insurance  
33 company shall be issued either to the mutual insurance holding  
34 company, or to an intermediate holding company which is wholly  
35 owned by the mutual insurance holding company. This restriction  
36 does not preclude the subsequent issuance of additional shares  
37 of stock by the subsidiary insurance company so long as the  
38 mutual insurance holding company at all times owns directly or  
39 through one or more intermediate holding companies, a majority  
40 of the voting shares of the capital stock of the subsidiary  
41 insurance company. The membership interests of the policyholders  
42 of the subsidiary insurance company shall become membership  
43 interests in the mutual insurance holding company. Policyholders  
44 of the subsidiary insurance company which was formerly the  
45 mutual insurer shall be members of the mutual insurance holding  
46 company in accordance with the articles of incorporation and  
47 bylaws of the mutual insurance holding company. At the time of  
48 formation, policyholders of any other subsidiary insurance  
49 company of the mutual insurance holding company shall not be  
50 members of the mutual insurance holding company unless they are  
51 policyholders of a subsidiary which was a mutual insurer which  
52 merged with the holding company pursuant to s. 628.715.  
53 Subsequent to formation, membership shall be governed by s.  
54 628.727.



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55 Section 3. Subsection (1) of section 628.727, Florida  
56 Statutes, is amended to read:

57 628.727 Membership.--

58 (1) Membership in a mutual insurance holding company shall  
59 be determined in accordance with the mutual insurance holding  
60 company's articles of incorporation and bylaws and shall be  
61 based upon each member holding a policy of insurance with a  
62 subsidiary insurance company or a health maintenance contract  
63 with a subsidiary health maintenance organization service  
64 ~~corporation~~. Group certificateholders may also be members of the  
65 mutual insurance holding company if specified in the bylaws.

66 Section 4. Subsection (2) of section 628.729, Florida  
67 Statutes, is amended to read:

68 628.729 Member's share of assets on voluntary  
69 dissolution.--

70 (1) Upon any voluntary dissolution of a domestic mutual  
71 insurance holding company, its assets remaining after discharge  
72 of its indebtedness, if any, and expenses of administration,  
73 shall be distributed to existing persons who were its members at  
74 any time within the 3-year period preceding the date such  
75 liquidation was authorized or ordered, or date of last  
76 termination of the insurer's certificate of authority, whichever  
77 date is earlier; except, if the department has reason to believe  
78 that those in charge of the management of the mutual insurance  
79 holding company have caused or encouraged the reduction of the  
80 number of members of the insurer in anticipation of liquidation  
81 and for the purpose of reducing thereby the number of persons  
82 who may be entitled to share in distribution of the insurer's



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83 assets, the department may enlarge the 3-year qualification  
84 period by such additional time as the department may deem to be  
85 reasonable.

86 (2) The distributive share of each such member shall be  
87 determined:

88 (a) For domestic mutual insurance holding companies owning  
89 solely life and health insurance subsidiaries, by a formula  
90 based upon such reasonable classifications of members as the  
91 department may approve.

92 (b) For all other domestic insurance holding companies,  
93 based upon the ratio that the total amount of paid premiums paid  
94 by such member for policies of insurance during the 3-year  
95 period or part of such period specified in subsection (1) during  
96 which such recipient was a member bears to the total amount of  
97 paid premiums paid by all members entitled to receive a  
98 distributive share as a result of such dissolution during such  
99 entire 3-year period and upon such reasonable classifications of  
100 members as the department may approve, unless the domestic  
101 mutual insurance holding company submits another fair formula  
102 that is approved by the department.

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

105 628.730 Merger with intermediate holding company.--

106 (2) The distributive share of each such member shall be  
107 determined:

108 (a) For domestic mutual insurance holding companies owning  
109 solely life and health insurance subsidiaries, by a formula



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110 based upon such reasonable classifications of members as the  
111 department may approve.

112 (b) For all other domestic insurance holding companies,  
113 based upon the ratio that the total amount of paid premiums paid  
114 by such member for policies of insurance during the 3-year  
115 period or part of such period preceding the date of such merger  
116 during which such recipient was a member bears to the total  
117 amount of paid premiums paid by all members entitled to receive  
118 a distributive share as a result of such merger during such  
119 entire 3-year period and upon such reasonable classifications of  
120 members as the department may approve, unless the domestic  
121 mutual insurance holding company submits another fair formula  
122 that is approved by the department.

123 Section 6. Paragraph (b) of subsection (2) of section  
124 628.733, Florida Statutes, is amended to read:

125 628.733 Converting mutual insurance holding company.--

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

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

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

133 2. For all other domestic insurance holding companies,  
134 based upon the ratio that the total amount of paid premiums paid  
135 by such member for policies of insurance during the 3-year  
136 period or part of such period specified in paragraph (c) during  
137 which such recipient was a member bears to the total amount of



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138 | premiums paid by all members entitled to receive equity as a  
139 | result of such conversion during such entire 3-year period and  
140 | upon such reasonable classifications of members as the  
141 | department may approve, unless the domestic mutual insurance  
142 | holding company submits another fair formula that is approved by  
143 | the department. Such equity shall be based upon not more than  
144 | the company's net assets.

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

149 | Section 7. This act shall take effect upon becoming a law.