



1 A bill to be entitled
2 An act relating to mutual insurance holding companies;
3 amending s. 628.703, F.S.; providing a definition;
4 amending ss. 628.709 and 628.727, F.S.; revising
5 membership criteria of mutual insurance holding companies;
6 amending ss. 628.729, 628.730, and 628.733, F.S.;
7 specifying basis of distributive shares and corporate
8 equity of members under certain circumstances; providing
9 an effective date.

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

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

15 628.703 Definitions.--For purposes of this part:

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

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

21 628.709 Formation of a mutual insurance holding company.--

22 (2) All of the initial shares of the capital stock of the
23 insurance company which reorganized as a subsidiary insurance
24 company shall be issued either to the mutual insurance holding
25 company, or to an intermediate holding company which is wholly
26 owned by the mutual insurance holding company. This restriction
27 does not preclude the subsequent issuance of additional shares
28 of stock by the subsidiary insurance company so long as the



29 mutual insurance holding company at all times owns directly or
30 through one or more intermediate holding companies, a majority
31 of the voting shares of the capital stock of the subsidiary
32 insurance company. The membership interests of the policyholders
33 of the subsidiary insurance company shall become membership
34 interests in the mutual insurance holding company. Policyholders
35 of the subsidiary insurance company which was formerly the
36 mutual insurer shall be members of the mutual insurance holding
37 company in accordance with the articles of incorporation and
38 bylaws of the mutual insurance holding company. At the time of
39 formation, policyholders of any other subsidiary insurance
40 company of the mutual insurance holding company shall not be
41 members of the mutual insurance holding company unless they are
42 policyholders of a subsidiary which was a mutual insurer which
43 merged with the holding company pursuant to s. 628.715.
44 Subsequent to formation, membership shall be governed by s.
45 628.727.

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

48 628.727 Membership.--

49 (1) Membership in a mutual insurance holding company shall
50 be determined in accordance with the mutual insurance holding
51 company's articles of incorporation and bylaws and shall be
52 based upon each member holding a policy of insurance with a
53 subsidiary insurance company or a health maintenance contract
54 with a subsidiary health maintenance organization ~~service~~
55 ~~corporation~~. Group certificateholders may also be members of the
56 mutual insurance holding company if specified in the bylaws.



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

59 628.729 Member's share of assets on voluntary
60 dissolution.--

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

77 (2) The distributive share of each such member shall be
78 determined:

79 (a) For domestic mutual insurance holding companies owning
80 solely life and health insurance subsidiaries, by a formula
81 based upon such reasonable classifications of members as the
82 department may approve.

83 (b) For all other domestic insurance holding companies,
84 based upon the ratio that the total amount of paid premiums paid



85 by such member for policies of insurance during the 3-year
86 period or part of such period specified in subsection (1) during
87 which such recipient was a member bears to the total amount of
88 paid premiums paid by all members entitled to receive a
89 distributive share as a result of such dissolution during such
90 entire 3-year period and upon such reasonable classifications of
91 members as the department may approve, unless the domestic
92 mutual insurance holding company submits another fair formula
93 that is approved by the department.

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

96 628.730 Merger with intermediate holding company.--

97 (2) The distributive share of each such member shall be
98 determined:

99 (a) For domestic mutual insurance holding companies owning
100 solely life and health insurance subsidiaries, by a formula
101 based upon such reasonable classifications of members as the
102 department may approve.

103 (b) For all other domestic insurance holding companies,
104 based upon the ratio that the total amount of paid premiums paid
105 by such member for policies of insurance during the 3-year
106 period or part of such period preceding the date of such merger
107 during which such recipient was a member bears to the total
108 amount of paid premiums paid by all members entitled to receive
109 a distributive share as a result of such merger during such
110 entire 3-year period and upon such reasonable classifications of
111 members as the department may approve, unless the domestic



112 mutual insurance holding company submits another fair formula
113 that is approved by the department.

114 Section 6. Paragraph (b) of subsection (2) of section
115 628.733, Florida Statutes, is amended to read:

116 628.733 Converting mutual insurance holding company.--

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

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

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

124 2. For all other domestic insurance holding companies,
125 based upon the ratio that the total amount of paid premiums paid
126 by such member for policies of insurance during the 3-year
127 period or part of such period specified in paragraph (c) during
128 which such recipient was a member bears to the total amount of
129 premiums paid by all members entitled to receive equity as a
130 result of such conversion during such entire 3-year period and
131 upon such reasonable classifications of members as the
132 department may approve, unless the domestic mutual insurance
133 holding company submits another fair formula that is approved by
134 the department. Such equity shall be based upon not more than
135 the company's net assets.

136 (c) The persons entitled to participate in the
137 distribution of stock shall include all current members and all
138 existing persons who had been members within 3 years prior to
139 the date such plan was submitted to the department.



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