

1                                   A bill to be entitled  
 2           An act relating to ownership or transfer of  
 3           securities; amending s. 628.461, F.S.; revising  
 4           notice and filing requirements and providing  
 5           additional grounds for exemption from  
 6           provisions relating to acquisition of  
 7           controlling stock; amending s. 628.4615, F.S.;  
 8           revising notice and filing requirements and  
 9           providing additional grounds for exemption from  
 10          provisions relating to acquisition of  
 11          controlling stock in a specialty insurer;  
 12          amending s. 628.511, F.S.; revising provisions  
 13          authorizing domestic insurers' ownership or  
 14          transfer of certain securities without physical  
 15          delivery of certificates; amending s. 628.801,  
 16          F.S.; modifying the reference date of the  
 17          Insurance Holding Company System Regulatory Act  
 18          and Insurance Holding Company System Model  
 19          Regulation of the National Association of  
 20          Insurance Commissioners; providing an effective  
 21          date.

22  
 23 Be It Enacted by the Legislature of the State of Florida:  
 24

25           Section 1. Subsections (1) and (2) of section 628.461,  
 26 Florida Statutes, are amended to read:

27           628.461 Acquisition of controlling stock.--

28           (1) ~~A~~ No person may not ~~shall~~, individually or in  
 29 conjunction with any affiliated person of such person, acquire  
 30 directly or indirectly, conclude a tender offer or exchange  
 31 offer for, enter into any agreement to exchange securities

1 for, or otherwise finally acquire 5 percent or more of<sup>7</sup> the  
 2 outstanding voting securities of a domestic stock insurer or  
 3 of a controlling company, unless:

4 (a) The person or affiliated person has filed with the  
 5 office and sent to the insurer and controlling company a  
 6 letter of notification regarding the transaction or proposed  
 7 transaction ~~statement as specified in subsection (3)~~ no later  
 8 than 5 days after any form of tender offer or exchange offer  
 9 is proposed, or no later than 5 days after the acquisition of  
 10 the securities if no tender offer or exchange offer is  
 11 involved. The notification must be provided on forms  
 12 prescribed by the commission containing information determined  
 13 necessary to understand the transaction and identify all  
 14 purchasers and owners involved; and

15 (b) Has filed with the office a statement as specified  
 16 in subsection (3). The statement must be completed and filed  
 17 within 30 days after:

18 1. Any definitive acquisition agreement is entered;

19 2. Any form of tender offer or exchange offer is  
 20 proposed; or

21 3. The acquisition of the securities, if no definitive  
 22 acquisition agreement, tender offer, or exchange offer is  
 23 involved; and

24 ~~(c)(b)~~ The office has approved the tender or exchange  
 25 offer, or acquisition if no tender offer or exchange offer is  
 26 involved, and approval is in effect.

27  
 28 In lieu of a filing as required under this subsection, a party  
 29 acquiring less than 10 percent of the outstanding voting  
 30 securities of an insurer may file a disclaimer of affiliation  
 31 and control. The disclaimer shall fully disclose all material

1 relationships and basis for affiliation between the person and  
2 the insurer as well as the basis for disclaiming the  
3 affiliation and control. After a disclaimer has been filed,  
4 the insurer shall be relieved of any duty to register or  
5 report under this section which may arise out of the insurer's  
6 relationship with the person unless and until the office  
7 disallows the disclaimer. The office shall disallow a  
8 disclaimer only after furnishing all parties in interest with  
9 notice and opportunity to be heard and after making specific  
10 findings of fact to support the disallowance. A filing as  
11 required under this subsection must be made as to any  
12 acquisition that equals or exceeds 10 percent of the  
13 outstanding voting securities.

14 (2) This section does not apply to any acquisition of  
15 voting securities of a domestic stock insurer or of a  
16 controlling company by any person who, on July 1, 1976, is the  
17 owner of a majority of such voting securities or who, on or  
18 after July 1, 1976, becomes the owner of a majority of such  
19 voting securities with the approval of the office under  
20 ~~pursuant to~~ this section. The person or affiliated person  
21 filing the notice required by paragraph (1)(a) may request, in  
22 writing, the office to waive the requirements of paragraph  
23 (1)(b) if there is no change in the ultimate controlling  
24 shareholder or ownership percentages of the ultimate  
25 controlling shareholders and no unaffiliated parties acquire  
26 any direct or indirect interest in the insurer. The office may  
27 wave the filing if it determines that in fact there is no  
28 change in the ultimate controlling shareholder or ownership  
29 percentages of the ultimate controlling shareholders and no  
30 unaffiliated parties will acquire any direct or indirect  
31 interest in the insurer.

1           Section 2. Subsections (2) and (3) of section  
2 628.4615, Florida Statutes, are amended to read:

3           628.4615 Specialty insurers; acquisition of  
4 controlling stock, ownership interest, assets, or control;  
5 merger or consolidation.--

6           (2) ~~A No~~ person may not shall, individually or in  
7 conjunction with any affiliated person of such person,  
8 directly or indirectly, conclude a tender offer or exchange  
9 offer for, enter into any agreement to exchange securities  
10 for, or otherwise finally acquire, 10 percent or more of the  
11 outstanding voting securities of a specialty insurer which is  
12 a stock corporation or of a controlling company of a specialty  
13 insurer which is a stock corporation; or conclude an  
14 acquisition of, or otherwise finally acquire, 10 percent or  
15 more of the ownership interest of a specialty insurer which is  
16 not a stock corporation or of a controlling company of a  
17 specialty insurer which is not a stock corporation, unless:

18           (a) The person or affiliated person has filed with the  
19 office and sent by registered mail to the principal office of  
20 the specialty insurer and controlling company a letter of  
21 notification regarding the transaction or proposed transaction  
22 ~~an application, signed under oath and prepared on forms~~  
23 ~~prescribed by the commission, that contains the information~~  
24 ~~specified in subsection (4)~~ no later than 5 days after any  
25 form of tender offer or exchange offer is proposed, or no  
26 later than 5 days after the acquisition of the securities or  
27 ownership interest if no tender offer or exchange offer is  
28 involved. The notification must be provided on forms  
29 prescribed by the commission containing information determined  
30 necessary to understand the transaction and identify all  
31 purchasers and owners involved;

1           (b) Has filed with the office an application signed  
2 under oath and prepared on forms prescribed by the commission  
3 which contains the information specified in subsection (4).  
4 The application must be completed and filed within 30 days  
5 after any form of tender offer or exchange offer is proposed,  
6 or after the acquisition of the securities if no tender offer  
7 or exchange offer is involved; and

8           ~~(c)(b)~~ The office has approved the tender offer or  
9 exchange offer, or acquisition if no tender offer or exchange  
10 offer is involved.

11           (3) This section does not apply to any acquisition of  
12 voting securities or ownership interest of a specialty insurer  
13 or of a controlling company by any person who, on July 9,  
14 1986, is the owner of a majority of such voting securities or  
15 ownership interest or who, on or after July 9, 1986, becomes  
16 the owner of a majority of such voting securities or ownership  
17 interest with the approval of the office under ~~pursuant to~~  
18 this section. The person or affiliated person filing the  
19 required notice in paragraph (2)(a) may request the office to  
20 waive the requirements of paragraph (2)(b) if there is no  
21 change in the ultimate controlling shareholder or ownership  
22 percentages of the ultimate controlling shareholders and no  
23 unaffiliated parties acquire any direct or indirect interest  
24 in the specialty insurer. The office may waive the filing if  
25 it determines that in fact there is no change in the ultimate  
26 controlling shareholder or ownership percentages of the  
27 ultimate controlling shareholders and no unaffiliated parties  
28 will acquire any direct or indirect interest in the specialty  
29 insurer.

30           Section 3. Section 628.511, Florida Statutes, is  
31 amended to read:

1           628.511 Ownership or transfer of securities without  
 2 physical delivery of certificates ~~Book entry accounting~~  
 3 ~~system.--~~

4           (1) The purpose of this section is to authorize  
 5 domestic insurers to use ~~utilize~~ modern systems for holding  
 6 and transferring securities without physical delivery of  
 7 securities certificates, subject to appropriate rules of the  
 8 commission.

9           (2) The following terms are defined for use in this  
 10 section:

11           (a) "Securities" means instruments as defined in s.  
 12 678.1021.

13           (b) "Clearing corporation" means a clearing  
 14 corporation as defined in s. 678.1021 and includes the  
 15 Treasury/Reserve Automated Debt Entry System or Treasury  
 16 Direct book-entry securities systems as established pursuant  
 17 to 31 U.S.C. chapter 31, 12 U.S.C. s. 391, and 5 U.S.C. s.  
 18 301.

19           (c) "Custodian ~~Direct participant~~" means a national  
 20 bank, state bank, ~~or~~ trust company, broker, or dealer that  
 21 ~~which maintains an account in its name in a clearing~~  
 22 ~~corporation and through which an insurance company~~  
 23 participates in a clearing corporation.

24           ~~(d) "Federal Reserve book entry system" means the~~  
 25 ~~computerized systems sponsored by the United States Department~~  
 26 ~~of the Treasury and agencies and instrumentalities of the~~  
 27 ~~United States for holding and transferring securities of the~~  
 28 ~~United States Government and such agencies and~~  
 29 ~~instrumentalities, respectively, in Federal Reserve banks~~  
 30 ~~through banks which are members of the Federal Reserve System~~  
 31 ~~or which otherwise have access to such computerized systems.~~

1           ~~(c) "Member bank" means a national bank, state bank or~~  
2 ~~trust company which is a member of the Federal Reserve System~~  
3 ~~and through which an insurer participates in the Federal~~  
4 ~~Reserve book entry system.~~

5           (3) Notwithstanding any other provision of law, a  
6 domestic insurer may deposit or arrange for the deposit of  
7 securities held in or purchased for its general account and  
8 its separate accounts in a clearing corporation ~~or in the~~  
9 ~~Federal Reserve book entry system.~~ When securities are  
10 deposited with a clearing corporation, certificates  
11 representing securities of the same class of the same issuer  
12 may be merged and held in bulk in the name of the nominee of  
13 such clearing corporation with any other securities deposited  
14 with such clearing corporation by any person, regardless of  
15 the ownership of such securities, and certificates  
16 representing securities of small denominations may be merged  
17 into one or more certificates of larger denominations. The  
18 records of any custodian bank through which an insurer holds  
19 ~~securities in the Federal Reserve book entry system, and the~~  
20 ~~records of any custodian banks through which an insurer holds~~  
21 ~~securities~~ in a clearing corporation, shall at all times show  
22 that such securities are held for such insurer and for which  
23 accounts thereof. Ownership of, and other interests in, such  
24 securities may be transferred by bookkeeping entry on the  
25 books of such clearing corporation ~~or in the Federal Reserve~~  
26 ~~book entry system~~ without, ~~in either case,~~ physical delivery  
27 of certificates representing such securities.

28           (4) The commission may adopt rules governing the  
29 deposit by insurers of securities with clearing corporations  
30 ~~and in the Federal Reserve book entry system.~~

31

1 Section 4. Section 628.801, Florida Statutes, is  
2 amended to read:

3 628.801 Insurance holding companies; registration;  
4 regulation.--Every insurer that ~~which~~ is authorized to do  
5 business in this state and that ~~which~~ is a member of an  
6 insurance holding company shall register with the office and  
7 be subject to regulation with respect to its relationship to  
8 the ~~such~~ holding company as provided by rule or statute. The  
9 commission shall adopt rules establishing the information and  
10 form required for registration and the manner in which  
11 registered insurers and their affiliates are ~~shall be~~  
12 regulated. The rules ~~shall~~ apply to domestic insurers, foreign  
13 insurers, and commercially domiciled insurers, except for a  
14 foreign insurer domiciled in states that are accredited by the  
15 National Association of Insurance Commissioners by December  
16 31, 1995. Except to the extent of any conflict with this code,  
17 the rules must include all requirements and standards of ss. 4  
18 and 5 of the Insurance Holding Company System Regulatory Act  
19 and the Insurance Holding Company System Model Regulation of  
20 the National Association of Insurance Commissioners, as the  
21 Regulatory Act and the Model Regulation existed on November  
22 30, 2001 ~~January 1, 1997~~, and may include a prohibition on  
23 oral contracts between affiliated entities. Upon request, the  
24 office may waive filing requirements under this section for a  
25 domestic insurer that is the subsidiary of an insurer that is  
26 in full compliance with the insurance holding company  
27 registration laws of its state of domicile, which state is  
28 accredited by the National Association of Insurance  
29 Commissioners.

30 Section 5. This act shall take effect upon becoming a  
31 law.