

1 A bill to be entitled
 2 An act relating to insurance corporations; amending
 3 ss. 627.971 and 627.972, F.S.; providing that certain
 4 corporations include licensed mutual insurers as well
 5 as licensed stock insurers; amending s. 628.703 F.S.;
 6 revising and providing definitions; amending s.
 7 628.707, F.S.; revising terminology; amending s.
 8 628.715, F.S.; authorizing a mutual insurance holding
 9 company to acquire certain interests or assets in
 10 specified not-for-profit entities; amending s.
 11 628.727, F.S.; authorizing the articles of
 12 incorporation and bylaws of a mutual insurance holding
 13 company to provide restrictions with respect to
 14 certain rights of a class of members consisting of
 15 policyholders in a not-for-profit health care plan;
 16 amending s. 628.371, F.S.; providing requirements and
 17 applicability with respect to dividends or
 18 distributions by a not-for-profit insurance company
 19 subsidiary to its mutual insurance holding company;
 20 amending s. 617.01401, F.S.; revising the definition
 21 of the term "distribution" for purposes relating to
 22 dividends or distribution by a not-for-profit
 23 insurance company subsidiary to its mutual insurance
 24 holding company; providing an effective date.

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

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 28 Section 1. Subsection (6) of section 627.971, Florida

29 Statutes, is amended to read:

30 627.971 Definitions.—As used in this part:

31 (6) "Financial guaranty insurance corporation" means a
 32 stock or mutual insurer licensed to transact financial guaranty
 33 insurance business in this state.

34 Section 2. Subsection (1) of section 627.972, Florida
 35 Statutes, is amended to read:

36 627.972 Organization; financial requirements.—

37 (1) A financial guaranty insurance corporation must be
 38 organized and licensed in the manner prescribed in this code for
 39 stock or mutual property and casualty insurers except that:

40 (a) A corporation organized to transact financial guaranty
 41 insurance may, subject to ~~the provisions of~~ this code, be
 42 licensed to transact:

- 43 1. Residual value insurance, as defined by s. 624.6081;
 - 44 2. Surety insurance, as defined by s. 624.606;
 - 45 3. Credit insurance, as defined by s. 624.605(1)(i); and
 - 46 4. Mortgage guaranty insurance as defined in s. 635.011
- 47 ~~if, provided that~~ the provisions of chapter 635 are met.

48 (b)1. Prior to the issuance of a license, a corporation
 49 must submit to the office for approval, a plan of operation
 50 detailing:

- 51 a. The types and projected diversification of guaranties
- 52 to be issued;
- 53 b. The underwriting procedures to be followed;
- 54 c. The managerial oversight methods;
- 55 d. The investment policies; and
- 56 e. Any other matters prescribed by the office. ~~†~~

57 | 2. An insurer that ~~which~~ is writing only the types of
 58 | insurance allowed under this part on July 1, 1988, and otherwise
 59 | meets the requirements of this part, is exempt from ~~the~~
 60 | ~~requirements of~~ this paragraph.

61 | (c) An insurer transacting financial guaranty insurance is
 62 | subject to all provisions of this code which ~~that~~ are applicable
 63 | to property and casualty insurers to the extent that those
 64 | provisions are not inconsistent with this part.

65 | (d) The investments of an insurer transacting financial
 66 | guaranty insurance in any entity insured by the corporation may
 67 | not exceed 2 percent of its admitted assets as of the end of the
 68 | prior calendar year.

69 | (e) An insurer transacting financial guaranty insurance
 70 | may only assume those lines of insurance for which it is
 71 | licensed to write direct business.

72 | Section 3. Section 628.703, Florida Statutes, is amended
 73 | to read:

74 | 628.703 Definitions.—For purposes of this part:

75 | (1) "Mutual insurance holding company" means an
 76 | incorporated entity without permanent capital stock that is
 77 | organized under this part and whose members are determined in
 78 | accordance with this part.

79 | (2) "Subsidiary insurance company" means:

80 | (a) A stock insurance company, the majority of the voting
 81 | shares of the capital stock of which are at all times owned by a
 82 | mutual insurance holding company. For purposes of this part,
 83 | "majority of the voting shares of the capital stock" means
 84 | shares of the capital stock of such company which carry the

85 right to cast a majority of the votes entitled to be cast by all
86 of the outstanding shares of the capital stock for the election
87 of directors. The ownership of a majority of the voting shares
88 of the capital stock of a former mutual reorganized insurance
89 company which are required by this part to be at all times owned
90 by a mutual insurance holding company includes indirect
91 ownership through one or more intermediate holding companies.
92 However, indirect ownership through one or more intermediate
93 holding companies shall not result in a mutual insurance holding
94 company owning less than the equivalent of a majority of the
95 voting shares of the capital stock of the former mutual
96 reorganized insurance company.

97 (b) A not-for-profit insurance company or not-for-profit
98 health care plan, the majority of the voting membership
99 interests of which are at all times owned by a mutual insurance
100 holding company, which entitles such mutual insurance holding
101 company to elect the board of directors of the not-for-profit
102 insurance company or not-for-profit health care plan and such
103 requirement applies to indirect ownership of the not-for-profit
104 insurance company or not-for-profit health care plan through one
105 or more intermediate holding companies. A not-for-profit
106 insurance company subsidiary resulting from the reorganization
107 of a not-for-profit mutual insurance company under this
108 paragraph or subsequently organized as a subsidiary insurance
109 company shall be subject to the provisions of chapter 628,
110 applicable to stock insurers; however, the provisions of chapter
111 617 shall apply to the organization of such company.

112 (3) "Intermediate holding company" means:

113 (a) A holding company which is a subsidiary of a mutual
 114 insurance holding company, and which directly or through a
 115 subsidiary intermediate holding company owns a majority of the
 116 voting shares of the capital stock of one or more subsidiary
 117 insurance companies; or

118 (b) A holding company which is a not-for-profit
 119 corporation and which is a subsidiary of a mutual insurance
 120 holding company, of which a majority of the voting membership
 121 interests entitled to elect the board of directors of such
 122 corporation that is owned, directly, or through a subsidiary
 123 intermediate holding company, by the mutual insurance holding
 124 company.

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

128 (5) "Nonprofit health care plan" means a not-for-profit
 129 domestic or foreign hospital or medical and surgical service
 130 plan or corporation, which is licensed in one or more states,
 131 issues no capital stock, and is engaged in the business of
 132 providing prepaid indemnity or health care benefits.

133 Section 4. Subsection (5) of section 628.707, Florida
 134 Statutes, is amended to read:

135 628.707 Applicability of general corporation statutes.—The
 136 applicable statutes of this state relating to the powers and
 137 procedures of domestic private corporations formed for profit
 138 shall apply to domestic mutual insurance holding companies,
 139 except:

140 (5) In the case of the reorganization of any mutual

141 insurance company organized as a not-for-profit ~~nonprofit~~
142 corporation under chapter 617, a mutual insurance holding
143 company organized under this part shall be deemed to be a not-
144 for-profit ~~nonprofit~~ corporation.

145 Section 5. Subsection (1) of section 628.715, Florida
146 Statutes, is amended to read:

147 628.715 Merger and acquisitions.—Subject to applicable
148 requirements of this chapter, a mutual insurance holding company
149 may:

150 (1) (a) Merge or consolidate with, or acquire the assets
151 of, a mutual insurance holding company licensed pursuant to this
152 act or any similar entity organization pursuant to laws of any
153 other state;

154 (b) Either alone or together with one or more intermediate
155 stock holding companies, or other subsidiaries, directly or
156 indirectly acquire the stock of a stock insurance company or a
157 mutual insurance company that reorganizes under this act or the
158 law of its state of organization;

159 (c) Together with one or more of its ~~stock insurance~~
160 ~~company~~ subsidiaries, acquire the assets of a stock insurance
161 company or a mutual insurance company, or the membership
162 interests in a not-for-profit insurance company or not-for-
163 profit health care plan;

164 (d) Acquire a stock insurance company through the merger
165 of such stock insurance subsidiary with a stock insurance
166 company or interim stock insurance company subsidiary of the
167 mutual insurance holding company, or acquire a not-for-profit
168 insurance company or not-for-profit health care plan through the

169 merger of such not-for-profit entity with the mutual insurance
170 holding company, or with a not-for profit insurance company
171 subsidiary of the mutual insurance holding company or
172 intermediate holding company;

173 (e) Acquire the stock or assets of any other person to the
174 same extent as would be permitted for any not-for-profit
175 corporation under chapter 617 or, if the mutual insurance
176 holding company writes insurance, a mutual insurance company;

177 (f) Jointly, with a domestic or foreign mutual insurance
178 company which redomesticates pursuant to s. 628.520, file an
179 application with the office, pursuant to the provisions of this
180 part, to merge the domestic or foreign mutual insurance company
181 policyholder's membership interests into the mutual insurance
182 holding company. The reorganizing mutual insurance company may
183 merge with the mutual insurance holding company's stock
184 subsidiary or continue its corporate existence as a domestic
185 stock insurance company subsidiary. The members of the foreign
186 mutual insurance company may approve in a contemporaneous vote
187 both the redomestication plan and the agreement for merger and
188 reorganization; or

189 (g) Merge or consolidate with, or acquire the assets of, a
190 domestic or foreign reciprocal insurance company, a group self-
191 insurance fund, or any other similar entity.

192 Section 6. Subsection (1) of section 628.727, Florida
193 Statutes, is amended to read:

194 628.727 Membership.—

195 (1) Membership in a mutual insurance holding company shall
196 be determined in accordance with the mutual insurance holding

197 company's articles of incorporation and bylaws and shall be
198 based upon each member holding a policy of insurance with a
199 subsidiary insurance company or a health maintenance contract
200 with a subsidiary health maintenance organization. Group
201 certificateholders may also be members of the mutual insurance
202 holding company if specified in the bylaws. The articles of
203 incorporation and bylaws of a mutual insurance holding company
204 may provide for one or more classes of members and may restrict
205 the voting or other rights of any class constituting
206 policyholders of a not-for-profit health care plan to receive
207 distributions pursuant to any provision of chapter 628 where the
208 assets of such not-for-profit health care plan may not be
209 treated as assets available for such distribution.

210 Section 7. Subsection (5) is added to section 628.371,
211 Florida Statutes, to read:

212 628.371 Dividends to stockholders.—

213 (5) A dividend or distribution by a not-for-profit
214 insurance company subsidiary to its mutual insurance holding
215 company, directly or indirectly through one or more intermediate
216 holding companies, pursuant to part III of this chapter, which
217 meets the requirements of this section imposed on a stock
218 insurer shall be permitted by this section.

219 Section 8. Subsection (7) of section 617.01401, Florida
220 Statutes, is amended to read:

221 617.01401 Definitions.—As used in this chapter, the term:

222 (7) "Distribution" means the payment of a dividend or any
223 part of the income or profit of a corporation to its members,
224 directors, or officers. A donation or transfer of corporate

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225 | assets or income to or from another not-for-profit corporation
226 | qualified as tax-exempt under s. 501(c) of the Internal Revenue
227 | Code or a governmental organization exempt from federal and
228 | state income taxes, if such corporation or governmental
229 | organization is a member of the corporation making such donation
230 | or transfer, is not a distribution for purposes of this chapter.
231 | A dividend or distribution by a not-for-profit insurance company
232 | subsidiary to its mutual insurance holding company, organized
233 | under chapter 628, directly or indirectly through one or more
234 | intermediate holding companies authorized under such chapter,
235 | shall be deemed not to be a distribution for the purposes of
236 | this chapter.

237 | Section 9. This act shall take effect upon becoming a law.