

House Bill No. 235

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.

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

628.709 Formation of a mutual insurance holding company.—

(2) All of the initial shares of the capital stock of the insurance company which reorganized as a subsidiary insurance company shall be issued either to the mutual insurance holding company, or to an intermediate holding company which is wholly owned by the mutual insurance holding company. This restriction does not preclude the subsequent issuance of additional shares of stock by the subsidiary insurance company so long as the mutual insurance holding company at all times owns directly or through one or more intermediate holding companies, a majority of the voting shares of the capital stock of the subsidiary insurance company. The membership interests of the policyholders of the subsidiary insurance company shall become membership interests in the mutual insurance holding company. Policyholders of the subsidiary insurance company which was formerly the mutual insurer shall be members of the mutual insurance holding company in accordance with the articles of incorporation and bylaws of the mutual insurance holding company. At the time of formation, policyholders of any other subsidiary insurance company of the mutual insurance holding company shall not be members of the mutual insurance holding company unless they are policyholders of a subsidiary which was a mutual insurer which merged with the holding company pursuant to s. 628.715. Subsequent to formation, membership shall be governed by s. 628.727.

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

628.727 Membership.—

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

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

628.729 Member's share of assets on voluntary dissolution.—

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

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

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

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

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

628.730 Merger with intermediate holding company.—

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

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

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

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

628.733 Converting mutual insurance holding company.—

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

(b) The corporate equity of each member is determinable;

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

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

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

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

Approved by the Governor June 2, 2003.

Filed in Office Secretary of State June 2, 2003.