

Substituted for SF 2371
3/20/96

FEB 27 1996
Place On Calendar

HOUSE FILE **2363**
BY COMMITTEE ON COMMERCE AND
REGULATION

(SUCCESSOR TO HSB 670)

Passed House, Date ^(P. 527) 3/5/96
Vote: Ayes 94 Nays 0

Passed Senate, Date ^(P. 900) 3/20/96
Vote: Ayes 49 Nays 0

Approved March 25, 1996

A BILL FOR

1 An Act authorizing a foreign mutual insurance company or a
2 foreign health service corporation to reorganize by forming an
3 insurance holding company, and providing that a mutual
4 insurance holding company shall at all times own a majority of
5 the voting shares of the capital stock of a reorganized
6 domestic or foreign insurance company.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2363

1 Section 1. Section 521A.14, subsection 2, Code Supplement
2 1995, is amended by adding the following new paragraph:

3 NEW PARAGRAPH. c. A foreign mutual insurance company, or
4 a foreign health service corporation, which if a domestic
5 corporation would be organized under chapter 514, may
6 reorganize upon the approval of the commissioner and in
7 compliance with the requirements of any law or regulation
8 which is applicable to the foreign mutual insurance company or
9 foreign health service corporation by merging its
10 policyholders' or subscribers' membership interests into a
11 mutual insurance holding company formed pursuant to subsection
12 1 and continuing the corporate existence of the reorganizing
13 foreign mutual insurance company or reorganizing foreign
14 health service corporation as a foreign stock insurance
15 company subsidiary of the mutual insurance holding company.
16 The commissioner, after a public hearing as provided in
17 section 521A.3, subsection 4, paragraph "b", may approve the
18 proposed merger. The commissioner may retain consultants as
19 provided in section 521A.3, subsection 4, paragraph "c". A
20 merger pursuant to this paragraph is subject to section
21 521A.3, subsections 1, 2, and 3. The reorganizing foreign
22 mutual insurance company or reorganizing foreign health
23 service corporation may remain a foreign company or foreign
24 corporation after the merger, and may be admitted to do
25 business in this state. A foreign mutual insurance company or
26 foreign mutual health service corporation which is a party to
27 the merger may at the same time redomesticate in this state by
28 complying with the applicable requirements of this state and
29 its state of domicile. The provisions of paragraph "b" shall
30 apply to a merger authorized under this paragraph, except that
31 a reference to policyholders in that paragraph is also deemed
32 to include subscribers in the case of a health service
33 corporation.

34 Sec. 2. Section 521A.14, Code Supplement 1995, is amended
35 by adding the following new subsection:

1 NEW SUBSECTION. 7. The majority of the voting shares of
2 the capital stock of the reorganized insurance company, which
3 is required by this section to be at all times owned by a
4 mutual insurance holding company, shall not be conveyed,
5 transferred, assigned, pledged, subjected to a security
6 interest or lien, encumbered, or otherwise hypothecated or
7 alienated by the mutual insurance holding company or
8 intermediate holding company. Any conveyance, transfer,
9 assignment, pledge, security interest, lien, encumbrance, or
10 hypothecation or alienation of, in or on the majority of the
11 voting shares of the reorganized insurance company which is
12 required by this section to be at all times owned by a mutual
13 insurance holding company, is in violation of this section and
14 shall be void in inverse chronological order of the date of
15 such conveyance, transfer, assignment, pledge, security
16 interest, lien, encumbrance, or hypothecation or alienation,
17 as to the shares necessary to constitute a majority of such
18 voting shares. The majority of the voting shares of the
19 capital stock of the reorganized insurance company which is
20 required by this section to be at all times owned by a mutual
21 insurance holding company shall not be subject to execution
22 and levy as provided in chapter 626. The shares of the
23 capital stock of the surviving or new company resulting from a
24 merger or consolidation of two or more reorganized insurance
25 companies or two or more intermediate holding companies which
26 were subsidiaries of the same mutual insurance holding company
27 are subject to the same requirements, restrictions, and
28 limitations as provided in this section to which the shares of
29 the merging or consolidating reorganized insurance companies
30 or intermediate holding companies were subject by this section
31 prior to the merger or consolidation.

32 As used in this section, "majority of the voting shares of
33 the capital stock of the reorganized insurance company" means
34 shares of the capital stock of the reorganized insurance
35 company which carry the right to cast a majority of the votes

1 entitled to be cast by all of the outstanding shares of the
2 capital stock of the reorganized insurance company for the
3 election of directors and on all other matters submitted to a
4 vote of the shareholders of the reorganized insurance company.
5 The ownership of a majority of the voting shares of the
6 capital stock of the reorganized insurance company which are
7 required by this section to be at all times owned by a parent
8 mutual insurance holding company includes indirect ownership
9 through one or more intermediate holding companies in a
10 corporate structure approved by the commissioner. However,
11 indirect ownership through one or more intermediate holding
12 companies shall not result in the mutual insurance holding
13 company owning less than the equivalent of a majority of the
14 voting shares of the capital stock of the reorganized
15 insurance company. The commissioner shall have jurisdiction
16 over an intermediate holding company as if it were a mutual
17 insurance holding company. As used in this section,
18 "intermediate holding company" means a holding company which
19 is a subsidiary of a mutual insurance holding company, and
20 which either directly or through a subsidiary intermediate
21 holding company has one or more subsidiary reorganized
22 insurance companies of which a majority of the voting shares
23 of the capital stock would otherwise have been required by
24 this section to be at all times owned by the mutual insurance
25 holding company.

26 EXPLANATION

27 This bill amends section 521A.14, which relates to the
28 reorganization of a domestic mutual insurance company into a
29 mutual insurance holding company and continuing the corporate
30 existence of the reorganizing insurance company as a stock
31 insurance company.

32 Section 1 authorizes foreign mutual insurance companies or
33 certain foreign health service corporations to reorganize by
34 merging its policyholders' or subscribers' membership
35 interests, as applicable, into a mutual insurance holding

1 company in the same manner as a domestic mutual insurance
2 company.

3 Section 2 provides that the majority of the voting shares
4 of the capital stock of the reorganized insurance company,
5 which is required by this section to be at all times owned by
6 a mutual insurance holding company, shall not be conveyed,
7 transferred, assigned, pledged, subjected to a security
8 interest or lien, encumbered, or otherwise hypothecated or
9 alienated by the mutual insurance holding company or
10 intermediate holding company. Any such transaction in or on
11 the majority of the voting shares of the reorganized insurance
12 company which is required to be owned by the mutual insurance
13 holding company, is in violation of the section and is void in
14 inverse chronological order of the date of such transaction as
15 to the shares necessary to constitute a majority of such
16 voting shares. The bill provides that the ownership of a
17 majority of the voting shares of the capital stock of the
18 reorganized insurance company which are required by this
19 section to be at all times owned by a parent mutual insurance
20 holding company includes indirect ownership through one or
21 more intermediate holding companies in a corporate structure
22 approved by the commissioner.

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Halvorson - chair
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HSB 670

COMMERCE AND REGULATION

Succeeded By

HOUSE FILE SF (HF) 2363
BY (PROPOSED COMMITTEE ON
COMMERCE AND REGULATION
BILL BY CHAIRPERSON
METCALF)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

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3 insurance holding company, and providing that a mutual
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1 Section 1. Section 521A.14, subsection 2, Code Supplement
2 1995, is amended by adding the following new paragraph:
3 NEW PARAGRAPH. c. A foreign mutual insurance company, or
4 a foreign health service corporation, which if a domestic
5 corporation would be organized under chapter 514, may
6 reorganize upon the approval of the commissioner and in
7 compliance with the requirements of any law or regulation
8 which is applicable to the foreign mutual insurance company or
9 foreign health service corporation by merging its
10 policyholders' or subscribers' membership interests into a
11 mutual insurance holding company formed pursuant to subsection
12 1 and continuing the corporate existence of the reorganizing
13 foreign mutual insurance company or reorganizing foreign
14 health service corporation as a foreign stock insurance
15 company subsidiary of the mutual insurance holding company.
16 The commissioner, after a public hearing as provided in
17 section 521A.3, subsection 4, paragraph "b", may approve the
18 proposed merger. The commissioner may retain consultants as
19 provided in section 521A.3, subsection 4, paragraph "c". A
20 merger pursuant to this paragraph is subject to section
21 521A.3, subsections 1, 2, and 3. The reorganizing foreign
22 mutual insurance company or reorganizing foreign health
23 service corporation may remain a foreign company or foreign
24 corporation after the merger, and may be admitted to do
25 business in this state. A foreign mutual insurance company or
26 foreign mutual health service corporation which is a party to
27 the merger may at the same time redomesticate in this state by
28 complying with the applicable requirements of this state and
29 its state of domicile. The provisions of paragraph "b" shall
30 apply to a merger authorized under this paragraph, except that
31 a reference to policyholders in that paragraph is also deemed
32 to include subscribers in the case of a health service
33 corporation.
34 Sec. 2. Section 521A.14, Code Supplement 1995, is amended
35 by adding the following new subsection:

1 NEW SUBSECTION. 7. The majority of the voting shares of
2 the capital stock of the reorganized insurance company, which
3 is required by this section to be at all times owned by a
4 mutual insurance holding company, shall not be conveyed,
5 transferred, assigned, pledged, subjected to a security
6 interest or lien, encumbered, or otherwise hypothecated or
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11 voting shares of the reorganized insurance company which is
12 required by this section to be at all times owned by a mutual
13 insurance holding company, is in violation of this section and
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15 such conveyance, transfer, assignment, pledge, security
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18 voting shares. The majority of the voting shares of the
19 capital stock of the reorganized insurance company which is
20 required by this section to be at all times owned by a mutual
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22 and levy as provided in chapter 626. The shares of the
23 capital stock of the surviving or new company resulting from a
24 merger or consolidation of two or more reorganized insurance
25 companies or two or more intermediate holding companies which
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28 limitations as provided in this section to which the shares of
29 the merging or consolidating reorganized insurance companies
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34 shares of the capital stock of the reorganized insurance
35 company which carry the right to cast a majority of the votes

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2 capital stock of the reorganized insurance company for the
3 election of directors and on all other matters submitted to a
4 vote of the shareholders of the reorganized insurance company.
5 The ownership of a majority of the voting shares of the
6 capital stock of the reorganized insurance company which are
7 required by this section to be at all times owned by a parent
8 mutual insurance holding company includes indirect ownership
9 through one or more intermediate holding companies in a
10 corporate structure approved by the commissioner. However,
11 indirect ownership through one or more intermediate holding
12 companies shall not result in the mutual insurance holding
13 company owning less than the equivalent of a majority of the
14 voting shares of the capital stock of the reorganized
15 insurance company. The commissioner shall have jurisdiction
16 over an intermediate holding company as if it were a mutual
17 insurance holding company. As used in this section,
18 "intermediate holding company" means a holding company which
19 is a subsidiary of a mutual insurance holding company, and
20 which either directly or through a subsidiary intermediate
21 holding company has one or more subsidiary reorganized
22 insurance companies of which a majority of the voting shares
23 of the capital stock would otherwise have been required by
24 this section to be at all times owned by the mutual insurance
25 holding company.

26 EXPLANATION

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19 section to be at all times owned by a parent mutual insurance
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21 more intermediate holding companies in a corporate structure
22 approved by the commissioner.

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HOUSE FILE 2363

AN ACT

AUTHORIZING A FOREIGN MUTUAL INSURANCE COMPANY OR A FOREIGN HEALTH SERVICE CORPORATION TO REORGANIZE BY FORMING AN INSURANCE HOLDING COMPANY, AND PROVIDING THAT A MUTUAL INSURANCE HOLDING COMPANY SHALL AT ALL TIMES OWN A MAJORITY OF THE VOTING SHARES OF THE CAPITAL STOCK OF A REORGANIZED DOMESTIC OR FOREIGN INSURANCE COMPANY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 521A.14, subsection 2, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. c. A foreign mutual insurance company, or a foreign health service corporation, which if a domestic corporation would be organized under chapter 514, may reorganize upon the approval of the commissioner and in compliance with the requirements of any law or regulation which is applicable to the foreign mutual insurance company or foreign health service corporation by merging its policyholders' or subscribers' membership interests into a mutual insurance holding company formed pursuant to subsection 1 and continuing the corporate existence of the reorganizing foreign mutual insurance company or reorganizing foreign health service corporation as a foreign stock insurance company subsidiary of the mutual insurance holding company. The commissioner, after a public hearing as provided in section 521A.3, subsection 4, paragraph "b", may approve the proposed merger. The commissioner may retain consultants as provided in section 521A.3, subsection 4, paragraph "c". A merger pursuant to this paragraph is subject to section 521A.3, subsections 1, 2, and 3. The reorganizing foreign mutual insurance company or reorganizing foreign health service corporation may remain a foreign company or foreign

corporation after the merger, and may be admitted to do business in this state. A foreign mutual insurance company or foreign mutual health service corporation which is a party to the merger may at the same time redomesticate in this state by complying with the applicable requirements of this state and its state of domicile. The provisions of paragraph "b" shall apply to a merger authorized under this paragraph, except that a reference to policyholders in that paragraph is also deemed to include subscribers in the case of a health service corporation.

Sec. 2. Section 521A.14, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 7. The majority of the voting shares of the capital stock of the reorganized insurance company, which is required by this section to be at all times owned by a mutual insurance holding company, shall not be conveyed, transferred, assigned, pledged, subjected to a security interest or lien, encumbered, or otherwise hypothecated or alienated by the mutual insurance holding company or intermediate holding company. Any conveyance, transfer, assignment, pledge, security interest, lien, encumbrance, or hypothecation or alienation of, in or on the majority of the voting shares of the reorganized insurance company which is required by this section to be at all times owned by a mutual insurance holding company, is in violation of this section and shall be void in inverse chronological order of the date of such conveyance, transfer, assignment, pledge, security interest, lien, encumbrance, or hypothecation or alienation, as to the shares necessary to constitute a majority of such voting shares. The majority of the voting shares of the capital stock of the reorganized insurance company which is required by this section to be at all times owned by a mutual insurance holding company shall not be subject to execution and levy as provided in chapter 626. The shares of the capital stock of the surviving or new company resulting from a

merger or consolidation of two or more reorganized insurance companies or two or more intermediate holding companies which were subsidiaries of the same mutual insurance holding company are subject to the same requirements, restrictions, and limitations as provided in this section to which the shares of the merging or consolidating reorganized insurance companies or intermediate holding companies were subject by this section prior to the merger or consolidation.

As used in this section, "majority of the voting shares of the capital stock of the reorganized insurance company" means shares of the capital stock of the reorganized insurance company which carry the right to cast a majority of the votes entitled to be cast by all of the outstanding shares of the capital stock of the reorganized insurance company for the election of directors and on all other matters submitted to a vote of the shareholders of the reorganized insurance company. The ownership of a majority of the voting shares of the capital stock of the reorganized insurance company which are required by this section to be at all times owned by a parent mutual insurance holding company includes indirect ownership through one or more intermediate holding companies in a corporate structure approved by the commissioner. However, indirect ownership through one or more intermediate holding companies shall not result in the mutual insurance holding company owning less than the equivalent of a majority of the voting shares of the capital stock of the reorganized insurance company. The commissioner shall have jurisdiction over an intermediate holding company as if it were a mutual insurance holding company. As used in this section, "intermediate holding company" means a holding company which is a subsidiary of a mutual insurance holding company, and which either directly or through a subsidiary intermediate holding company has one or more subsidiary reorganized insurance companies of which a majority of the voting shares of the capital stock would otherwise have been required by

this section to be at all times owned by the mutual insurance holding company.

RON J. CORBETT
Speaker of the House

LEONARD L. BOSWELL
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2363, Seventy-sixth General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved *[Signature]* March 25, 1996

TERRY E. BRANSTAD
Governor