

Substituted by HF 2363  
3/20/96 (p. 900)

FILED FEB 29 1996

SENATE FILE 2371  
BY COMMITTEE ON COMMERCE

WITHDRAWN  
3/20/96  
(p. 901)

(SUCCESSOR TO SSB 2224)

Passed Senate, Date \_\_\_\_\_

Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**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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WITHDRAWN

S.F. 2371

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  
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21 more intermediate holding companies in a corporate structure  
22 approved by the commissioner.

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Palmer

LSB

SSB-2224

Bisignano

Commerce

Freeman

Succeeded By

Gronstal

SENATE FILE (SF) HF 2371

Hansen

BY (PROPOSED COMMITTEE ON

Jensen

COMMERCE BILL BY

Radfern

CHAIRPERSON DELUHERY)

Passed Senate, Date \_\_\_\_\_

Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

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