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1 A bill to be entitled
2 An act relating to mutual insurance corporations;
3 amending ss. 627.971 and 627.972, F.S.; providing that
4 such corporations include licensed mutual insurers as
5 well as licensed stock insurers; amending s.
6 617.01401, F.S.; revising the definition of the term
7 "distribution" to exclude a not-for-profit insurance
8 company subsidiary from ch. 617, F.S., relating to
9 not-for-profit corporations; amending s. 628.371,
10 F.S.; providing that certain dividends or
11 distributions by a not-for-profit insurance company to
12 its mutual insurance holding company which meet
13 certain requirements are permitted under part I of ch.
14 628, F.S., relating to stock and mutual insurers;
15 amending s. 628.703, F.S.; amending definitions
16 relating to mutual insurance holding companies to add
17 provisions for not-for-profit insurance companies and
18 nonprofit health care plans; amending s. 628.707,
19 F.S.; conforming terminology; amending s. 628.715,
20 F.S.; adding not-for-profit insurance companies and
21 nonprofit health plans to provisions relating to
22 mergers and acquisitions; amending s. 628.727, F.S.;
23 authorizing the articles of incorporation and bylaws
24 of a mutual insurance holding company to restrict
25 certain rights of policyholders to receive
26 distributions; providing effective dates.

27
28 Be It Enacted by the Legislature of the State of Florida:
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30 Section 1. Subsection (6) of section 627.971, Florida
31 Statutes, is amended to read:

32 627.971 Definitions.—As used in this part:

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

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

38 627.972 Organization; financial requirements.—

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

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

45 1. Residual value insurance, as defined by s. 624.6081;

46 2. Surety insurance, as defined by s. 624.606;

47 3. Credit insurance, as defined by s. 624.605(1)(i); and

48 4. Mortgage guaranty insurance as defined in s. 635.011 if
49 ~~provided that~~ the provisions of chapter 635 are met.

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

53 a. The types and projected diversification of guaranties to
54 be issued;

55 b. The underwriting procedures to be followed;

56 c. The managerial oversight methods;

57 d. The investment policies; and

58 e. Any other matters prescribed by the office. †

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

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

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

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

74 Section 3. Subsection (7) of section 617.01401, Florida
75 Statutes, is amended to read:

76 617.01401 Definitions.—As used in this chapter, the term:

77 (7) "Distribution" means the payment of a dividend or any
78 part of the income or profit of a corporation to its members,
79 directors, or officers.

80 (a) A donation or transfer of corporate assets or income to
81 or from another not-for-profit corporation qualified as tax-
82 exempt under s. 501(c) of the Internal Revenue Code or a
83 governmental organization exempt from federal and state income
84 taxes, if such corporation or governmental organization is a
85 member of the corporation making such donation or transfer, is
86 not a distribution for purposes of this chapter.

87 (b) A dividend or distribution by a not-for-profit

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88 insurance company subsidiary to its mutual insurance holding
89 company organized under part III of chapter 628, directly or
90 indirectly through one or more intermediate holding companies
91 authorized under that part, is not a distribution for the
92 purposes of this chapter.

93 Section 4. Subsection (5) is added to section 628.371,
94 Florida Statutes, to read:

95 628.371 Dividends to stockholders.—

96 (5) A dividend or distribution by a not-for-profit
97 insurance company subsidiary to its mutual insurance holding
98 company, directly or indirectly through one or more intermediate
99 holding companies, pursuant to part III of this chapter, which
100 meets the requirements of this section and which applies to a
101 stock insurer, is permitted under this section.

102 Section 5. Section 628.703, Florida Statutes, is reordered
103 and amended to read:

104 628.703 Definitions.—For purposes of this part:

105 (2)~~(1)~~ "Mutual insurance holding company" means an
106 incorporated entity without permanent capital stock which ~~that~~
107 is organized under this part and whose members are determined in
108 accordance with this part.

109 (5)~~(2)~~ "Subsidiary insurance company" means:

110 (a) A stock insurance company, of which the majority of the
111 voting shares of the capital stock ~~of which~~ are at all times
112 owned by a mutual insurance holding company. As used in ~~For~~
113 ~~purposes of~~ this part, the term "majority of the voting shares
114 of the capital stock" means the shares of the capital stock of
115 such company which carry the right to cast a majority of the
116 votes entitled to be cast by all of the outstanding shares of

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117 the capital stock for the election of directors. The ownership
118 of a majority of the voting shares of the capital stock of a
119 former mutual reorganized insurance company which are required
120 by this part to be at all times owned by a mutual insurance
121 holding company includes indirect ownership through one or more
122 intermediate holding companies. However, indirect ownership
123 through one or more intermediate holding companies may shall not
124 result in a mutual insurance holding company owning less than
125 the equivalent of a majority of the voting shares of the capital
126 stock of the former mutual reorganized insurance company; or

127 (b) A not-for-profit insurance company or nonprofit health
128 care plan, of which the majority of the voting membership
129 interests are at all times owned by a mutual insurance holding
130 company, which entitles the mutual insurance holding company to
131 elect the board of directors of the not-for-profit insurance
132 company or nonprofit health care plan. This also applies to the
133 indirect ownership of the not-for-profit insurance company or
134 nonprofit health care plan through one or more intermediate
135 holding companies. A not-for-profit insurance company subsidiary
136 resulting from reorganization into a not-for-profit mutual
137 insurance company under this part, or which is subsequently
138 organized as an additional subsidiary insurance company of the
139 holding company, is subject to the Florida Insurance Code and
140 chapter 617 applies to the organization of such company.

141 (1)-(3) "Intermediate holding company" means:

142 (a) A holding company that ~~which~~ is a subsidiary of a
143 mutual insurance holding company, and which directly or through
144 a subsidiary intermediate holding company owns a majority of the
145 voting shares of the capital stock of one or more subsidiary

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146 insurance companies; or

147 (b) A holding company that is a not-for-profit corporation
148 and a subsidiary of a mutual insurance holding company, of which
149 a majority of the voting membership interests entitled to elect
150 the board of directors of such corporation are owned, directly
151 or through a subsidiary intermediate holding company, by the
152 mutual insurance holding company.

153 (3) "Nonprofit health care plan" means a not-for-profit
154 domestic or foreign hospital or medical and surgical service
155 plan or corporation that is licensed in one or more states,
156 issues no capital stock, and is engaged in the business of
157 providing prepaid indemnity or health care benefits.

158 (4) "Paid premiums" means all premiums paid for insurance
159 by a member of a mutual insurance holding company to a
160 subsidiary insurance company.

161 Section 6. Subsection (5) of section 628.707, Florida
162 Statutes, is amended to read:

163 628.707 Applicability of general corporation statutes.—The
164 applicable statutes of this state relating to the powers and
165 procedures of domestic private corporations formed for profit
166 shall apply to domestic mutual insurance holding companies,
167 except:

168 (5) In the case of the reorganization of a ~~any~~ mutual
169 insurance company organized as a not-for-profit ~~nonprofit~~
170 corporation under chapter 617, a mutual insurance holding
171 company organized under this part shall be deemed to be a not-
172 for-profit ~~nonprofit~~ corporation.

173 Section 7. Subsection (1) of section 628.715, Florida
174 Statutes, is amended to read:

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175 628.715 Merger and acquisitions.—Subject to applicable
176 requirements of this chapter, a mutual insurance holding company
177 may:

178 (1) (a) Merge or consolidate with, or acquire the assets of,
179 a mutual insurance holding company licensed pursuant to this
180 part act or any similar entity organization pursuant to laws of
181 any other state;

182 (b) Either alone or together with one or more intermediate
183 ~~stock~~ holding companies, or other subsidiaries, directly or
184 indirectly acquire the stock of a stock insurance company or a
185 mutual insurance company that reorganizes under this part act or
186 the law of its state of organization;

187 (c) Together with one or more of its ~~stock insurance~~
188 ~~company~~ subsidiaries, acquire the assets of a stock insurance
189 company or a mutual insurance company, or the membership
190 interests of a not-for-profit insurance company or nonprofit
191 health care plan;

192 (d) Acquire a stock insurance company through the merger of
193 the such stock insurance subsidiary with a stock insurance
194 company or interim stock insurance company subsidiary of the
195 mutual insurance holding company, or acquire a not-for-profit
196 insurance company or nonprofit health care plan through the
197 merger of such entities with a mutual insurance company, or with
198 a not-for-profit insurance company subsidiary of the mutual
199 insurance holding company or intermediate holding company;

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

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204 (f) Jointly, with a domestic or foreign mutual insurance
205 company that ~~which~~ redomesticates pursuant to s. 628.520, file
206 an application with the office, pursuant to ~~the provisions of~~
207 this part, to merge the domestic or foreign mutual insurance
208 company policyholder's membership interests into the mutual
209 insurance holding company. The reorganizing mutual insurance
210 company may merge with the mutual insurance holding company's
211 stock subsidiary or continue its corporate existence as a
212 domestic stock insurance company subsidiary. The members of the
213 foreign mutual insurance company may approve in a
214 contemporaneous vote both the redomestication plan and the
215 agreement for merger and reorganization; or

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

219 Section 8. Subsection (1) of section 628.727, Florida
220 Statutes, is amended to read:

221 628.727 Membership.—

222 (1) Membership in a mutual insurance holding company shall
223 be determined in accordance with the mutual insurance holding
224 company's articles of incorporation and bylaws and ~~shall~~ be
225 based upon each member holding a policy of insurance with a
226 subsidiary insurance company or a health maintenance contract
227 with a subsidiary health maintenance organization. Group
228 certificateholders may also be members of the mutual insurance
229 holding company if specified in the bylaws. The articles of
230 incorporation and bylaws may provide for one or more classes of
231 members and may restrict the voting or other rights of a class
232 of policyholders of a nonprofit health care plan from receiving

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233 distributions pursuant to this chapter if the assets of the
234 nonprofit health care plan may not be treated as assets
235 available for distribution.

236 Section 9. Except for sections 3 through 8, which shall
237 take effect January 1, 2014, this act shall take effect upon
238 becoming a law.