

## **BILL ANALYSIS**

H.B. 1746  
By: Seaman  
Insurance  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Texas presently has two domestic mutual life insurance companies. The largest Texas domestic mutual life company is Government Personnel Mutual Life Insurance Company in San Antonio. Under current law, a mutual life insurance company is authorized to convert to a stock insurance company. In 1997, the Texas legislature amended the provisions of Texas law relating to a mutual property casualty insurance company. Under those changes, a mutual property casualty company was allowed to convert to a stock company or allowed to convert using a mutual holding company is not available to a life company unless an amendment is made.

A mutual holding company involves the conversion of the mutual company itself to a stock company. A non-profit corporation owns or holds the stock. The non-profit corporation owns or holds the stock. The non-profit corporation is composed of the policyholders or members of the life insurance company. There are certain advantages to this type of reorganization for a mutual life company. First, the mutual life company, by converting to a stock company, is allowed to have capital stock and surplus, and is better able to issue additional shares of capital stock as necessary to increase the capital and surplus. Since a non-profit corporation owns the stock, the policyholders are still in control of the company.

Most states have now passed laws that allow for the reorganization of a mutual insurance company through either a mutual holding company or by converting to a stock company. The purpose of this bill is to simply allow mutual life companies to convert to a stock company either through a mutual holding company or by converting to a stock company.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

SECTION 1: This bill amends Chapter 882 dealing with mutual life insurance companies. This bill authorizes a mutual life insurance company to reorganize by forming an insurance holding company based on a mutual plan and continuing the corporate existence of the reorganized mutual life insurance company as a stock insurance company. The Commissioner of Insurance would be required to determine if the reorganization plan is fair and equitable to the policyholders. The mutual holding company holding the stock of the reorganized life insurance company would be a Texas non-profit corporation. The Commissioner of Insurance would have the authority to regulate the Articles of Incorporation or any amendments to the mutual holding company. This bill is similar to a bill passed by the Texas legislature in 1997 dealing with the permitting the reorganization of a mutual property casualty insurance company.

SECTION 2: Determines the effective date of this Act.

### **EFFECTIVE DATE**

September 1, 2005