

## **BILL ANALYSIS**

S.B. 449  
By: Wentworth  
Insurance  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

In 1997, the 75th Texas Legislature amended the Texas Insurance Code to allow a non-life mutual insurance company to convert to a stock insurance company or to a mutual holding company. Under current law, a mutual life insurance company is authorized to convert to a stock insurance company, but there is no authorization to convert to a mutual holding company.

As proposed, S.B. 449 allows a mutual life insurance company to convert to a mutual holding company, allowing it to issue stock and attract additional capital as necessary to ensure the financial viability of the company for its policyholders. This conversion occurs by the original mutual insurance company becoming a stock insurance company that is wholly owned by the mutual holding 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. Amends Chapter 882, Insurance Code, by adding Subchapter P, as follows:

#### **SUBCHAPTER P. CONVERSION OF MUTUAL LIFE INSURANCE COMPANY TO INSURANCE HOLDING COMPANY AND STOCK LIFE INSURANCE COMPANY**

Sec. 882.751. **AUTHORITY TO CONVERT.** Authorizes a mutual life insurance company organized or operating under this chapter to convert by forming an insurance holding company based on a mutual plan and continuing the corporate existence of the converting mutual life insurance company as a stock life insurance company provided that the commissioner of insurance (commissioner) determines that the conversion is fair and equitable to policyholders of the converting company and approves the proposed plan of conversion.

Sec. 882.752. **APPLICATION OF OTHER LAW.** Provides that, except to the extent of a conflict with this subchapter, Chapter 826 (Conversion of Mutual Insurance Company to Stock Insurance Company) applies to the conversion of a mutual life insurance company under this subchapter.

Sec. 882.753. **JURISDICTION OF COMMISSIONER.** Provides that the commissioner retains jurisdiction over a company that converts under this subchapter.

Sec. 882.754. **INCORPORATION REQUIREMENTS.** Requires a mutual insurance holding company that results from a conversion under this subchapter to be incorporated under and subject to this chapter and Chapter 22 (Nonprofit Corporations), Business Organizations Code.

Sec. 882.7545. **INCORPORATION REQUIREMENTS: TEMPORARY PROVISION.** Requires, notwithstanding Section 882.754, a mutual insurance holding company that results from a conversion under this subchapter to be incorporated under and subject to this chapter and the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq.,

V.T.C.S.) or Chapter 22 (Nonprofit Corporations), Business Organizations Code, as applicable. Provides that this section expires January 1, 2010.

Sec. 882.755. ARTICLES OF INCORPORATION. Provides that the articles of incorporation of a mutual insurance holding company that results from a conversion under this subchapter, and any amendments to the articles of incorporation, are subject to approval by the commissioner.

Sec. 882.756. SALE OF SECURITIES. (a) Provides that a sale, issuance, or offering of securities under this subchapter is exempt from the registration and licensing provisions of The Securities Act (Article 581-1 et seq., V.T.C.S.).

(b) Exempts an officer, director, or employee of a mutual life insurance company or mutual insurance holding company or stock life insurance company resulting from a conversion under this subchapter who participates in the conversion from the registration and licensing provisions of The Securities Act. Prohibits an individual from receiving compensation, other than that individual's usual salary or compensation, for services performed under the exemption provided by this subsection.

SECTION 2. Effective date

**EFFECTIVE DATE**

September 1, 2005.