HLS 22RS-486

2022 Regular Session

HOUSE BILL NO. 210

BY REPRESENTATIVE MACK

INSURANCE: Provides for technical corrections to certain provisions affecting mutual insurance holding companies

AN ACT

To amend and reenact R.S. 22:231, 232.1(B), 232.2(B), 232.3(B) and (D), 232.4(B), 232.7, 232.8, 236(10) and (20), 236.4(A), 237.2(10) and (20), 237.6(A), 252(C)(4), 524(2), 528(1), 553, 1564(B)(3), 1622(4)(b)(iii), 1625(J), 1722(10)(c), 1726(B), 1728(6), and 1729(F), relative to certain provisions affecting the Insurance Holding Company System Regulatory Law; to make corrective changes to certain internal citation references; to provide for technical changes; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 22:231, 232.1(B), 232.2(B), 232.3(B) and (D), 232.4(B), 232.7, 232.8, 236(10) and (20), 236.4(A), 237.2(10) and (20), 237.6(A), 252(C)(4), 524(2), 528(1), 553, 1564(B)(3), 1622(4)(b)(iii), 1625(J), 1722(10)(c), 1726(B), 1728(6), and 1729(F) are hereby amended and reenacted to read as follows:

§231. Mutual insurance holding companies

A domestic mutual insurance company, upon approval of the commissioner, may reorganize by forming a mutual insurance holding company based upon a mutual plan or by merging its policyholders' membership interests into such a mutual insurance holding company. The reorganized insurance company shall continue, without interruption, its corporate existence as a stock insurance company subsidiary to the mutual insurance holding company or as a stock insurance company subsidiary to an intermediate holding company which is a subsidiary of the mutual insurance

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holding company. A reorganization under this Section is subject to the provisions of R.S. 22:691 et seq. R.S. 22:691.1 et seq., the Insurance Holding Company System Regulatory Law.

§232.1. Mutual insurance holding company plan of reorganization

* * *

B. The commissioner, after a public hearing as provided in R.S. 22:694(D) R.S. 22:691.4(E), if satisfied that the interests of the policyholders are properly protected and that the plan of reorganization is fair and equitable to the policyholders, shall approve the proposed plan of reorganization and may require as a condition of approval such modifications of the proposed plan of reorganization as the commissioner finds necessary for the protection of the policyholders' interests.

The commissioner may not approve a reorganization of an insurer pursuant to R.S. 22:231 unless, with respect to such reorganization, an opinion has been obtained from an actuarial firm employing or associated with more than fifty actuaries who are members of the American Academy of Actuaries attesting that the reorganization of the insurer does not unfairly enrich the officers and directors of the reorganizing insurer. The commissioner may retain consultants as provided in R.S. 22:694(D)(3) R.S. 22:691.4(E)(5). A reorganization pursuant to R.S. 22:231 is subject to the provisions of R.S. 22:694(A), (B), and (C) R.S. 22:691.4(A), (B), (C), and (D).

* * *

§232.2. Incorporation of a mutual insurance holding company

* * *

B. The commissioner shall retain jurisdiction over a mutual insurance holding company and an intermediate holding company established pursuant to R.S. 22:231 to protect policyholders' interests, and the mutual insurance holding company shall be subject to the requirements of this Subpart and the Insurance Holding Company System Regulatory Law, R.S. 22:691 et seq. R.S. 22:691.1 et seq., to the same extent as any domestic insurer.

* * *

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§232.3. Merger of foreign mutual insurance company

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B. The commissioner, after a public hearing as provided in R.S. 22:694(D) R.S. 22:691.4(E), may approve the proposed merger. The commissioner may retain consultants as provided in R.S. 22:694(D)(3) R.S. 22:691.4(E)(5). A merger pursuant to this Section is subject to R.S. 22:694(A), (B), and (C) R.S. 22:691.4(A), (B), (C), and (D). The reorganizing foreign mutual insurance company may remain a foreign company or foreign corporation after the merger and may be admitted to do business in this state.

          *          *          *

D. The provisions of R.S. 22:695(D) R.S. 22:232.1(D) shall apply to a merger authorized under pursuant to this Section.

§232.4. Capital stock of a reorganized insurance company

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B. In addition to the limitations on dividends set forth in the Insurance Holding Company System Regulatory Law, R.S. 22:691 et seq. R.S. 22:691.1 et seq., any dividends paid by an insurance company reorganized pursuant to R.S. 22:231 must shall be paid to the shareholders of record in an equal amount with respect to each issued and outstanding share, regardless of the classes of stock issued by the insurance company.

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§232.7. Sale of stock

An intermediate holding company established and an insurance company reorganized pursuant to R.S. 22:231 may issue stock to any persons legally permitted to own stock, provided that the mutual insurance holding company at all times owns either directly or indirectly a majority of the voting shares of the capital stock of the reorganized insurance company as required by R.S. 22:698 R.S. 22:232.4. Except with respect to stock issued directly or indirectly for ownership by the mutual insurance holding company, the reorganized insurance company, or the intermediate
holding company shall, prior to the initial issuance of stock, obtain a fairness opinion with respect to the value of the stock to be issued from an investment banking organization with experience and established credentials in the evaluation of insurance organizations. No solicitation for the sale of the stock of an insurance company reorganized under pursuant to R.S. 22:231 or the intermediate holding company established under pursuant to R.S. 22:231 may be made except in accordance with the provisions of R.S. 22:88.

§232.8. Failure to give notice

If the mutual insurance company complies substantially and in good faith with the notice requirements of R.S. 22:695 R.S. 22:232.1, the mutual insurance company's failure to give any policyholder any required notice does not impair the validity of any action taken under pursuant to R.S. 22:231 or this Subpart.

§236. Definitions

As used in this Subpart, the following terms shall have the respective meanings hereinafter set forth, unless the context shall otherwise require:

*          *          *

(10) "Mutual insurance holding company" and "mutual life insurance holding company" both mean a domestic mutual holding company formed as a result of the conversion of a mutual insurer as defined in this Subpart pursuant to R.S. 22:231 and 691 et seq. 691.1 et seq., in accordance with a plan of reorganization approved by the commissioner.

*          *          *

(20) "Reorganized insurer" means: (a) with respect to a conversion of a mutual insurer under this Subpart, the domestic stock insurer into which a mutual insurer is being or has been reorganized; or (b) with respect to the conversion of a mutual insurance holding company under this Subpart, any former mutual insurance company previously reorganized as a stock insurance company as part of a mutual insurance holding company reorganization under pursuant to R.S. 22:231 and 695.
232.1 or under pursuant to the mutual insurance holding company laws of another state.

* * *

§236.4. Approval by commissioner after public hearing

A. The commissioner shall hold a public hearing upon notice as set forth in this Section to hear evidence upon whether the plan of reorganization: (1) properly protects the interests of the policyholders as such and as members, (2) serves the best interests of policyholders and members, and (3) is fair and equitable to policyholders and members. Subpart G Subpart G-1 of Part III of this Chapter, R.S. 22:691 et seq. R.S. 22:691.1 et seq. is not applicable to any hearing held under this Subpart, and any such hearing shall be governed by the procedures set forth herein.

* * *

§237.2. Definitions

As used in this Subpart, the following terms shall have the respective meanings hereinafter set forth, unless the context shall otherwise require:

* * *

(10) "Mutual insurance holding company” and "mutual non-life insurance holding company” both mean a domestic mutual holding company formed as a result of the conversion of a mutual insurer as defined in this Subpart pursuant to R.S. 22:231 et seq., and R.S. 22:691 et seq. R.S. 22:691.1 et seq., in accordance with a plan of reorganization approved by the commissioner.

* * *

(20) "Reorganized insurer" means: (a) with respect to a conversion of a mutual insurer under this Subpart, the domestic stock insurer into which a mutual insurer is being or has been reorganized; or (b) with respect to the conversion of a mutual insurance holding company under this Subpart, any former mutual insurance company previously reorganized as a stock insurance company as part of a mutual insurance holding company reorganization under pursuant to R.S. 22:231 et seq., and
R.S. 22:695 et seq., R.S. 22:232.1 et seq., or under pursuant to the mutual insurance
holding company laws of another state.

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§237.6. Approval by commissioner after public hearing

A. The commissioner shall hold a public hearing upon notice as set forth in
this Section to hear evidence upon whether the plan of reorganization: (1) properly
protects the interests of the policyholders as such and as members, (2) serves the best
interests of policyholders and members, and (3) is fair and equitable to policyholders
and members. The provisions of Subpart G Subpart G-1 of Part III of this Chapter,
R.S. 22:691 et seq., R.S. 22:691.1 et seq., shall not be applicable to any hearing held
under pursuant to this Subpart, and any such hearing shall be governed by the
procedures set forth in this Subpart.

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§252. Annual report

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C. In addition to Subsection A of this Section, the following reports shall
also be filed with the commissioner:

*       *       *

(4) Holding Company Act filings as required under pursuant to Subpart G
of Part III of this Chapter, R.S. 22:691 et seq., R.S. 22:691.1 et seq.

*       *       *

§524. Title insurance producer; restrictions

The title insurance producer shall not:

*       *       *

(2) Permit any of its directors, officers, controlling shareholders, or
employees to serve on the title insurer's board of directors if the title insurance
producer wrote one percent or more of the direct premiums of the title insurer written
in the previous calendar year as shown on the title insurer's most recent annual

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statement filed with the department. This Subsection shall not apply to relationships
governed by R.S. 22:691 through 713, R.S. 22:691.1 et seq.

§528. Title insurer; restrictions

A title insurer shall not:

(1) Appoint any director, officer, controlling shareholder, or employee of a
title insurance producer to serve on the title insurer's board of directors if the title
insurance producer wrote one percent or more of the direct premiums of the title
insurer written during the previous calendar year as shown on the title insurer's most
recent annual statement on file with the department. This Subsection shall not apply
to relationships governed by R.S. 22:691 through 713, R.S. 22:691.1 et seq.

§553. Applicability

This Part shall apply to licensed insurers as defined in R.S. 22:552, either
domiciled in this state or domiciled in a state that is not an accredited state having
in effect a law substantially similar to this Part. All provisions of the Insurance
Holding Company System Regulatory Law, R.S. 22:691 et seq., R.S. 22:691.1 et seq.,
to the extent they are not superseded by this Part, shall continue to apply to all parties
within holding company systems subject to this Part.

§1564. Producers of record

B.

(3) This Subsection shall not apply to any producer who is an employee of
an insurer or represents, by contractual agreement, only one insurer or a group of
affiliated insurers under pursuant to R.S. 22:691 et seq., R.S. 22:691 et seq.
§1622. Definitions

(4)

(b) Notwithstanding the preceding provisions of this Subsection, the following persons shall not be considered as MGAs for the purposes of this Part:

(iii) An underwriting manager, which, pursuant to contract, manages all the insurance operations of the insurer, is under common control with the insurer, subject to the Insurance Holding Company System Regulatory Law, R.S. 22:691 et seq. and whose compensation is not based on the volume of premiums written.

§1625. Duties of insurers

J. An insurer shall not appoint to its board of directors an officer, director, employee, subproducer, or controlling shareholder of its MGA's. This Subsection shall not apply to relationships governed by R.S. 22:691 et seq. or, if applicable, R.S. 22:1621 et seq.

§1722. Definitions

As used in this Part:

(10) "Reinsurance intermediary-manager" shall mean any person who has authority to bind or manages all or part of the assumed reinsurance business of a reinsurer, including the management of a separate division, department or underwriting office, and acts as an agent for such reinsurer, whether known as a reinsurance intermediary-manager, manager, or other similar term. Notwithstanding any previous provision of this Section, the following persons shall not be considered
a reinsurance intermediary-manager, with respect to such reinsurer, for the purposes
of this Part:

* * *

(c) An underwriting manager which, pursuant to contract, manages all the
reinsurance operations of the reinsurer, is under common control with the reinsurer,
subject to the Insurance Holding Company System Regulatory Law, R.S. 22:691 et
seq. R.S. 22:691.1 et seq., and whose compensation is not based on the volume of
premiums written.

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§1726. Duties of insurers utilizing the services of a reinsurance intermediary-broker

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B. An insurer may not employ an individual who is employed by a
reinsurance intermediary-broker with which it transacts business, unless such
reinsurance intermediary-broker is under common control with the insurer and
subject to the Insurance Holding Company System Regulatory Law, R.S. 22:691 et
seq. R.S. 22:691.1 et seq.

* * *

§1728. Prohibited acts

The reinsurance intermediary-manager shall not:

* * *

(6) Jointly employ an individual who is employed by the reinsurer, unless
such reinsurance intermediary-manager is under common control with the reinsurer
subject to the Insurance Holding Company System Regulatory Law, R.S. 22:691 et
seq. R.S. 22:691.1 et seq.

* * *

§1729. Duties of reinsurers utilizing the services of a reinsurance intermediary-
manager

* * *
F. A reinsurer shall not appoint to its board of directors any officer, director, employee, controlling shareholder, or subproducer of its reinsurance intermediary-manager. This Subsection shall not apply to relationships governed by the Insurance Holding Company System Regulatory Law, R.S. 22:691 et seq. or, if applicable, the Business Transacted with Producer Controlled Insurer Law, R.S. 22:551 et seq.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Abstract: Makes technical changes to internal citation references for provisions affecting mutual insurance holding companies.

Present law provides that upon the approval of the insurance commissioner, a domestic mutual insurance company may reorganize by forming a mutual insurance holding company based upon a mutual plan or by merging its policyholders' membership interests into such a mutual insurance holding company.

Present law provides that after a public hearing, if satisfied that the interest of the policyholders are properly protected and that the plan of reorganization is fair and equitable to the policyholders, the commissioner shall approve the proposed plan of reorganization and may require modification of the proposed plan as he finds necessary for the protection of the policyholders' interests.

Present law provides that the commissioner shall retain jurisdiction over a mutual insurance holding company and an intermediate holding company to protect policyholders' interests, and the mutual insurance holding company shall be subject to the requirements of certain enumerated provisions of law.

Present law provides that the commissioner, after a public hearing, may approve a proposed merger, the commissioner may retain consultants, and the merger is subject to certain enumerated provisions of law.

Present law provides that in addition to the limitation on dividends set forth in certain enumerated provisions of law, any dividends paid by a reorganized insurance company shall be paid to the shareholders of record in an equal amount with respect to each issued and outstanding share.

Present law provides that an intermediate holding company and a reorganized insurance company may issue stock to any person legally permitted to own stock, provided that the company at all times owns a majority of the voting shares of capital stock.

Present law provides that if a mutual insurance company complies substantially and in good faith with the notice requirements of certain enumerated provisions of law, the company's failure to give required notice does not impair the validity of actions taken.

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Present law provides procedures for conducting public hearings concerning a plan for reorganization.

Present law provides that the commissioner shall hold a public hearing to hear evidence relative to certain issues related to a plan of reorganization.

Present law defines "mutual insurance holding company", "mutual life insurance holding company", and "reorganized insurer".

Present law provides that every health maintenance organization shall file Holding Company Act filings with the commissioner.

Present law provides that insurance holding company systems may permit its directors, officers, controlling shareholders, or employees to serve on a title insurer's board of directors.

Present law provides that insurance holding company systems may appoint its directors, officers, controlling shareholders, or employees to serve on a title insurer's board of directors.

Present law provides that all provisions of the Insurance Holding Company System Regulatory Law, to the extent they are not superseded by the Business Transacted with Producer Controlled Insurer Law, shall continue to apply to all parties within holding company systems subject to present law.

Present law provides that the provisions of R.S. 22:1564(B) shall not apply to any producer who is an employee of an insurer or represents, by contractual agreement, only one insurer or a group of affiliated insurers.

Present law provides that an underwriting manager, which, pursuant to contract, manages all the insurance operations of the insurer, is under common control with the insurer, subject to the Insurance Holding Company System Regulatory Law and whose compensation is not based on the volume of premiums written shall not be considered as a managing general agent.

Present law provides that an insurance holding company system may appoint an officer, director, employee, subproducer, or controlling shareholder of its managing general agent to its board of directors.

Present law provides that an underwriting manager which, pursuant to contract, manages all the reinsurance operations of the reinsurer, is under common control with the reinsurer, subject to the Insurance Holding Company System Regulatory Law, and whose compensation is not based on the volume of premiums written shall not be considered a reinsurance intermediary-manager, with respect to such reinsurer.

Present law provides that an insurer may not employ an individual who is employed by a reinsurance intermediary-broker with which it transacts business, unless he is under common control with the insurer and subject to the Insurance Holding Company System Regulatory Law.

Present law provides that a reinsurance intermediary-manager shall not jointly employ an individual who is employed by the reinsurer, unless he is under common control with the reinsurer subject to the Insurance Holding Company System Regulatory Law.

Present law provides that a reinsurer whose relationship is governed by the Insurance Holding Company System Regulatory law or, if applicable, the Business Transacted with Producer Controlled Insurer Law may appoint to its board of directors any officer, director, employee, controlling shareholder, or subproducer of its reinsurance intermediary-manager.
Proposed law retains present law and makes corrective changes to certain internal citation references in present law.

Proposed law makes technical changes.

(Amends R.S. 22:231, 232.1(B), 232.2(B), 232.3(B) and (D), 232.4(B), 232.7, 232.8, 236(10) and (20), 236.4(A), 237.2(10) and (20), 237.6(A), 252(C)(4), 524(2), 528(1), 553, 1564(B)(3), 1622(4)(b)(iii), 1625(J), 1722(10)(c), 1726(B), 1728(6), and 1729(F))

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