

SENATE BILL NO. 219

BY SENATORS MCMATH, BARROW, HENRY AND JACKSON-ANDREWS

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AN ACT

To amend and reenact R.S. 22:236.2(E), 236.4(D), 236.5(A), 237.4(E), 237.6(D), and 237.7(A) and to enact R.S. 22:236.2(B)(5), 236.5(F), 237.4(B)(5), and 237.7(F), relative to mutual insurance companies; to provide for a plan of reorganization; to provide for approval by the commissioner of insurance; to provide for approval of qualified voters; to provide for financial and market analysis reviews; to provide for approval of certain marketing activities; to provide for application; to provide for an effective date; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 22:236.2(E), 236.4(D), 236.5(A), 237.4(E), 237.6(D), and 237.7(A) are hereby amended and reenacted and R.S. 22:236.2(B)(5), 236.5(F), 237.4(B)(5), and 237.7(F) are hereby enacted to read as follows:

§236.2. Plan of reorganization

\* \* \*

B. The plan of reorganization shall:

\* \* \*

**(5) Disclose whether the proposed reorganization is being pursued in conjunction with a proposed acquisition, as defined in R.S. 22:691.5, if the reorganizing mutual is authorized to transact health insurance in this state.**

\* \* \*

E. All information, documents, and copies thereof obtained by or disclosed to the commissioner, the ~~Department of Insurance~~ **department**, or its designated representative in the course of an examination of a proposed plan of reorganization shall be treated in accordance with ~~R.S. 22:706~~ **R.S. 22:691.10**.

\* \* \*

§236.4. Approval by commissioner after public hearing

\* \* \*

D.**(1)** The commissioner may retain at the reorganizing mutual's expense such attorneys, actuaries, accountants, and other experts as may be reasonably necessary to assist the commissioner in his examination of a proposed conversion, including any part of such examination that may occur, at the request of a reorganizing mutual, prior to a plan of reorganization having been filed with the commissioner pursuant to R.S. 22:236.2. Such experts ~~must~~ **shall** prepare a projection of the amount of time and expenses necessary to complete the examination, and all work of these experts is subject to review. If the projected amount of time and expenses required to complete the examination appear excessive, the reorganizing mutual may petition the commissioner for appropriate relief, and the commissioner's decision shall be final.

**(2)(a) If the reorganizing mutual's plan of reorganization is required to include a disclosure of proposed acquisition pursuant to R.S. 22:236.2(B)(5), the commissioner shall conduct financial and market analysis reviews of the terms, conditions, and price of the proposed acquisition. The financial and market analysis reviews shall include an independent valuation of the reorganizing mutual, conducted by an independent valuation expert with experience valuing similar companies and transactions, as well as a review of the financial and operational viability of the entity proposing to acquire the reorganizing mutual. The commissioner shall conduct the reviews and publish the findings on the department's website prior to the date of the public hearing required by Subsection A of this Section.**

**(b) The reorganizing mutual shall publish the commissioner's reviews**

1 and findings on the reorganizing mutual's website with the notice of public  
2 hearing required by Subsection C of this Section.

3 (c) The provisions of this Paragraph do not apply to any reorganizing  
4 mutual with less than ten thousand individual or group health insurance policies  
5 issued to Louisiana residents. For purposes of this Subparagraph, the number  
6 of policies shall be the number reported by the reorganizing mutual in the  
7 National Association of Insurance Commissioners' Market Conduct Annual  
8 Statement under the Health section, excluding the Other Health section, for the  
9 most recent year preceding the submission of the demutualization application  
10 to the department.

11 \* \* \*

12 §236.5. Approval by qualified voters

13 A. The plan of reorganization shall be approved at a meeting convened for  
14 that purpose by a vote of not less than two-thirds of the qualified voters of the  
15 reorganizing mutual entitled to vote on matters and present or represented by special  
16 ballot or special proxy. Qualified voters may be represented by special ballot or  
17 special proxy. No special ballot or special proxy shall be distributed to qualified  
18 voters or accepted by the reorganizing mutual prior to the date of the public  
19 hearing required by R.S. 22:236.4(A).

20 \* \* \*

21 F. The reorganizing mutual shall obtain prior approval from the  
22 department of the content of any advertisement in any public media or  
23 unsolicited written communication directed to qualified voters to ensure the  
24 information being provided by the reorganizing mutual is not false, deceptive,  
25 or misleading.

26 \* \* \*

27 §237.4. Plan of reorganization

28 \* \* \*

29 B. The plan of reorganization shall:

30 \* \* \*

1                    **(5) Disclose whether the proposed reorganization is being pursued in**  
 2                    **conjunction with a proposed acquisition, as defined in R.S. 22:691.5, if the**  
 3                    **reorganizing mutual is authorized to transact health insurance in this state.**

4                    \*           \*           \*

5                    E. All information, documents, and copies thereof obtained by or disclosed  
 6                    to the commissioner, the ~~Department of Insurance~~ **department**, or its designated  
 7                    representative in the course of an examination of a proposed plan of reorganization  
 8                    shall be treated in accordance with ~~R.S. 22:706~~ **R.S. 22:691.10.**

9                    \*           \*           \*

10                  §237.6. Approval by commissioner after public hearing

11                  \*           \*           \*

12                  D.**(1)** The commissioner may retain at the reorganizing mutual's expense such  
 13                  attorneys, actuaries, accountants, and other experts as may be reasonably necessary  
 14                  to assist the commissioner in his examination of a proposed conversion, including  
 15                  any part of such examination that may occur, at the request of a reorganizing mutual,  
 16                  prior to a plan of reorganization having been filed with the commissioner pursuant  
 17                  to R.S. 22:237.4. Such experts shall prepare a projection of the amount of time and  
 18                  expenses necessary to complete the examination, and all work of these experts is  
 19                  subject to review. If the projected amount of time and expenses required to complete  
 20                  the examination appear excessive, the reorganizing mutual may petition the  
 21                  commissioner for appropriate relief, and the commissioner's decision shall be final.

22                  **(2)(a) If the reorganizing mutual's plan of reorganization is required to**  
 23                  **include a disclosure of proposed acquisition pursuant to R.S. 22:237.4(B)(5), the**  
 24                  **commissioner shall conduct financial and market analysis reviews of the terms,**  
 25                  **conditions, and price of the proposed acquisition. The financial and market**  
 26                  **analysis reviews shall include an independent valuation of the reorganizing**  
 27                  **mutual, conducted by an independent valuation expert with experience valuing**  
 28                  **similar companies and transactions, as well as a review of the financial and**  
 29                  **operational viability of the entity proposing to acquire the reorganizing mutual.**  
 30                  **The commissioner shall conduct the reviews and publish the findings on the**

1 department's website prior to the date of the public hearing required by  
 2 Subsection A of this Section.

3 (b) The reorganizing mutual shall publish the commissioner's reviews  
 4 and findings on the reorganizing mutual's website with the notice of public  
 5 hearing required by Subsection C of this Section.

6 (c) The provisions of this Paragraph do not apply to any reorganizing  
 7 mutual with less than ten thousand individual or group health insurance policies  
 8 issued to Louisiana residents. For purposes of this Subparagraph, the number  
 9 of policies shall be the number reported by the reorganizing mutual in the  
 10 National Association of Insurance Commissioners' Market Conduct Annual  
 11 Statement under the Health section, excluding the Other Health section, for the  
 12 most recent year preceding the submission of the demutualization application  
 13 to the department.

14 \* \* \*

15 §237.7. Approval by qualified voters

16 A. The plan of reorganization shall be approved at a meeting convened for  
 17 that purpose by a vote of not less than two-thirds of the qualified voters of the  
 18 reorganizing mutual entitled to vote on matters and present or represented by special  
 19 ballot or special proxy. Qualified voters may be represented by special ballot or  
 20 special proxy. No special ballot or special proxy shall be distributed to qualified  
 21 voters or accepted by the reorganizing mutual prior to the date of the public  
 22 hearing required by R.S. 22:237.6(A).

23 \* \* \*

24 F. The reorganizing mutual shall obtain prior approval from the  
 25 department of the content of any advertisement in any public media or  
 26 unsolicited written communication directed to qualified voters to ensure the  
 27 information being provided by the reorganizing mutual is not false, deceptive,  
 28 or misleading.

29 Section 2. This Act shall become effective upon signature by the governor or, if not  
 30 signed by the governor, upon expiration of the time for bills to become law without signature

1 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
2 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
3 effective on the day following such approval.

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PRESIDENT OF THE SENATE

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SPEAKER OF THE HOUSE OF REPRESENTATIVES

\_\_\_\_\_  
GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: \_\_\_\_\_