

- SUBJECT:** Authorizing reorganization of a mutual life insurance company
- COMMITTEE:** Insurance — favorable, without amendment
- VOTE:** 8 ayes — Smithee, Averitt, Burnam, G. Lewis, J. Moreno, Olivo, Seaman, Thompson
- 0 nays
- 1 absent — Eiland
- SENATE VOTE:** On final passage, April 26 — 30-0, on Local and Uncontested Calendar
- WITNESSES:** (*On House companion bill, HB 3326:*)  
For — Jay Thompson, GPM Life
- Against — None
- On — Denny Crawford, State Securities Board
- BACKGROUND:** Under Insurance Code, art. 15.22, a non-life mutual insurance company may convert to a stock insurance company or a mutual holding company. Art. 11.01, sec. 2(c) authorizes a mutual life insurance company to convert only to a stock company. Reorganizing as a mutual holding company could enable a mutual life insurance company to increase its capital and surplus to ensure financial viability.
- DIGEST:** SB 1598 would authorize a mutual life insurance company to reorganize as a mutual holding company by forming an insurance holding company based on a mutual plan and continuing the corporate existence of the reorganizing mutual life company as a stock company, if the insurance commissioner found the reorganization fair and equitable to the company's policyholders and approved the proposed reorganization plan. The commissioner would retain jurisdiction over a company reorganized in this manner.
- A mutual holding company that resulted from a reorganization of a domestic mutual life insurance company would be incorporated pursuant to the

Insurance Code and the Texas Non-Profit Corporation Act. The articles of incorporation of the mutual holding company and any amendments to the articles of incorporation would be subject to approval by the commissioner. A sale, issuance, or offering of securities would be exempt from registration and licensing provisions of the Securities Act, as would an officer, director, or employee who participated in a reorganization. A person who performed services under these exemptions could not be compensated.

The bill would take effect September 1, 2001.