

BILL ANALYSIS

Senate Research Center
78R2938 KCR-D

S.B. 202
By: Wentworth
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DIGEST AND PURPOSE

Currently, a non-life mutual insurance company may convert to a stock insurance company or to a mutual holding company. However, a mutual life insurance company is allowed to convert only to a stock insurance company. A mutual holding company is owned by policyholders who have purchased insurance from the company. As proposed, S.B. 202 would authorize a reorganization of a mutual life insurance company to a mutual holding company as another alternative of reorganization. This conversion would allow existing policyholders to own the stock in the holding company.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 882, Insurance Code, as effective June 1, 2003, by adding Subchapter P, as follows:

SUBCHAPTER P. REORGANIZATION OF CERTAIN MUTUAL LIFE INSURANCE COMPANIES INTO INSURANCE HOLDING COMPANIES AND STOCK INSURANCE COMPANIES

Sec. 882.751. **AUTHORITY TO REORGANIZE.** (a) Authorizes a mutual life insurance company organized or operating under this chapter to reorganize, subject to Chapter 826 (Conversion of Mutual Insurance Company to Stock Insurance Company), by forming an insurance holding company based on a mutual plan and by forming the corporate existence of the reorganizing mutual life insurance company as a stock insurance company if the commissioner of insurance (commissioner) both determines that the reorganization is fair and equitable to the policyholders of the reorganizing company, and approves the proposed plan of reorganization.

(b) Requires the commissioner to retain jurisdiction over a company that is reorganized under this section.

Sec. 882.752. **INCORPORATION REQUIREMENTS.** Requires a mutual holding company that results from a reorganization of a domestic life insurance company organized under this chapter to be incorporated under this code rather than the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., V.T.C.S.). Provides that the articles of incorporation of the mutual holding company and any amendments to the articles of incorporation are subject to approval by the commissioner.

Sec. 882.753. **SALE OF SECURITIES.** (a) Exempts a sale, issuance, or offering of securities under this section 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 who participates in a reorganization under this section from the registration and licensing provisions of The Securities Act (Article 581-1 et seq., V.T.C.S.). Prohibits a person from being compensated for services performed under the exemption provided by this section.

SECTION 2. Effective date: September 1, 2003.