

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7618**

**BILL NUMBER: HB 1432**

**DATE PREPARED:** Jan 8, 1999

**BILL AMENDED:**

**SUBJECT:** Demutualization of Insurance Companies.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:  GENERAL  
 DEDICATED  
 FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill replaces the current statutory mechanism under which a mutual insurance company may demutualize and become a stock insurance company. The bill specifies the contents of a plan of conversion that must be approved by the Commissioner of Insurance after a public hearing and after a vote of eligible members of the mutual insurance company. The bill also protects the confidentiality of financial information and trade secrets that may be submitted to the Commissioner under certain circumstances. It also establishes procedures to be followed when allocating and distributing consideration to eligible members. The bill also permits the use of a closed block to preserve dividends for policyholders. Unless otherwise provided by the plan of conversion, the bill establishes limits on the initial ownership and sale of the stock of the new company.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The Commissioner of Insurance may, at the expense of the insurance company involved, hire accountants, actuaries, attorneys, financial advisors, investment bankers, and other experts to assist the Department in fulfilling the requirements of this bill. The Commissioner may require the responsible company to deposit funds with the Department in anticipation of these expenses.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Insurance.

**Local Agencies Affected:**

**Information Sources:**