

**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: Feb 17, 1999

BILL AMENDED: Feb 16, 1999

SUBJECT: Demutualization of Insurance Companies.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) 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: (1) a plan of conversion that must be approved by the Commissioner of Insurance after a public hearing and a vote of members of the mutual insurance company; and (2) a simple plan of conversion that must be submitted to the Commissioner and voted on by members of the mutual insurance company. The bill also requires that the Commissioner approve a simple plan of conversion. It 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 for allocating and distributing consideration to eligible members. The bill permits the use of a closed block to preserve dividends for policyholders. Unless otherwise provided by the plan of conversion, the bill also 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: