



February 2, 1999

HOUSE BILL No. 1432

DIGEST OF HB 1432 (Updated January 29, 1999 8:06 am - DI 97)

Citations Affected: IC 27-1; IC 27-15.

Synopsis: Demutualization of insurance companies. Replaces the current statutory mechanism under which a mutual insurance company may demutualize and become a stock insurance company. 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. Protects the confidentiality of financial information and trade secrets that may be submitted to the commissioner under certain circumstances. Establishes procedures to be followed for allocating and distributing consideration to eligible members. Permits the use of a closed block to preserve dividends for policyholders. Unless otherwise provided by the plan of conversion, establishes limits on the initial ownership and sale
(Continued next page)

Effective: Upon passage.

Fry, Smith M, Denbo, Ripley

January 12, 1999, read first time and referred to Committee on Insurance, Corporations and Small Business.
February 1, 1999, amended, reported — Do Pass.

HB 1432—LS 7618/DI 47+



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Digest Continued
of the stock of the new company.

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HB 1432—LS 7618/DI 47+



February 2, 1999

First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

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HOUSE BILL No. 1432

A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 27-1-23-2 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) No person
3 other than the issuer shall commence a tender offer for or a request or
4 invitation for tenders of, or enter into any agreement to purchase or
5 exchange securities for, or otherwise seek to acquire, or acquire, in the
6 open market or otherwise, or solicit proxies relating to, any voting
7 security of a domestic insurer or of any corporation controlling a
8 domestic insurer if, after the consummation thereof, such person
9 would, directly or indirectly (or by conversion or by exercise of any
10 right to acquire), be in control of such insurer, and no person shall enter
11 into an agreement to acquire control of a domestic insurer or of any
12 corporation controlling a domestic insurer unless, at the time any such
13 offer, request, or invitation is commenced or any such agreement is
14 entered into, or any such solicitation is begun, or prior to the
15 acquisition of such securities if no offer or agreement is involved:

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1 (1) each acquiring party has filed with the commissioner and has
 2 sent to such insurer and any such controlling corporation a
 3 statement containing the information required by this section;
 4 (2) the offer, request, invitation, agreement, solicitation, or
 5 acquisition has been approved by the commissioner; and
 6 (3) two (2) business days have elapsed following the
 7 commissioner's determination approving the offer, request,
 8 invitation, agreement, solicitation, or acquisition;
 9 all in the manner prescribed in this section.
 10 (b) A statement to be filed with the commissioner under this section
 11 shall be made under oath or affirmation and shall contain the following
 12 information:
 13 (1) The name and address of the acquiring party.
 14 (2) If the acquiring party is an individual, his principal occupation
 15 and all offices and positions held during the past five (5) years,
 16 and any conviction of crimes other than minor traffic violations
 17 during the past ten (10) years.
 18 (3) If the acquiring party is not an individual, a report of the
 19 nature of its business operations during the past five (5) years or
 20 for such lesser period as the acquiring party and any predecessors
 21 thereof shall have been in existence, including, but not limited to:
 22 (A) information relating to the acquisition or disposition of
 23 control by the acquiring party of any other person and any
 24 subsequent material change in the financial condition,
 25 management, organization, or operations of such other person;
 26 (B) an informative description of the business intended to be
 27 done by the acquiring party and its affiliates;
 28 (C) any plans or proposals for the conduct of the business or
 29 employment of the assets and surplus of the domestic insurer
 30 and any corporation controlling such insurer;
 31 (D) an informative description of any transaction in which the
 32 acquiring party received, employed, or used any affiliate's
 33 assets;
 34 (E) an informative description of any transaction or presently
 35 proposed transaction between the acquiring party and any of
 36 its affiliates in which either such acquiring party or such
 37 affiliate has a direct or indirect material interest; however, no
 38 information need be given as to any such transaction where the
 39 amount involved in the transaction or series of similar
 40 transactions, including all periodic payments or installments
 41 in the case of any lease or agreement providing for periodic
 42 payments or installments, does not or would not exceed one

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- 1 hundred thousand dollars (\$100,000); and
2 (F) a list of all individuals who are or who have been selected
3 to become directors or officers of the acquiring party, or who
4 perform or will perform functions appropriate to such
5 positions, such list to include for each such individual the
6 information required by clause (2) of this subsection.
- 7 (4) The source, nature, and amount of the consideration to be used
8 in effecting the acquisition of control, a description of any
9 transaction wherein funds were or are to be obtained for any such
10 purpose (including any pledge of the insurer's stock, or the stock
11 of any of the insurer's subsidiaries or controlling affiliates), all
12 documents evidencing, supporting, referring to, or relating to any
13 such transaction and the identity of persons who are furnishing or
14 who will furnish such consideration.
- 15 (5) Fully audited financial information as to the earnings and
16 financial condition of the acquiring party for its preceding five (5)
17 fiscal years (or for such lesser period as such acquiring party and
18 any predecessors thereof shall have been in existence), and
19 similar unaudited information as of a date not earlier than ninety
20 (90) days prior to the filing of the statement.
- 21 (6) Any plans or proposals which the acquiring party may have to
22 liquidate such domestic insurer or such controlling corporation,
23 to sell its assets or merge or consolidate it with any person, or to
24 make any other material change in its investment policy, business,
25 corporate structure, or management.
- 26 (7) The number of shares of any security referred to in subsection
27 (a) which the acquiring party proposes to acquire, the terms of the
28 proposed offer, request, invitation, agreement, or acquisition
29 referred to in subsection (a), and a statement as to the method by
30 which the terms of the proposal were arrived at.
- 31 (8) The amount of each class of any security referred to in
32 subsection (a) which is beneficially owned or concerning which
33 there is a right to acquire beneficial ownership by the acquiring
34 party.
- 35 (9) A full description of any contracts, arrangements, or
36 understandings with respect to any security referred to in
37 subsection (a) in which the acquiring party proposes to be or is
38 involved, including but not limited to transfer of any of the
39 securities, joint ventures, loan or option arrangements, puts or
40 calls, guarantees of loans, guarantees against loss or guarantees
41 of profits, division of losses or profits, or the giving or
42 withholding of proxies. Such description shall identify the persons

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- 1 with whom such contracts, arrangements, or understandings have
2 been or will be entered into.
- 3 (10) A description of the purchase of any security referred to in
4 subsection (a) during the twelve (12) calendar months preceding
5 the filing of the statement by the acquiring party, including the
6 dates of purchase, names of the purchasers, and consideration
7 paid or agreed to be paid therefor.
- 8 (11) A description of any recommendations to purchase any
9 security referred to in subsection (a) made during the twelve (12)
10 calendar months preceding the filing of the statement by the
11 acquiring party, or by anyone, based upon interviews or at the
12 suggestion of such acquiring party.
- 13 (12) Copies of the proposed forms of all tender offers for, requests
14 or invitations for tenders of, exchange offers for, and agreements
15 to acquire or exchange any securities referred to in subsection (a),
16 and of the proposed form of additional soliciting material relating
17 thereto.
- 18 (13) The terms of any agreement, contract, or understanding made
19 or proposed to be made with any broker-dealer as to solicitation
20 of securities referred to in subsection (a) for tender, and the
21 amount of any fees, commissions, or other compensation paid or
22 to be paid to broker-dealers with regard thereto.
- 23 (14) A full description of any existing or proposed contracts,
24 arrangements, or understandings between the acquiring party and
25 any present or former director, officer, or employee of the
26 domestic insurer or of any corporation controlling such insurer.
27 Such description shall identify the persons with whom such
28 contracts, arrangements, or understandings have been or will be
29 entered into.
- 30 (15) Copies of all studies, analyses, and reports which were
31 prepared by or for the acquiring party or any affiliate of the
32 acquiring party for the purpose of evaluating or analyzing the
33 proposed acquisition of control with respect to market shares,
34 competition, competitors, markets, and potential for growth or
35 expansion into product or geographic markets.
- 36 (16) If the acquiring party or any affiliate of the acquiring party is
37 an insurer:
- 38 (A) the amount of any premiums, deposits, or annuity
39 considerations received by the insurer during each of the last
40 five (5) fiscal years (calculated on an accrual basis) for each
41 line of insurance business conducted in any section of this
42 state, and copies of annual statements for each of the last five

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- 1 (5) fiscal years filed by any such insurer with the insurance
 2 regulatory authority of its domiciliary jurisdiction;
 3 (B) a full and complete description of any direct or indirect
 4 reinsurance relationship between the acquiring party or any
 5 affiliate of the acquiring party and the domestic insurer or any
 6 affiliate of the domestic insurer, together with copies of any
 7 treaties or contracts relating to that relationship; and
 8 (C) such additional information as the commissioner may by
 9 rule or order prescribe as necessary or appropriate to enable
 10 him to make the determination required by subsection (e)(2).
 11 (17) Such additional information as the commissioner may by rule
 12 or order prescribe as necessary or appropriate for the protection
 13 of policyholders or in the public interest.
- 14 If any material change occurs in the facts set forth in a statement filed
 15 with the commissioner and sent to the insurer and any controlling
 16 corporation under this section, an amendment made under oath or
 17 affirmation setting forth the change, together with copies of all
 18 documents and other material relevant to the change, shall be filed with
 19 the commissioner and sent to the insurer and any controlling
 20 corporation within two (2) business days after any acquiring party
 21 learns of this change.
- 22 (c) If any acquiring party is a partnership, limited partnership,
 23 syndicate, or other group, the commissioner may require that the
 24 information called for by subdivisions (1) through (17) of subsection
 25 (b) shall be given with respect to each partner of such partnership or
 26 limited partnership, each member of such syndicate or group, and each
 27 person who controls such partner or member. If any such partner,
 28 member, person, or acquiring party is a corporation, the commissioner
 29 may require that the information called for by subdivisions (1) through
 30 (17) shall be given with respect to all individuals who are or have been
 31 selected to become directors or officers of any such corporation or who
 32 perform or will perform functions appropriate to these positions.
- 33 (d) If the proposed acquisition of control referred to in subsection
 34 (a) requires the filing of a registration statement under the federal
 35 Securities Act of 1933 (15 U.S.C. 77a-15 U.S.C. 77aa) or requires the
 36 disclosure of similar information under the federal Securities Exchange
 37 Act of 1934 (15 U.S.C. 78a-15 U.S.C. 78kk) or under a state law
 38 requiring similar registration or disclosure, an acquiring party may
 39 utilize such documents in furnishing the information called for by the
 40 statement.
- 41 (e) The commissioner shall hold a public hearing on the proposed
 42 acquisition of control referred to in subsection (a) and shall thereafter

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1 approve such acquisition of control only if he finds, by a preponderance
2 of the evidence, that:

3 (1) the acquisition of control would not tend to affect adversely
4 the contractual obligations of the domestic insurer or its ability
5 and tendency to render service in the future to its policyholders
6 and the public;

7 (2) the effect of the acquisition of control would not be
8 substantially to lessen competition in any line of insurance
9 business in any section of this state or tend to create a monopoly
10 therein;

11 (3) the financial condition of any acquiring party is not such as
12 might jeopardize the financial stability of the domestic insurer or
13 of any corporation controlling such insurer, or prejudice the
14 interest of its policyholders;

15 (4) the plans or proposals which any acquiring party has to
16 liquidate the domestic insurer or any such controlling corporation,
17 sell its assets or consolidate or merge it with any person, or to
18 make any other material change in its investment policy, business,
19 corporate structure, or management are fair and reasonable to
20 policyholders of the domestic insurer and in the public interest;
21 and

22 (5) the competence, experience, and integrity of those persons
23 who would control the operation of the domestic insurer are such
24 that the acquisition of control would not tend to affect adversely
25 the general capacity or intention of the domestic insurer to
26 transact the business of insurance in a safe and prudent manner.

27 (f) For the purposes of the commissioner's application of the
28 competitive standard set forth in subsection (e)(2) to a proposed
29 acquisition:

30 (1) the acquiring person must file a pre-acquisition notification
31 that meets the requirements set forth in section 2.5(e) of this
32 chapter;

33 (2) the commissioner shall apply the provisions of section 2.5(h)
34 of this chapter; and

35 (3) the commissioner may not disapprove the acquisition based
36 upon the application of subsection(e)(2) if the commissioner finds
37 that either of the conditions set forth in section 2.5(i) of this
38 chapter applies to the proposed acquisition.

39 (g) The public hearing referred to in subsection (e) shall be held
40 within sixty (60) days after all statements required by subsection (a) are
41 filed, or within such longer period after the statements are filed as the
42 commissioner determines upon a showing of good cause therefor, in



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1 the city of Indianapolis at such place, date, and time as the
2 commissioner shall specify. At least thirty (30) days written notice of
3 the hearing shall be given by the commissioner to each acquiring party,
4 the domestic insurer, any corporation controlling such insurer, and to
5 other persons as the commissioner may designate. In the event that an
6 amendment to any such statement is filed, the hearing shall be
7 postponed for a further period not to exceed sixty (60) days after the
8 filing of such amendment, or for such longer period after the
9 amendment is filed as the commissioner determines upon a showing of
10 good cause therefor.

11 (h) The commissioner shall give notice of the hearing by publication
12 in a newspaper of general circulation in the city of Indianapolis, and in
13 the city wherein is located the principal office of the domestic insurer,
14 and in such other city or cities as he may deem appropriate. Any
15 policyholder of the domestic insurer who makes a written request to the
16 commissioner is entitled to a copy of all statements, amendments, or
17 other material filed with the commissioner by any acquiring party.

18 (i) The commissioner may retain at the acquiring party's expense
19 any attorneys, actuaries, accountants, and other experts not otherwise
20 a part of the commissioner's staff as may be reasonably necessary to
21 assist the commissioner in reviewing the proposed acquisition of
22 control. All hearing expenses, including transcript costs, expenses of
23 publication and of preparing and mailing material to policyholders,
24 shall be borne equally by each acquiring party. As security for the
25 payment of such expenses, each acquiring party shall file with the
26 commissioner an acceptable bond or other deposit in an amount to be
27 determined by the commissioner.

28 (j) At such hearing, each acquiring party, the domestic insurer, any
29 corporation controlling such insurer, policyholders of the domestic
30 insurer, and any other person whose interests may be affected by the
31 proposed acquisition of control shall have the right to appear and
32 become party to the proceeding. Each such person shall have the right
33 to present evidence, examine and cross-examine witnesses, and offer
34 oral and written arguments and in connection therewith shall be
35 entitled to conduct discovery proceedings in the same manner as
36 provided in the Indiana Rules of Trial Procedure. The commissioner
37 may employ any sanction or power granted courts in the Indiana Rules
38 of Trial Procedure, excluding the power of contempt, to enforce his
39 discovery rulings or orders. The commissioner shall make a
40 determination within thirty (30) days after the conclusion of such
41 hearing and shall immediately upon making that determination notify
42 all persons who appeared and became parties to the proceeding of that

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1 determination. To permit an aggrieved party to perfect an appeal under
 2 IC 27-1-23-12, no offer, request, invitation, agreement, or acquisition
 3 referred to in subsection (a) may be commenced, entered into, or
 4 consummated until two (2) business days have elapsed following the
 5 commissioner's determination approving an acquisition of control.

6 (k) Except as otherwise provided in this section, the hearing and the
 7 determination made therein shall be subject to IC 4-21.5-3.

8 (l) The provisions of this section shall not apply to the following:

9 (1) Any merger, consolidation, or plan of exchange to be
 10 consummated with the approval of the commissioner ~~pursuant to~~
 11 **under** the laws of this state.

12 (2) Any transaction to be undertaken ~~pursuant to~~ **under** a
 13 statutory procedure for the purchase of dissenting shareholder's
 14 stock.

15 (3) Any transaction to be undertaken ~~pursuant to~~ **under** a
 16 judicially approved reorganization.

17 (4) Any offer, request, invitation, agreement, solicitation, or
 18 acquisition respecting any security of a domestic insurer or of any
 19 corporation controlling such insurer if any acquiring party,
 20 immediately prior to such offer, request, invitation, agreement,
 21 solicitation, or acquisition being commenced, entered into, begun,
 22 or consummated, beneficially owns more than fifty percent (50%)
 23 of all the outstanding voting securities of such domestic insurer
 24 or corporation controlling such insurer.

25 (5) Any solicitation of proxies respecting any security of a
 26 domestic insurer or of any corporation controlling a domestic
 27 insurer that is undertaken by the management or the board of
 28 directors of the issuer of the security for purposes other than
 29 effecting, directly or indirectly, a transaction that would otherwise
 30 be subject to the requirements of this section.

31 (6) Any offer, request, invitation, agreement, solicitation, or
 32 acquisition respecting a security of a non-insurance corporation
 33 controlling one (1) or more domestic insurers if all of the
 34 following conditions are met:

35 (A) the offer, request, invitation, agreement, solicitation, or
 36 acquisition has been approved by the insurance regulatory
 37 authority of any state or territory of the United States of
 38 America other than Indiana, and the insurance regulatory
 39 authority of the state or territory has been accredited by the
 40 National Association of Insurance Commissioners;

41 (B) the domestic insurer or insurers meet all of the following
 42 conditions, determined in accordance with generally accepted

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accounting principles:
(i) the investments in and advances to the domestic insurer or insurers by the controlling non-insurance corporation and its other subsidiaries equal less than ten percent (10%) of the total assets of the controlling non-insurance corporation and all of its subsidiaries consolidated as of the end of the most recently completed fiscal year;
(ii) the proportionate share of the controlling non-insurance corporation and its other subsidiaries in the total assets (after intercompany eliminations) of the domestic insurer or insurers equals less than ten percent (10%) of the total assets of the controlling non-insurance corporation and all of its subsidiaries consolidated as of the end of the most recently completed fiscal year; and
(iii) the equity of the controlling non-insurance corporation and its other subsidiaries in the income from continuing operations before income taxes, extraordinary items, and the cumulative effect of a change in accounting principle of the domestic insurer or insurers is less than ten percent (10%) of the income of that corporation and all of its subsidiaries consolidated for the end of the most recently completed fiscal year; and
(C) the commissioner has not determined that the application of this section to the offer, request, invitation, agreement, solicitation, or acquisition is necessary or appropriate for the protection of policyholders of the domestic insurer or insurers.
(7) Any acquisition of stock of a former mutual by a parent company, as those terms are defined in IC 27-15-1, that occurs in connection with the conversion of a mutual insurance company to a stock insurance company under IC 27-15, provided that no person acquires control of the parent company.
(m) The courts of this state are hereby vested with jurisdiction over every acquiring party not resident, domiciled, or authorized to do business in this state, and over all actions involving each such acquiring party arising out of violations of this section, and each such acquiring party shall be deemed to have performed acts equivalent to and constituting an appointment by the acquiring party of the commissioner to be his true and lawful attorney upon whom may be served all lawful process in any action, suit, or proceeding arising out of violations of this section. Copies of all such lawful process shall be served on the commissioner and transmitted by registered or certified

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1 mail by the commissioner to such acquiring party at his last known
2 address.

3 SECTION 2. IC 27-15 IS ADDED TO THE INDIANA CODE AS
4 A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE UPON
5 PASSAGE]:

6 **ARTICLE 15. DEMUTUALIZATION OF MUTUAL**
7 **INSURANCE COMPANIES**

8 **Chapter 1. General Provisions and Definitions**

9 **Sec. 1. This article may be referred to as the Indiana**
10 **demutualization law.**

11 **Sec. 2. (a) Any domestic mutual insurance company that:**

- 12 (1) maintains its executive offices in Indiana; and
- 13 (2) employs a substantial percentage of its workforce in
14 Indiana;

15 may, by amendment to its articles of incorporation, convert to a
16 stock insurance company by means of a plan of conversion
17 described in IC 27-15-2-2 or a simple plan of conversion described
18 in IC 27-15-2-3 under this article and IC 27-1-8.

19 (b) The commissioner shall determine whether a mutual
20 insurance company meets the requirements of subsection (a)(2).

21 **Sec. 3. The definitions set forth in this chapter and IC 27-1-2-3**
22 **apply throughout this article.**

23 **Sec. 4. "Closed block" means an allocation of assets for a**
24 **defined group of in force policies which, together with the**
25 **premiums of those policies and related investment earnings, are**
26 **expected to be sufficient to maintain the payments of guaranteed**
27 **benefits, certain expenses, and continuation of the current dividend**
28 **scale on the closed block, if experience does not change.**

29 **Sec. 5. "Company action level RBC" has the meaning set forth**
30 **in IC 27-1-36-6.**

31 **Sec. 6. "Converting mutual" means a domestic mutual**
32 **insurance company that has adopted a plan of conversion and an**
33 **amendment to its articles of incorporation under this article that**
34 **will, upon consummation, result in the domestic mutual insurance**
35 **company converting into a domestic stock insurance company.**

36 **Sec. 7. "Eligible member" means a person who:**

- 37 (1) is a member of the converting mutual on the date the
38 converting mutual's board of directors adopts a resolution
39 proposing a plan of conversion and an amendment to the
40 articles of incorporation; and
- 41 (2) continues to be a member of the converting mutual on the
42 effective date of the conversion.

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1 **Sec. 8. "Former mutual"** means the domestic stock insurance
 2 company resulting from the conversion of a converting mutual to
 3 a stock insurance company under a plan of conversion and an
 4 amendment to its articles of incorporation under this article.

5 **Sec. 9. "Member"** means a person that, according to the:

- 6 (1) records;
- 7 (2) articles of incorporation; and
- 8 (3) bylaws;

9 of a converting mutual, is a member of the converting mutual.

10 **Sec. 10. "Membership interests"** means:

- 11 (1) the voting rights of members of a domestic mutual
 12 insurance company as provided by law and by the company's
 13 articles of incorporation and bylaws; and
- 14 (2) the rights of members of a domestic mutual insurance
 15 company to receive cash, stock, or other consideration in the
 16 event of a conversion to a stock insurance company under this
 17 article or a dissolution under IC 27-1-10, as provided by those
 18 laws and by the company's articles of incorporation and
 19 bylaws.

20 **Sec. 11. "Parent company"** means a corporation that, upon the
 21 effective date of a conversion, owns all of the stock of the former
 22 mutual.

23 **Sec. 12. "Plan of conversion"** means the plan of conversion
 24 described in either IC 27-15-2-2 or IC 27-15-2-3.

25 **Sec. 13. "RBC level"** has the meaning set forth in IC 27-1-36-18.

26 **Sec. 14. "Simple plan of conversion"** means the plan of
 27 conversion described in IC 27-15-2-3.

28 **Chapter 2. Plan of Conversion**

29 **Sec. 1. The board of directors of the converting mutual shall**
 30 **commence the demutualization process by adopting a resolution**
 31 **that proposes:**

- 32 (1) the amendment of its articles of incorporation under
 33 IC 27-1-8-2; and
- 34 (2) a plan of conversion.

35 **Sec. 2. The plan of conversion, other than a simple plan of**
 36 **conversion, must do the following in accordance with this article:**

- 37 (1) Describe the manner in which the proposed conversion
 38 will occur and the insurance and any other companies that
 39 will result from or be directly affected by the conversion,
 40 including the former mutual and any parent company.
- 41 (2) Provide that the membership interests in the converting
 42 mutual will be extinguished as of the effective date of the



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- conversion.
- (3) Require the distribution to the eligible members, upon the extinguishing of their membership interests, of aggregate consideration equal to the fair value of the converting mutual.
- (4) Describe the manner in which the fair value of the converting mutual has been or will be determined.
- (5) Describe the form or forms and amount, if known, of consideration to be distributed to the eligible members.
- (6) Specify relevant classes, categories, or groups of eligible members, and describe and explain any differences in the form or forms and amount of consideration to be distributed to or among the eligible members.
- (7) Require and describe the method or formula for the fair and equitable allocation of the consideration among the eligible members.
- (8) Provide for the determination and preservation of the reasonable dividend expectations of eligible members and other policyholders with policies that provide for the distribution of policy dividends, through establishment of a closed block or other method acceptable to the commissioner.
- (9) Include other provisions as the converting mutual determines to be necessary.

Sec. 3 (a) The board of directors of the converting mutual may adopt a simple plan of conversion under this section. The simple plan of conversion must include the following:

- (1) The distribution to the eligible members, upon the extinguishing of their membership interests, of all of the initial issue of the voting common stock of the former mutual or any parent company. The initial issue of the voting common stock may include only one (1) class of stock, and may not include more than one (1) series of stock.
- (2) Describe the manner in which the proposed conversion will occur and the insurance and any other companies that will result from or be directly affected by the conversion, including the former mutual and any parent company.
- (3) Provide that the membership interests in the converting mutual will be extinguished as of the effective date of the conversion.
- (4) Provide for the registration of that distribution of stock under section 5 of the federal Securities Act of 1933, as amended.
- (5) Specify each separate class, category, or group of eligible

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members, and describe and explain any differences in the amount of stock to be distributed to or among the eligible members of each separate class, category, or group of eligible members.

(6) Require and describe the method or formula for the fair and equitable allocation of the stock among the eligible members.

(7) Provide for the determination and preservation of the reasonable dividend expectations of eligible members and other policyholders with policies that provide for the distribution of policy dividends, through the establishment of a closed block or other method acceptable to the commissioner.

(b) The plan may include other provisions:

- (1) that the converting mutual determines to be necessary; and
- (2) consistent with this title.

Chapter 3. Application for Conversion

Sec. 1. After the adoption by the board of directors of the resolution proposing the plan of conversion under IC 27-15-2-2 and the amendment to its articles of incorporation, the converting mutual shall file with the commissioner an application for approval of the plan and amendment.

Sec. 2. The application must contain the following information, together with such additional information as the commissioner may require:

- (1) The plan of conversion and a certificate of the secretary of the converting mutual certifying the adoption of the plan by the board of directors.
- (2) A statement of the reasons for the proposed conversion and why the conversion is in the best interests of the converting mutual, the eligible members, and the other policyholders. The statement must include an analysis of the risks and benefits to the converting mutual and its members of the proposed conversion and a comparison of the risks and benefits of the conversion with the risks and benefits of reasonable alternatives to a conversion.
- (3) A five (5) year business plan and at least two (2) years of financial projections of the former mutual and any parent company.
- (4) Any plans that the former mutual or any parent company may have to:

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- 1 (A) raise additional capital through the issuance of stock or
- 2 otherwise;
- 3 (B) sell or issue stock to any person, including any
- 4 compensation or benefit plan for directors, officers, or
- 5 employees under which stock may be issued;
- 6 (C) liquidate or dissolve any company or sell any material
- 7 assets;
- 8 (D) merge or consolidate or pursue any other form of
- 9 reorganization with any person; or
- 10 (E) make any other material change in investment policy,
- 11 business, corporate structure, or management.
- 12 (5) Any plans for a delayed distribution of consideration to
- 13 eligible members or restrictions on sale or transfer of stock or
- 14 other securities.
- 15 (6) A copy of the form of trust agreement, if a distribution of
- 16 consideration is to be delayed by more than six (6) months
- 17 after the effective date of the conversion.
- 18 (7) A plan of operation for a closed block, if a closed block is
- 19 used for the preservation of the reasonable dividend
- 20 expectations of eligible members and other policyholders with
- 21 policies that provide for the distribution of policy dividends.
- 22 (8) Copies of the amendment to the articles of incorporation
- 23 proposed by the board of directors and the proposed bylaws
- 24 of the former mutual and copies of the existing and any
- 25 proposed articles of incorporation and bylaws of any parent
- 26 company.
- 27 (9) A list of all individuals who are or have been selected to
- 28 become directors or officers of the former mutual and any
- 29 parent company, or the individuals who perform or will
- 30 perform duties customarily performed by a director or
- 31 officer, and the following information concerning each
- 32 individual on the list unless the information is already on file
- 33 with the commissioner:
- 34 (A) The individual's principal occupation.
- 35 (B) All offices and positions the individual has held in the
- 36 preceding five (5) years.
- 37 (C) Any crime of which the individual has been convicted
- 38 (other than traffic violations) in the preceding ten (10)
- 39 years.
- 40 (D) Information concerning any personal bankruptcy of
- 41 the individual or the individual's spouse during the
- 42 previous seven (7) years.

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(E) Information concerning the bankruptcy of any corporation or other entity of which the individual was an officer or director during the previous seven (7) years.

(F) Information concerning allegations of state or federal securities law violations made against the individual that within the previous ten (10) years resulted in:

- (i) a determination that the individual violated state or federal securities law;**
- (ii) a plea of nolo contendere; or**
- (iii) a consent decree.**

(G) Information concerning the suspension, revocation, or other disciplinary action, during the previous ten (10) years of any state or federal license issued to the individual.

(H) Information as to whether the individual was refused a bond during the previous ten (10) years.

(10) A fairness opinion addressed to the board of directors of the converting mutual from a qualified, independent financial advisor, asserting:

(A) that the provision of stock, cash, policy benefits, or other forms of consideration upon the extinguishing of the converting mutual's membership interests under the plan of conversion and the amendment to the articles of incorporation is fair to the eligible members, as a group, from a financial point of view; and

(B) whether the total amount of consideration under clause (A) is equal to or greater than the surplus of the converting mutual.

(11) An actuarial opinion as to the following:

(A) The reasonableness and appropriateness of the methodology or formulas used to allocate consideration among eligible members, consistent with this article.

(B) The reasonableness of the plan of operation and the sufficiency of the assets allocated to the closed block, if a closed block is used for the preservation of the reasonable dividend expectations of eligible members and other policyholders with policies that provide for the distribution of policy dividends.

(12) If any of the consideration to be distributed to eligible members consists of stock or other securities, a description of the plans made by the former mutual or its parent company to assure that an active public trading market for the stock or

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1 other securities will develop within a reasonable amount of
2 time after the effective date of the plan of conversion and that
3 eligible members who receive stock or other securities will be
4 able to sell their stock or other securities, subject to any
5 delayed distribution or transfer restrictions under this article,
6 at reasonable cost and effort. The plans may consist of the
7 following:

8 (A) Appointing a registrar and transfer agent for the stock
9 or other securities.

10 (B) Making filings, applications, or registrations for the
11 stock or other securities with the federal Securities and
12 Exchange Commission and state securities commissioners.

13 (C) Listing the stock or other securities on a national or
14 other securities exchange.

15 (D) Facilitating coverage of the stock or other securities by
16 research analysts and securing the commitment of at least
17 one (1) market maker to make a market in the stock or
18 other securities.

19 (E) Conducting an underwritten public offering of the
20 same class of stock or other securities, promptly following
21 the effectiveness of the plan of conversion, in order to
22 facilitate the development of a public market.

23 (F) Making available a procedure for eligible members
24 holding small numbers or amounts of stock or other
25 securities to sell their stock or other securities to the
26 former mutual or a parent company at market value
27 without the payment of brokerage commissions or similar
28 fees, or to sell their stock or other securities in the market
29 through a broker with discounted brokerage commissions
30 or fees.

31 (13) Any additional information, documents, or materials that
32 the converting mutual determines to be necessary.

33 (14) Any other additional information, documents, or
34 materials that the commissioner requests in writing.

35 **Sec. 3.** After adoption by the board of directors of the resolution
36 proposing the simple plan of conversion under IC 27-15-2-3 and
37 the amendment to its articles of incorporation, the converting
38 mutual shall immediately file with the commissioner a notice of
39 conversion. The notice of conversion must consist of the
40 information and documents listed in section 2 of this chapter. A
41 simple plan of conversion that complies with this article is not
42 subject to any approval by the commissioner.

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1 **Sec. 4.** Notwithstanding section 3 of this chapter, a fairness
 2 opinion is not required under this chapter if the converting mutual
 3 utilizes a simple plan of conversion.

4 **Sec. 5.** The actuarial opinion required by this chapter shall be:

5 (1) provided and signed by a qualified and independent
 6 actuary who is a member of the American Academy of
 7 Actuaries;

8 (2) given in accordance with professional standards and
 9 practices generally accepted by the actuarial profession and
 10 those other factors as the actuary believes are reasonable and
 11 appropriate in the exercise of professional judgment at the
 12 time the opinion is given;

13 (3) supported by a memorandum of the actuary, describing
 14 the calculations made in support of the opinion and the
 15 assumptions used in the calculations; and

16 (4) submitted to the commissioner.

17 **Chapter 4. Public Hearing and Commissioner's Determination**

18 **Sec. 1.** (a) The commissioner shall determine, within forty-five
 19 (45) days after the later of:

20 (1) the submission of an application for approval of a plan of
 21 conversion; or

22 (2) the submission of any amendment to the application;
 23 whether the application is complete.

24 (b) Upon determining that the application is complete, the
 25 commissioner shall designate a date for a public hearing on the
 26 plan of conversion and the amendment to the articles of
 27 incorporation.

28 (c) No public hearing or approval by the commissioner under
 29 this chapter is required for a simple plan of conversion.

30 **Sec. 2.** The commissioner shall hold a public hearing upon the
 31 plan of conversion and the amendment to the articles of
 32 incorporation. The purpose of the public hearing shall be to receive
 33 comments and information to aid the commissioner in considering
 34 and approving or disapproving the application for approval of the
 35 plan of conversion and the amendment to the articles of
 36 incorporation. Persons wishing to make comments and submit
 37 information may submit written statements before or at the public
 38 hearing and may also appear and be heard at the public hearing.

39 **Sec. 3.** The public hearing shall commence within sixty (60) days
 40 after the date on which the commissioner determines the
 41 application is complete, unless the converting mutual requests, and
 42 the commissioner agrees to, a longer period. In the event that an



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1 amendment to the plan of conversion or the application for
 2 approval is filed with the commissioner after the commissioner has
 3 determined the application is complete, the hearing may be
 4 postponed for a period not to exceed sixty (60) days after the filing
 5 of the amendment.

6 Sec. 4. (a) The converting mutual shall provide at least thirty
 7 (30) days prior written notice of the hearing to its members and
 8 other policyholders as of the date its board of directors adopted the
 9 resolution proposing the plan of conversion.

10 (b) The notice must include the following:

11 (1) A brief statement of the subject of the hearing, the date,
 12 time, and location of the hearing.

13 (2) A description of members eligible to vote on the plan of
 14 conversion and the amendment to the articles of
 15 incorporation.

16 (3) A statement that the members and policyholders may
 17 examine, at the department, the public record portion of the
 18 application submitted to the commissioner.

19 (c) The converting mutual shall provide the commissioner with
 20 the proposed form and content of the notice not less than fifteen
 21 (15) days before notice is to be provided to the members and
 22 policyholders, and the commissioner shall approve or disapprove
 23 the form and content of the notice within ten (10) days after its
 24 submission to the commissioner. The notice to members and other
 25 policyholders shall, after approval by the commissioner, be
 26 provided by mail or other means approved by the commissioner.

27 Sec. 5. (a) The converting mutual shall cause notice of the public
 28 hearing to be published in a newspaper of general circulation in the
 29 city where the principal office of the converting mutual is located,
 30 in Indianapolis, and in any other city specified by the commissioner
 31 at the time the commissioner determines that the application is
 32 complete.

33 (b) The notice shall be published at least two (2) times at
 34 intervals of not less than two (2) weeks, the first publication to be
 35 not more than forty-five (45) days and the last publication not less
 36 than fifteen (15) days before the public hearing. The notice of the
 37 public hearing shall state the purpose of the hearing and the date,
 38 time, and place where the hearing will occur.

39 (c) The converting mutual shall provide the commissioner with
 40 the proposed form and content of the notice not less than fifteen
 41 (15) days before it is to be first published, and the commissioner
 42 shall approve or disapprove the form and content of the notice



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within ten (10) days after its submission to the commissioner.

Sec. 6. The hearing shall be conducted by the commissioner or by the commissioner's designee, consistent with the procedures described in IC 4-22-2-26.

Sec. 7. (a) The commissioner shall fully consider any comments received at the hearing consistent with IC 4-22-2-27 before issuing an order approving or disapproving the application, plan of conversion, and amendment to the articles of incorporation.

(b) The commissioner's order or determination shall:

- (1) be issued within thirty (30) days after the last day of the public hearing;
- (2) be in writing; and
- (3) detail the reasons why the converting mutual's application is approved or disapproved.

Sec. 8. The commissioner shall approve the application and permit the conversion under the plan of conversion and the amendment to the articles of incorporation if the commissioner finds, following the public hearing:

- (1) that the amount and form of consideration is fair in the aggregate and to each member class;
- (2) that the plan of conversion and the amendment to the articles of incorporation:
 - (A) comply with this article and other applicable laws;
 - (B) are fair, reasonable, and equitable to the eligible members; and
 - (C) will not prejudice the interests of the other policyholders of the converting mutual; and
- (3) that the total amount of consideration provided to eligible members upon the extinguishing of the converting mutual's membership interests is equal to or greater than the surplus of the converting mutual.

Sec. 9. The commissioner may waive the requirement of section 8(3) of this chapter upon a showing of good cause.

Chapter 5. Voting on the Plan by Members

Sec. 1. The proposed plan of conversion and amendment to the articles of incorporation of the converting mutual shall be submitted to a vote of the members of the converting mutual, as provided in IC 27-1-8-3 and in this chapter.

Sec. 2. The meeting of members shall be held not later than ninety (90) days after the later of:

- (1) the issuance of the commissioner's order approving the conversion;

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1 (2) the final resolution of an appeal of that decision under this
2 article; or

3 (3) for a simple plan of conversion, the filing with the
4 commissioner of the notice of the conversion.

5 **Sec. 3. (a) The members of the converting mutual entitled to**
6 **vote on the plan of conversion and the amendment to the articles**
7 **of incorporation shall be given written notice of their opportunity**
8 **to vote. The notice shall be accompanied by explanatory**
9 **information concerning the conversion and may be accompanied**
10 **by proxy solicitation materials.**

11 (b) The form and content of the notice, explanatory information,
12 and any proxy solicitation materials must be provided to the
13 commissioner not less than twenty (20) business days before they
14 are mailed to the members, and the commissioner shall approve or
15 disapprove the form and content of the notice, explanatory
16 materials, and any proxy solicitation materials within fifteen (15)
17 business days after their submission to the commissioner.

18 (c) The notice and explanatory materials must include the
19 following:

20 (1) Reference to the applicable statutory provisions.

21 (2) The date, time, and location of the meeting.

22 (3) A brief statement of the subject of the meeting.

23 (4) A copy of the plan of conversion and a summary of the
24 plan.

25 (5) A copy of the amendment to the articles of incorporation
26 and a summary of the amendment.

27 (6) A description of the member's right to attend and
28 participate in the meeting.

29 (7) The definition of the term "eligible member".

30 (8) A statement that no member will receive consideration as
31 a result of the conversion unless the member continues to be
32 a member of the converting mutual on the effective date of the
33 conversion.

34 (9) For each form of consideration, a description of the nature
35 and amount of consideration that will be provided to the
36 eligible members upon completion of the conversion and, if
37 reasonably ascertainable by the converting mutual, a
38 description of the nature and amount or approximate amount
39 of consideration to be provided to the particular member to
40 whom the notice is addressed.

41 **Sec. 4. The notice described in section 3 of this chapter:**

42 (1) must achieve a minimum score of forty (40) on the Flesch

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1 reading ease test or an equivalent score on a comparable test
 2 approved by the commissioner;
 3 (2) shall be mailed, or provided by some other method or
 4 methods as may be approved by the commissioner, not less
 5 than thirty (30) days before the date of the meeting of
 6 members to vote on the plan of conversion and amendment to
 7 the articles of incorporation; and
 8 (3) may be combined with any other notices, materials, or
 9 information.

10 **Sec. 5. (a) Only members of the converting mutual as of both:**
 11 (1) the date the converting mutual's board of directors
 12 adopted the resolution proposing the plan of conversion and
 13 the amendment to the articles of incorporation; and
 14 (2) the record date for the members' meeting established by
 15 the board of directors;

16 are entitled to vote on the proposed plan of conversion and the
 17 amendment to the articles of incorporation of the converting
 18 mutual.

19 (b) Each member is entitled to cast only one (1) vote,
 20 irrespective of the number or value of policies held, unless the
 21 converting mutual's articles of incorporation provide otherwise.

22 **Sec. 6. Notwithstanding IC 27-1-7-9, a member may vote by**
 23 **proxy only if:**

- 24 (1) the proxy was solicited and obtained from the member for
- 25 the express purpose of voting on the plan of conversion and
- 26 the amendment to the articles of incorporation; and
- 27 (2) the proxy solicitation materials were provided to and
- 28 approved by the commissioner not less than twenty (20)
- 29 business days before they were mailed or provided to the
- 30 member.

31 **Sec. 7. The proposed plan of conversion and amendment to the**
 32 **converting mutual's articles of incorporation shall be approved by**
 33 **the members upon receiving the affirmative votes of:**

- 34 (1) at least two-thirds (2/3) of the members voting at the
- 35 meeting; and
- 36 (2) if the plan provides for different classes, categories, or
- 37 groups of eligible members to receive different forms of
- 38 consideration, other than as permitted by IC 27-15-8-4(b)(2)
- 39 or IC 27-15-12, at least two-thirds (2/3) of the members voting
- 40 at the meeting who would receive each different form of
- 41 consideration, voting as a class.

42 **Chapter 6. Implementation of Approved Plan of Conversion**

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1 **Sec. 1.** After the proposed plan of conversion and amendment
2 to the converting mutual's articles of incorporation are approved
3 by the commissioner, if approval is required under this article, and
4 approved by the members under this article, the converting mutual
5 may proceed to consummate the plan and comply with IC 27-1-8.

6 **Sec. 2.** The plan of conversion and the amendment to the articles
7 of incorporation of the converting mutual become effective upon
8 the date and time of approval of the articles of amendment by the
9 secretary of state as provided in IC 27-1-8-8, unless a later date
10 and time is specified in the articles of amendment, in which event
11 the plan of conversion and amendment become effective and take
12 place at the later date and time.

13 **Sec. 3.** When the plan of conversion and the amendment to the
14 articles of incorporation of the converting mutual become
15 effective:

- 16 (1) the converting mutual shall:
 - 17 (A) be converted from a domestic mutual insurance
 - 18 company to a domestic stock insurance company; and
 - 19 (B) have all the rights, privileges, immunities, and powers
 - 20 and be subject to all the duties and liabilities of a stock
 - 21 insurance company existing under this title;
- 22 (2) the membership interests of every member and
- 23 policyholder of the converting mutual are extinguished and
- 24 cease; and
- 25 (3) the rights of every member and policyholder of the
- 26 converting mutual under any contract of insurance continue
- 27 in force under the terms of the contract, including rights, if
- 28 any, to policyholder dividends.

29 **Sec. 4.** The former mutual shall be a continuation of the original
30 converting mutual in all of the following respects:

- 31 (1) The former mutual shall be recognized as an insurance
- 32 company formed under the laws of this state as of the date of
- 33 the company's original organization.
- 34 (2) The conversion does not in any way annul, modify, or
- 35 change any of the original converting mutual's existing suits,
- 36 claims, demands, rights, contracts, or other assets, or absolute
- 37 or contingent liabilities.
- 38 (3) The former mutual shall be vested in all of the rights,
- 39 franchises, and interests of the converting mutual in and to
- 40 every species of property without any deed or transfer.
- 41 (4) The former mutual shall succeed to all the obligations and
- 42 liabilities of the converting mutual and retain all rights and

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1 contracts existing before the effectiveness of the conversion.

2 **Sec. 5.** The former mutual shall comply with the minimum
3 capital and surplus requirements applicable to domestic stock
4 insurance companies as though the former mutual was organized
5 as a stock insurance company on its original date of organization.

6 **Chapter 7. Confidential Records**

7 **Sec. 1.** Except as otherwise specifically provided in this chapter,
8 IC 5-14 applies to all filings made under this article.

9 **Sec. 2.** Filings, information, and documents made with or
10 provided to the commissioner under this article may include
11 information that might be damaging to a converting mutual or its
12 affiliates if made available to competitors. Subject to section 3 of
13 this chapter, all documents containing trade secrets of a converting
14 mutual or its affiliates and marked "confidential" by the
15 converting mutual:

- 16 (1) are declared confidential for purposes of IC 5-14-3-4;
- 17 (2) are not subject to inspection and copying by the public
18 under IC 5-14-3-3;
- 19 (3) may be disclosed by the commissioner to the department
20 of insurance of another state if that department of insurance
21 agrees to keep the information confidential; and
- 22 (4) may not be disclosed by the commissioner to any person
23 other than a department of insurance under subdivision (3)
24 without the written consent of the converting mutual.

25 **Sec. 3. (a)** Subject to subsection (c), the commissioner may
26 disclose to any person all or part of any document marked
27 "confidential" in the commissioner's possession as the result of
28 being filed under this article if the following conditions are met:

- 29 (1) The commissioner must give written notice of the proposed
30 disclosure to the converting mutual and any other person
31 requesting disclosure.
- 32 (2) The converting mutual must be given an opportunity in
33 private to respond to the proposed disclosure.
- 34 (3) The commissioner must give consideration to any
35 legitimate interest in preserving trade secrets.
- 36 (4) The commissioner must determine that the eligible
37 members, other policyholders, or requesting parties have a
38 compelling interest which would be served by disclosure.
- 39 (5) At least five (5) business days have elapsed from the
40 converting mutual's receipt of written notice.

41 (b) The commissioner may disclose information under
42 subsection (a) in a manner and subject to limitations as the

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1 commissioner considers appropriate.

2 (c) If:

3 (1) not more than six (6) business days have elapsed since the
4 converting mutual received notice of a proposed disclosure;
5 and

6 (2) the converting mutual has notified the commissioner that
7 it or another interested party has filed an action seeking a
8 protective order from a circuit or superior court to prevent or
9 to limit disclosure;

10 the commissioner may not disclose the information, documents, or
11 copies of documents during the pendency of the action and any
12 appeal or after any final court decision prohibiting disclosure.

13 **Chapter 8. Distribution of Consideration to Members**

14 **Sec. 1. The consideration to be distributed to the eligible**
15 **members shall be:**

- 16 (1) cash;
- 17 (2) stock or other securities of the former mutual or of the
- 18 parent company;
- 19 (3) additional paid up insurance or annuity benefits;
- 20 (4) any combination of the forms of consideration listed in this
- 21 section; or
- 22 (5) other forms of consideration described in the plan of
- 23 conversion and approved by the commissioner.

24 **Sec. 2. The amount and the form or forms of consideration to be**
25 **distributed to a class, category, or group of eligible members may**
26 **differ from the amount and form or forms of consideration to be**
27 **distributed to another class, category, or group of eligible**
28 **members. The choice of the amount and form or forms of**
29 **consideration to be distributed to a class or category of eligible**
30 **members may take into account such factors as the type of policies**
31 **with respect to which the consideration is being distributed, the**
32 **country or state of residence or tax status of the eligible members,**
33 **the length of time the eligible members have been members of the**
34 **converting mutual, or other appropriate factors or circumstances**
35 **described in the plan of conversion.**

36 **Sec. 3. Distribution of all or part of the consideration to some or**
37 **all of the eligible members may be delayed, or restrictions on sale**
38 **or transfer of any stock or other securities to be distributed to**
39 **eligible members may be required, for a reasonable period of time**
40 **following the effective date of the conversion. However, the period**
41 **of time may not exceed six (6) months except as permitted under**
42 **chapter 12 of this article.**



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1 **Sec. 4. (a) A converting mutual may satisfy the requirement to**
2 **distribute the fair value of the converting company to the eligible**
3 **members by providing for the distribution to the eligible members**
4 **of all of the initial stock in accordance with IC 27-15-2-3(a)(1)**
5 **without the payment by or to the eligible members of any**
6 **additional consideration.**

7 **(b) For purposes of this section, all of the initial issue of the only**
8 **class of voting common stock of the former mutual or a parent**
9 **company shall be considered distributed to the eligible members**
10 **even if the plan of conversion or the application for approval**
11 **provides for:**

12 **(1) the offer or sale, promptly following the effective date of**
13 **the plan of conversion, to the public or to other persons of**
14 **additional shares of the same class of voting common stock of**
15 **the former mutual or a parent company at a price not less**
16 **than the fair market value of that stock, with the proposed**
17 **terms of the transaction disclosed to the commissioner in the**
18 **application for approval;**

19 **(2) the distribution to or for the benefit of certain classes,**
20 **categories, or groups of eligible members of cash, additional**
21 **paid up insurance or annuity benefits, or other consideration**
22 **in lieu of initial stock of the former mutual or a parent**
23 **company, if:**

24 **(A) that other consideration is required or appropriate as**
25 **a result of tax considerations, the country or state of**
26 **residence of the eligible members, the nominal value of the**
27 **stock that those eligible members otherwise would be**
28 **entitled to receive, or other factors or circumstances**
29 **approved by the commissioner;**

30 **(B) the value of the other consideration to be distributed to**
31 **those eligible members is substantially equal, as of the**
32 **effective date of the conversion, to the value of the stock**
33 **those eligible members otherwise would be entitled to**
34 **receive;**

35 **(C) the eligible members who receive any consideration**
36 **other than stock constitute not more than ten percent**
37 **(10%) of the total number of eligible members; and**

38 **(D) the classes, categories, or groups of those eligible**
39 **members, and the consideration they are to receive in lieu**
40 **of stock, are described in the plan of conversion, with all**
41 **additional material terms and conditions disclosed in the**
42 **application for approval; or**



1 (3) a delayed distribution of consideration that is approved
2 under section 3 of this chapter or IC 27-15-12.

3 **Chapter 9. Formula for Allocation of Consideration Among**
4 **Members**

5 **Sec. 1. The method or formula for allocating consideration**
6 **among the eligible members shall provide for each eligible member**
7 **to receive:**

- 8 (1) a fixed value, amount, or proportion of consideration;
- 9 (2) a variable value, amount, or proportion of consideration;
- 10 or
- 11 (3) a combination of fixed and variable values, amounts, or
- 12 proportions of consideration.

13 **Sec. 2. Any method used or formula developed for the fair and**
14 **equitable allocation of stock among eligible members under this**
15 **article must utilize generally accepted actuarial principles.**

16 **Chapter 10. Dividend Preservation**

17 **Sec. 1. (a) The sole purpose of any dividend preservation**
18 **provision shall be to provide for reasonable policyholder dividend**
19 **expectations on policies that provide for the distribution of policy**
20 **dividends.**

21 **(b) No dividend preservation provision in a plan under this**
22 **article shall be permitted:**

- 23 (1) to be a substitute for the distribution of consideration to
- 24 eligible members upon extinguishing their membership
- 25 interests as required by this article; or
- 26 (2) to diminish any contractual rights to a dividend that a
- 27 member or policyholder may have.

28 **Sec. 2. Any dividend preservation provision may be limited to**
29 **participating individual life insurance policies and participating**
30 **individual annuity contracts in force or considered to be in force**
31 **by the plan of conversion on the effective date of the plan of**
32 **conversion for which the mutual insurer has an experience-based**
33 **dividend scale due, paid, or accrued by action of the board of**
34 **directors of the converting mutual in the year in which the plan of**
35 **reorganization is adopted. However:**

- 36 (1) policies that would be included but for the fact that their
- 37 recent issuance results in no dividends for an initial period
- 38 may be included;
- 39 (2) policies that are in force as extended term insurance may
- 40 be included; and
- 41 (3) other categories of policies and benefits not described in
- 42 this subsection may be included or excluded, subject to the

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1 approval of the commissioner.

2 **Chapter 11. Use of a Closed Block**

3 **Sec. 1. This chapter applies if a closed block is used for the**
 4 **preservation of the reasonable dividend expectations of eligible**
 5 **members and other policyholders.**

6 **Sec. 2. The converting mutual shall prepare a written plan of**
 7 **operation for the closed block, consistent with the requirements of**
 8 **this article.**

9 **Sec. 3. The closed block shall be operated for the exclusive**
 10 **benefit of policies and contracts included in it. No costs or expenses**
 11 **incurred in connection with the conversion shall be charged to the**
 12 **closed block. Subject to termination of the closed block under**
 13 **section 7 of this chapter, none of the assets allocated to the closed**
 14 **block or the revenue derived from those assets may revert to the**
 15 **benefit of the stockholders of the former mutual or any parent**
 16 **company.**

17 **Sec. 4. The assets allocated to the closed block, together with the**
 18 **revenue from the closed block, must be reasonably sufficient to:**

19 (1) support the business in the closed block until the time the
 20 last policy in the closed block has terminated, including
 21 payment of claims and those expenses and taxes as are
 22 specified in the plan of conversion; and

23 (2) provide for:

24 (A) continuation of dividend scales in effect on the date the
 25 board of directors adopted the resolution proposing the
 26 plan of conversion, if the experience underlying those
 27 scales continues; and

28 (B) appropriate adjustments in the scales if the experience
 29 changes.

30 **Sec. 5. The assets assigned to a closed block shall be specified in**
 31 **the plan of operation and must consist of:**

32 (1) a list of designated assets of the converting mutual's
 33 general account or specified segments of the converting
 34 mutual's general account, which list shall change periodically
 35 to reflect the acquisition and disposition of assets;

36 (2) a designated portion of each and every asset of the
 37 converting mutual's general account or specified segments of
 38 the converting mutual's general account, which portion shall
 39 change periodically to reflect the cash flows of the closed
 40 block; or

41 (3) assets designated by a combination of the methods
 42 described in this section.



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Sec. 6. The plan of operation must specify the following:
(1) The method of assignment of closed block assets referred to in section 5 of this chapter that is being used.
(2) The methods by which the designations of assets or portions of assets are changed during the course of closed block operations.

Sec. 7. The plan of operation must provide for the conditions under which the former mutual, with the approval of the commissioner, may cease to maintain the closed block.

Sec. 8. The former mutual shall:
(1) submit to the commissioner annual reports, in a form acceptable to the commissioner, that account for and describe the operations of the closed block; and
(2) as specified in the plan of operation, provide at least every three (3) years for reviews of, and reports and opinions on, the closed block by an independent actuary, unless otherwise directed by the commissioner.

Chapter 12. Effect of Pending Claims on the Distribution of Consideration to Members

Sec. 1. All or part of the consideration to be distributed to some or all of the eligible members may be delayed by more than six (6) months following the effective date of the plan of conversion if:

- (1) the plan of conversion includes a provision for the establishment of a trust for that purpose; and**
- (2) one (1) or more of the following claims have been asserted against a converting mutual and remain unresolved at the effective date of the plan of conversion:**
 - (A) A claim seeking the imposition of a constructive or charitable trust on assets of the converting mutual for the benefit of policyholders, members, or other identified or unidentified persons.**
 - (B) A claim seeking distribution or return of assets, or other form of compensation, from the converting mutual to policyholders, members, or other identified or unidentified persons.**
 - (C) A claim that arises out of or relates to the ownership interest of members of the converting mutual, or to the value of their ownership interests, including any claim that challenges a statutory transaction engaged in by the converting mutual before the effective date of the plan of conversion.**

Sec. 2. (a) At the effective date of the plan of conversion, assets

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1 adequate to satisfy a claim described in section 1 of this chapter,
 2 consisting of the consideration that otherwise would be distributed
 3 directly to eligible members, must be placed in trust under a trust
 4 agreement in a form approved by the commissioner. The trustee or
 5 trustees of the trust shall:

6 (1) be appointed by the board of directors of the converting
 7 mutual, subject to disapproval of any trustee by the
 8 commissioner; and

9 (2) consist of one (1) or more institutions authorized by
 10 Indiana law to act as corporate trustees.

11 (b) The beneficiaries of the trust:

12 (1) are the eligible members who, in the absence of the claims,
 13 would have been entitled to the consideration placed in the
 14 trust; and

15 (2) may consist of all of the eligible members or specified
 16 classes or groups of eligible members.

17 (c) Assets of the trust shall be made available to pay or
 18 otherwise satisfy the claims for which the trust has been
 19 established, the expenses of the trust in contesting or resolving
 20 those claims, and any other reasonable expenses of the trust. Upon
 21 final resolution of the claims, by judgment, settlement or otherwise,
 22 or at such other times as may be provided for in the trust
 23 agreement, the remaining assets of the trust shall be distributed to
 24 the beneficiaries in accordance with their respective interests in the
 25 trust.

26 (d) Until the trust has been terminated, the trustee or trustees
 27 shall prepare reports not less frequently than annually, upon
 28 termination of the trust, and at such other times as may be
 29 requested by the commissioner or the former mutual. The reports
 30 must contain information regarding the financial condition of the
 31 trust and the status of any resolved and pending claims. The
 32 reports shall be provided to the commissioner and the former
 33 mutual and the reports or summary reports shall be mailed at least
 34 annually to the beneficiaries of the trust at the expense of the trust.

35 (e) An interest in a trust established under this section does not
 36 constitute a security under Indiana law.

37 (f) The establishment of a trust or pendency of any claim
 38 described in this chapter shall not delay or affect the effectiveness
 39 of a plan of conversion or an amendment to the articles of
 40 incorporation.

41 **Chapter 13. Initial Limits on Ownership of Shares**

42 **Sec. 1. (a) Except as specifically provided in a plan of**



1 conversion, for ten (10) years following the effective date of the
 2 conversion no person or persons acting in concert (other than the
 3 former mutual, any parent company, or any employee benefit
 4 plans or trusts sponsored by the former mutual or a parent
 5 company) shall directly or indirectly acquire, or agree or offer to
 6 acquire, in any manner the beneficial ownership of five percent
 7 (5%) or more of the outstanding shares of any class of a voting
 8 security of the former mutual or any parent company without the
 9 prior approval by the commissioner of a statement filed by that
 10 person with the commissioner.

11 (b) The statement described in subsection (a) must contain the
 12 information required by IC 27-1-23-2(b) and any other
 13 information required by the commissioner.

14 **Sec. 2.** The commissioner may not approve an acquisition under
 15 section 1(a) of this chapter unless the commissioner finds that:

- 16 (1) the requirements of IC 27-1-23-2(e) will be satisfied;
- 17 (2) the acquisition will not frustrate the plan of conversion or
 18 the amendment to the articles of incorporation as approved
 19 by the members and as approved by the commissioner, if
 20 approval is required by this article;
- 21 (3) the boards of directors of the former mutual and any
 22 parent company have approved the acquisition; and
- 23 (4) the acquisition would be in the best interest of the present
 24 and future policyholders of the former mutual without regard
 25 to any interest of policyholders as shareholders of the former
 26 mutual or any parent company.

27 **Sec. 3.** A security that is:

- 28 (1) the subject of any agreement or arrangement regarding
 29 acquisition; or
- 30 (2) acquired or is to be acquired;

31 in contravention of this chapter or of an order of the commissioner,
 32 may not be voted at any shareholders' meeting. Any action of
 33 shareholders requiring the affirmative vote of a percentage of
 34 shares may be taken as though the securities were not issued and
 35 outstanding. However, no action taken at a meeting shall be
 36 invalidated by the voting of those securities unless the action would
 37 materially affect control of the former mutual or a person that
 38 owns or controls a majority or all of the voting securities of the
 39 former mutual or unless the courts of this state have so ordered.

40 **Sec. 4.** The requirements of this chapter are in addition to any
 41 other filings or approvals required by IC 27-1-23 or otherwise by
 42 law.



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1 **Chapter 14. Modified Conversion Requirements for Companies**
 2 **in Hazardous Financial Condition**

3 **Sec. 1. (a) If a domestic mutual insurance company:**

- 4 (1) is insolvent, as defined in IC 27-9-1-2(l);
 5 (2) does not meet the minimum surplus requirements of
 6 IC 27-1-6-15; or
 7 (3) in the judgment of the commissioner, is in a hazardous
 8 financial condition;

9 its board of directors may adopt, and the commissioner may
 10 approve, any plan of conversion and amendment to the articles of
 11 incorporation that, on the effective date of the conversion, would
 12 provide for the former mutual to have paid-in capital stock and
 13 surplus in an amount not less than the minimum requirements of
 14 IC 27-1-6-14(c) and (e) and an RBC level greater than its company
 15 action RBC level.

16 (b) The commissioner may allow waivers or material
 17 modifications of the requirement to give any notices to members
 18 and policyholders, to obtain member approval of the proposed plan
 19 of conversion or amendment to the articles of incorporation of the
 20 converting mutual, or to distribute consideration to members if the
 21 value of a converting mutual described in subsection (a) does not
 22 in the judgment of the commissioner warrant any such notices,
 23 approvals, or distribution under the circumstances, including the
 24 expenses involved in a distribution of consideration.

25 Sec. 2. The application for approval of a plan of conversion and
 26 an amendment to the articles of incorporation described in section
 27 1 of this chapter must include a description of how the converting
 28 mutual will meet the statutory surplus and capital requirements on
 29 the date the plan of conversion is completed, which may involve the
 30 issuance and sale directly to one (1) or more purchasers of the
 31 capital stock of the former mutual or of a parent company.

32 Sec. 3. The commissioner shall approve the application and
 33 permit the conversion under a plan of conversion and an
 34 amendment to the articles of incorporation described in this
 35 chapter if the commissioner finds, following a public hearing, that
 36 the plan of conversion and the amendment to the articles of
 37 incorporation are in the best interests of the members and
 38 policyholders of the converting mutual, without regard to their
 39 membership interests.

40 Sec. 4. The requirements of this chapter are in addition to, and
 41 may be combined with, any other filings, approvals, or hearings
 42 required by IC 27-1-23 or otherwise by law.



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Chapter 15. Judicial Review

Sec. 1. A person who is aggrieved by an agency action of the commissioner under this article may petition for judicial review of the action under IC 4-21.5-5.

Sec. 2. All petitions for judicial review of, and any action challenging the validity of or arising out of:

- (1) the approval or disapproval of; or**
- (2) any action proposed to be taken under;**

any order or determination of the commissioner in connection with a plan of conversion under this article must be filed not later than thirty (30) days after the order or determination is issued by the commissioner.

Sec. 3. A person who is aggrieved by a failure of the commissioner to act or make a determination required by this article may bring an action for mandate in the circuit court of Marion County to compel the commissioner to act or make the determination.

Sec. 4. Notwithstanding IC 34-11, all petitions for judicial review of, or any action challenging the validity of or arising out of the adoption or implementation of a conversion under this article, must be filed not later than thirty (30) days after the vote by the members under IC 27-15-5.

Chapter 16. Miscellaneous Provisions

Sec. 1. A parent company under this article:

- (1) shall be organized under the laws of Indiana; and**
- (2) may be:**
 - (A) a corporation organized for the purpose of serving as a holding company for the former mutual or a corporation that, before the conversion, was a subsidiary of the converting mutual; or**
 - (B) any other existing or newly created corporation.**

Sec. 2. The commissioner may adopt rules under IC 4-22-2 necessary for the administration of this article.

Sec. 3. (a) The commissioner may, at the expense of a converting mutual that has:

- (1) filed an application under this article;**
- (2) notified the commissioner of its intention to file an application under this article; or**
- (3) adopted a resolution proposing a simple plan of conversion under this article;**

hire accountants, actuaries, attorneys, financial advisors, investment bankers, and other experts that are necessary to assist

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1 the commissioner in reviewing all matters under this article.
 2 (b) The commissioner may at any time require the converting
 3 mutual to deposit an amount of money with the department in
 4 anticipation of expenses to be incurred by the commissioner under
 5 this section.
 6 Sec. 4. If a converting mutual complies substantially and in good
 7 faith with this article with respect to any required notice to
 8 members and policyholders, its failure in any case to give the notice
 9 to any person entitled to notice does not:
 10 (1) impair the validity of actions taken under this article; or
 11 (2) entitle the person to any injunctive or other relief.
 12 Sec. 5. At any time before the effective date of the plan of
 13 conversion, the plan may be abandoned under provisions included
 14 in the plan of conversion filed under this article.
 15 Sec. 6. After conversion, the name of the former mutual may not
 16 include the term "mutual".
 17 SECTION 3. IC 27-1-8-13 IS REPEALED [EFFECTIVE UPON
 18 PASSAGE].
 19 SECTION 4. An emergency is declared for this act.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Insurance, Corporations and Small Business, to which was referred House Bill 1432, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 10, delete lines 11 through 13, begin a new paragraph and insert:

"Sec. 2. (a) Any domestic mutual insurance company that:

(1) maintains its executive offices in Indiana; and

(2) employs a substantial percentage of its workforce in Indiana;

may, by amendment to its articles of incorporation, convert to a stock insurance company by means of a plan of conversion described in IC 27-15-2-2 or a simple plan of conversion described in IC 27-15-2-3 under this article and IC 27-1-8.

(b) The commissioner shall determine whether a mutual insurance company meets the requirements of subsection (a)(2)."

Page 10, between lines 15 and 16, begin a new paragraph and insert:

"Sec. 4. "Closed block" means an allocation of assets for a defined group of in force policies which, together with the premiums of those policies and related investment earnings, are expected to be sufficient to maintain the payments of guaranteed benefits, certain expenses, and continuation of the current dividend scale on the closed block, if experience does not change."

Page 10, line 16, delete "4" and insert "5".

Page 10, line 18, delete "5" and insert "6".

Page 10, line 19, delete "or intends to adopt".

Page 10, line 24, delete "6" and insert "7".

Page 10, line 31, delete "7" and insert "8".

Page 10, line 35, delete "8" and insert "9".

Page 10, line 40, delete "9" and insert "10".

Page 11, line 8, delete "10" and insert "11".

Page 11, line 11, delete "11" and insert "12".

Page 11, line 12, delete "IC 27-15-2." and insert **"either IC 27-15-2-2 or IC 27-15-2-3."**

Page 11, line 13, delete "12" and insert "13".

Page 11, between lines 13 and 14, begin a new paragraph and insert:

"Sec. 14. "Simple plan of conversion" means the plan of conversion described in IC 27-15-2-3."

Page 11, line 16, delete "first adopt" and insert **"commence the demutualization process by adopting"**.

Page 11, line 20, after "conversion" insert **", other than a simple**



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plan of conversion,".

Page 11, line 34, after "forms" insert "**and amount, if known,".**

Page 11, line 38, after "forms" insert "**and amount".**

Page 12, delete lines 8 through 16, begin a new paragraph and insert:

"Sec. 3 (a) The board of directors of the converting mutual may adopt a simple plan of conversion under this section. The simple plan of conversion must include the following:

(1) The distribution to the eligible members, upon the extinguishing of their membership interests, of all of the initial issue of the voting common stock of the former mutual or any parent company. The initial issue of the voting common stock may include only one (1) class of stock, and may not include more than one (1) series of stock.

(2) Describe the manner in which the proposed conversion will occur and the insurance and any other companies that will result from or be directly affected by the conversion, including the former mutual and any parent company.

(3) Provide that the membership interests in the converting mutual will be extinguished as of the effective date of the conversion.

(4) Provide for the registration of that distribution of stock under section 5 of the federal Securities Act of 1933, as amended.

(5) Specify each separate class, category, or group of eligible members, and describe and explain any differences in the amount of stock to be distributed to or among the eligible members of each separate class, category, or group of eligible members.

(6) Require and describe the method or formula for the fair and equitable allocation of the stock among the eligible members.

(7) Provide for the determination and preservation of the reasonable dividend expectations of eligible members and other policyholders with policies that provide for the distribution of policy dividends, through the establishment of a closed block or other method acceptable to the commissioner.

(b) The plan may include other provisions:

(1) that the converting mutual determines to be necessary; and

(2) consistent with this title."

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Page 12, line 19, after "conversion" insert "**under IC 27-15-2-2**".

Page 12, line 20, delete "under IC 27-15-2," and insert ",".

Page 12, line 23, delete "consist of" and insert "**contain**".

Page 12, line 23, delete "following:" and insert "**following information, together with such additional information as the commissioner may require:**".

Page 13, line 5, after "consolidate" insert "**or pursue any other form of reorganization**".

Page 14, line 7, before "revocation" insert "**suspension,**".

Page 14, line 7, after "revocation" insert ", **or other disciplinary action**".

Page 14, delete lines 12 through 19, begin a new line block indented and insert:

"(10) A fairness opinion addressed to the board of directors of the converting mutual from a qualified, independent financial advisor, asserting:

(A) that the provision of stock, cash, policy benefits, or other forms of consideration upon the extinguishing of the converting mutual's membership interests under the plan of conversion and the amendment to the articles of incorporation is fair to the eligible members, as a group, from a financial point of view; and

(B) whether the total amount of consideration under clause (A) is equal to or greater than the surplus of the converting mutual."

Page 14, line 32, delete "or to be made".

Page 15, line 17, after "parent" insert "**company**".

Page 15, delete lines 25 through 29, begin a new paragraph and insert:

"Sec. 3. After adoption by the board of directors of the resolution proposing the simple plan of conversion under IC 27-15-2-3 and the amendment to its articles of incorporation, the converting mutual shall immediately file with the commissioner a notice of conversion. The notice of conversion must consist of the information and documents listed in section 2 of this chapter. A simple plan of conversion that complies with this article is not subject to any approval by the commissioner.

Sec. 4. Notwithstanding section 3 of this chapter, a fairness opinion is not required under this chapter if the converting mutual utilizes a simple plan of conversion."

Page 15, line 30, delete "4" and insert "**5**".

Page 16, line 2, delete "sixty (60)" and insert "**forty-five (45)**".



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Page 16, between lines 11 and 12, begin a new paragraph and insert:
"(c) No public hearing or approval by the commissioner under this chapter is required for a simple plan of conversion."

Page 17, line 2, after "form" insert "**and content**".

Page 17, line 3, delete "." and insert "**, and the commissioner shall approve or disapprove the form and content of the notice within ten (10) days after its submission to the commissioner."**

Page 17, line 4, after "shall" insert "**, after approval by the commissioner,"**

Page 17, line 19, after "form" insert "**and content**".

Page 17, line 20, delete "." and insert "**, and the commissioner shall approve or disapprove the form and content of the notice within ten (10) days after its submission to the commissioner."**

Page 17, line 37, delete "hearing," and insert "**hearing:**".

Page 17, line 37, before "that" begin a new line block indented and insert:

"(1) that the amount and form of consideration is fair in the aggregate and to each member class;

(2)"

Page 17, line 39, delete "(1)", double block indent and insert "**(A)**".

Page 17, line 40, delete "(2)", double block indent and insert "**(B)**".

Page 17, line 42, delete "(3)", double block indent and insert "**(C)**".

Page 18, line 1, delete "." and insert "**; and**".

Page 18, between lines 1 and 2, begin a new line block indented and insert:

"(3) that the total amount of consideration provided to eligible members upon the extinguishing of the converting mutual's membership interests is equal to or greater than the surplus of the converting mutual.

Sec. 9. The commissioner may waive the requirement of section 8(3) of this chapter upon a showing of good cause."

Page 18, line 10, delete "or".

Page 18, line 12, delete "." and insert "**; or**".

Page 18, between lines 12 and 13, begin a new line block indented and insert:

"(3) for a simple plan of conversion, the filing with the commissioner of the notice of the conversion."

Page 18, line 19, after "form" insert "**and content**".

Page 18, line 21, delete "fifteen (15)" and insert "**twenty (20) business**".

Page 18, line 22, delete "." and insert "**, and the commissioner shall approve or disapprove the form and content of the notice,**



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explanatory materials, and any proxy solicitation materials within fifteen (15) business days after their submission to the commissioner."

Page 18, line 28, delete "or a" and insert "**and a**".

Page 18, line 30, delete "or a" and insert "**and a**".

Page 18, line 38, delete "A" and insert "**For each form of consideration, a**".

Page 19, line 22, delete "Under IC 27-1-7-9, each" and insert "**Each**".

Page 19, line 31, after "to" insert "**and approved by**".

Page 19, line 32, delete "fifteen (15)" and insert "**twenty (20) business**".

Page 19, line 33, delete ";" and insert ".".

Page 19, delete lines 34 through 37.

Page 19, line 40, delete "of at least" and insert "**of:**".

Page 19, between lines 40 and 41, begin a new line block indented and insert:

"(1) at least two-thirds (2/3) of the members voting at the meeting; and

(2) if the plan provides for different classes, categories, or groups of eligible members to receive different forms of consideration, other than as permitted by IC 27-15-8-4(b)(2) or IC 27-15-12, at least two-thirds (2/3) of the members voting at the meeting who would receive each different form of consideration, voting as a class."

Page 19, delete line 41.

Page 20, line 3, after "commissioner" insert "**, if approval is required under this article,**".

Page 20, line 3, after "and" insert "**approved by**".

Page 20, line 35, after "suits," insert "**claims, demands,**".

Page 20, line 36, delete "liabilities." and insert "**other assets, or absolute or contingent liabilities.**".

Page 21, line 12, delete "information,".

Page 21, line 12, delete ", and copies of documents".

Page 21, line 25, after "disclose" insert "**to any person**".

Page 21, line 25, delete "confidential".

Page 21, line 25, after "document" insert "**marked "confidential"**".

Page 21, line 26, delete "an application" and insert "**being**".

Page 21, line 28, after "give" insert "**written**".

Page 21, line 36, delete "or" and insert ",".

Page 21, line 36, after "policyholders" insert "**, or requesting parties**".



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- Page 22, line 22, delete "acceptable to" and insert "**approved by**".
- Page 22, line 23, after "The" insert "**amount and the**".
- Page 22, line 25, before "form" insert "**amount and**".
- Page 22, line 26, before "form" insert "**amount and**".
- Page 23, line 2, delete "of the former mutual, or all of the initial" and insert "**in accordance with IC 27-15-2-3(a)(1)**".
- Page 23, delete line 3.
- Page 23, line 6, after "initial" insert "**issue of the only class of voting common**".
- Page 23, line 12, before "stock" insert "**the same class of voting common**".
- Page 23, line 32, delete "other" and insert "**any**".
- Page 23, line 33, delete "in lieu of" and insert "**other than**".
- Page 24, delete lines 10 through 42, begin a new paragraph and insert:
"Sec. 2. Any method used or formula developed for the fair and equitable allocation of stock among eligible members under this article must utilize generally accepted actuarial principles."
- Page 25, delete lines 1 through 10.
- Page 25, line 17, after "permitted" insert ":".
- Page 25, line 17, before "to" begin a new line block indented and insert:
"(1)".
- Page 25, line 19, delete "." and insert "**;** or
(2) to diminish any contractual rights to a dividend that a member or policyholder may have."
- Page 28, line 30, delete "may" and insert "**shall**".
- Page 28, line 35, delete "five (5)" and insert "**ten (10)**".
- Page 28, line 39, delete "offer to".
- Page 28, line 39, delete "or acquire" and insert "**, or agree or offer to acquire,**".
- Page 29, line 11, after "and" insert "**as approved by**".
- Page 29, line 11, delete ";" and insert "**, if approval is required by this article;**".
- Page 29, line 21, after "be acquired" insert ";".
- Page 29, line 21, beginning with "in", begin a new line blocked left.
- Page 29, line 22, delete ";" and insert ",".
- Page 29, run in lines 22 through 23.
- Page 29, delete lines 34 through 42.
- Page 30, delete lines 1 through 8.
- Page 30, line 9, delete "15" and insert "**14**".
- Page 31, line 9, delete "16" and insert "**15**".

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Page 31, line 18, delete "an application for" and insert "**a plan of**".

Page 31, between lines 25 and 26, begin a new paragraph and insert:

"Sec. 4. Notwithstanding IC 34-11, all petitions for judicial review of, or any action challenging the validity of or arising out of the adoption or implementation of a conversion under this article, must be filed not later than thirty (30) days after the vote by the members under IC 27-15-5."

Page 31, line 26, delete "17" and insert "**16**".

Page 31, line 28, delete "any state;" and insert "**Indiana;**".

Page 31, line 38, after "has" insert ":".

Page 31, line 38, before "filed", begin a new line block indented and insert:

"(1)".

Page 31, line 38, delete "," and insert ";".

Page 31, line 38, before "hire", begin a new line block indented and insert:

"(2) notified the commissioner of its intention to file an application under this article; or

(3) adopted a resolution proposing a simple plan of conversion under this article;".

Page 31, line 38, beginning with "hire", begin a new line blocked left.

Page 32, line 14, delete ", except as approved by the" and insert ".".

Page 32, delete lines 15 through 16.

and when so amended that said bill do pass.

(Reference is to HB 1432 as introduced.)

FRY, Chair

Committee Vote: yeas 14, nays 0.

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