

Adopted	Rejected
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COMMITTEE REPORT

YES: 14
NO: 0

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:*

- 1 Page 10, delete lines 11 through 13, begin a new paragraph and
- 2 insert:
- 3 **"Sec. 2. (a) Any domestic mutual insurance company that:**
- 4 **(1) maintains its executive offices in Indiana; and**
- 5 **(2) employs a substantial percentage of its workforce in**
- 6 **Indiana;**
- 7 **may, by amendment to its articles of incorporation, convert to a**
- 8 **stock insurance company by means of a plan of conversion**
- 9 **described in IC 27-15-2-2 or a simple plan of conversion described**
- 10 **in IC 27-15-2-3 under this article and IC 27-1-8.**
- 11 **(b) The commissioner shall determine whether a mutual**
- 12 **insurance company meets the requirements of subsection (a)(2)."**
- 13 Page 10, between lines 15 and 16, begin a new paragraph and insert:
- 14 **"Sec. 4. "Closed block" means an allocation of assets for a**

1 **defined group of in force policies which, together with the**
 2 **premiums of those policies and related investment earnings, are**
 3 **expected to be sufficient to maintain the payments of guaranteed**
 4 **benefits, certain expenses, and continuation of the current dividend**
 5 **scale on the closed block, if experience does not change."**

- 6 Page 10, line 16, delete "4" and insert "5".
- 7 Page 10, line 18, delete "5" and insert "6".
- 8 Page 10, line 19, delete "or intends to adopt".
- 9 Page 10, line 24, delete "6" and insert "7".
- 10 Page 10, line 31, delete "7" and insert "8".
- 11 Page 10, line 35, delete "8" and insert "9".
- 12 Page 10, line 40, delete "9" and insert "10".
- 13 Page 11, line 8, delete "10" and insert "11".
- 14 Page 11, line 11, delete "11" and insert "12".
- 15 Page 11, line 12, delete "IC 27-15-2." and insert "**either**
- 16 **IC 27-15-2-2 or IC 27-15-2-3.**".
- 17 Page 11, line 13, delete "12" and insert "13".
- 18 Page 11, between lines 13 and 14, begin a new paragraph and insert:
- 19 **"Sec. 14. "Simple plan of conversion" means the plan of**
- 20 **conversion described in IC 27-15-2-3.**".
- 21 Page 11, line 16, delete "first adopt" and insert "**commence the**
- 22 **demutualization process by adopting**".
- 23 Page 11, line 20, after "conversion" insert ", **other than a simple**
- 24 **plan of conversion,**".
- 25 Page 11, line 34, after "forms" insert "**and amount, if known,**".
- 26 Page 11, line 38, after "forms" insert "**and amount**".
- 27 Page 12, delete lines 8 through 16, begin a new paragraph and
- 28 insert:
- 29 **"Sec. 3 (a) The board of directors of the converting mutual may**
- 30 **adopt a simple plan of conversion under this section. The simple**
- 31 **plan of conversion must include the following:**
- 32 **(1) The distribution to the eligible members, upon the**
- 33 **extinguishing of their membership interests, of all of the**
- 34 **initial issue of the voting common stock of the former mutual**
- 35 **or any parent company. The initial issue of the voting**
- 36 **common stock may include only one (1) class of stock, and**
- 37 **may not include more than one (1) series of stock.**
- 38 **(2) Describe the manner in which the proposed conversion**

- 1 will occur and the insurance and any other companies that
 2 will result from or be directly affected by the conversion,
 3 including the former mutual and any parent company.
- 4 (3) Provide that the membership interests in the converting
 5 mutual will be extinguished as of the effective date of the
 6 conversion.
- 7 (4) Provide for the registration of that distribution of stock
 8 under section 5 of the federal Securities Act of 1933, as
 9 amended.
- 10 (5) Specify each separate class, category, or group of eligible
 11 members, and describe and explain any differences in the
 12 amount of stock to be distributed to or among the eligible
 13 members of each separate class, category, or group of eligible
 14 members.
- 15 (6) Require and describe the method or formula for the fair
 16 and equitable allocation of the stock among the eligible
 17 members.
- 18 (7) Provide for the determination and preservation of the
 19 reasonable dividend expectations of eligible members and
 20 other policyholders with policies that provide for the
 21 distribution of policy dividends, through the establishment of
 22 a closed block or other method acceptable to the
 23 commissioner.
- 24 (b) The plan may include other provisions:
- 25 (1) that the converting mutual determines to be necessary;
 26 and
 27 (2) consistent with this title."
- 28 Page 12, line 19, after "conversion" insert "**under IC 27-15-2-2**".
 29 Page 12, line 20, delete "under IC 27-15-2," and insert ",".
 30 Page 12, line 23, delete "consist of" and insert "**contain**".
 31 Page 12, line 23, delete "following:" and insert "**following**
 32 **information, together with such additional information as the**
 33 **commissioner may require:**".
- 34 Page 13, line 5, after "consolidate" insert "**or pursue any other**
 35 **form of reorganization**".
- 36 Page 14, line 7, before "revocation" insert "**suspension,**".
 37 Page 14, line 7, after "revocation" insert "**, or other disciplinary**
 38 **action**".

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

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

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

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

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

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

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

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

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

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

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

32 Page 16, between lines 11 and 12, begin a new paragraph and insert:

33 **"(c) No public hearing or approval by the commissioner under**
34 **this chapter is required for a simple plan of conversion."**

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

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

- 1 Page 17, line 4, after "shall" insert ", **after approval by the**
2 **commissioner,**".
- 3 Page 17, line 19, after "form" insert "**and content**".
- 4 Page 17, line 20, delete "." and insert ", **and the commissioner**
5 **shall approve or disapprove the form and content of the notice**
6 **within ten (10) days after its submission to the commissioner.**".
- 7 Page 17, line 37, delete "hearing," and insert "**hearing:**".
- 8 Page 17, line 37, before "that" begin a new line block indented and
9 insert:
10 "**(1) that the amount and form of consideration is fair in the**
11 **aggregate and to each member class;**
12 **(2)**".
- 13 Page 17, line 39, delete "(1)", double block indent and insert "**(A)**".
- 14 Page 17, line 40, delete "(2)", double block indent and insert "**(B)**".
- 15 Page 17, line 42, delete "(3)", double block indent and insert "**(C)**".
- 16 Page 18, line 1, delete "." and insert "**; and**".
- 17 Page 18, between lines 1 and 2, begin a new line block indented and
18 insert:
19 "**(3) that the total amount of consideration provided to eligible**
20 **members upon the extinguishing of the converting mutual's**
21 **membership interests is equal to or greater than the surplus**
22 **of the converting mutual.**
- 23 **Sec. 9. The commissioner may waive the requirement of section**
24 **8(3) of this chapter upon a showing of good cause.**".
- 25 Page 18, line 10, delete "or".
- 26 Page 18, line 12, delete "." and insert "**; or**".
- 27 Page 18, between lines 12 and 13, begin a new line block indented
28 and insert:
29 "**(3) for a simple plan of conversion, the filing with the**
30 **commissioner of the notice of the conversion.**".
- 31 Page 18, line 19, after "form" insert "**and content**".
- 32 Page 18, line 21, delete "fifteen (15)" and insert "**twenty (20)**
33 **business**".
- 34 Page 18, line 22, delete "." and insert ", **and the commissioner**
35 **shall approve or disapprove the form and content of the notice,**
36 **explanatory materials, and any proxy solicitation materials within**
37 **fifteen (15) business days after their submission to the**
38 **commissioner.**".

- 1 Page 18, line 28, delete "or a" and insert "**and a**".
- 2 Page 18, line 30, delete "or a" and insert "**and a**".
- 3 Page 18, line 38, delete "A" and insert "**For each form of**
- 4 **consideration, a**".
- 5 Page 19, line 22, delete "Under IC 27-1-7-9, each" and insert
- 6 "**Each**".
- 7 Page 19, line 31, after "to" insert "**and approved by**".
- 8 Page 19, line 32, delete "fifteen (15)" and insert "**twenty (20)**
- 9 **business**".
- 10 Page 19, line 33, delete ";" and insert ".".
- 11 Page 19, delete lines 34 through 37.
- 12 Page 19, line 40, delete "of at least" and insert "**of**".
- 13 Page 19, between lines 40 and 41, begin a new line block indented
- 14 and insert:
- 15 "**(1) at least two-thirds (2/3) of the members voting at the**
- 16 **meeting; and**
- 17 **(2) if the plan provides for different classes, categories, or**
- 18 **groups of eligible members to receive different forms of**
- 19 **consideration, other than as permitted by IC 27-15-8-4(b)(2)**
- 20 **or IC 27-15-12, at least two-thirds (2/3) of the members voting**
- 21 **at the meeting who would receive each different form of**
- 22 **consideration, voting as a class.**".
- 23 Page 19, delete line 41.
- 24 Page 20, line 3, after "commissioner" insert ", **if approval is**
- 25 **required under this article,**".
- 26 Page 20, line 3, after "and" insert "**approved by**".
- 27 Page 20, line 35, after "suits," insert "**claims, demands,**".
- 28 Page 20, line 36, delete "liabilities." and insert "**other assets, or**
- 29 **absolute or contingent liabilities.**".
- 30 Page 21, line 12, delete "information,".
- 31 Page 21, line 12, delete ", and copies of documents".
- 32 Page 21, line 25, after "disclose" insert "**to any person**".
- 33 Page 21, line 25, delete "confidential".
- 34 Page 21, line 25, after "document" insert "**marked 'confidential'**".
- 35 Page 21, line 26, delete "an application" and insert "**being**".
- 36 Page 21, line 28, after "give" insert "**written**".
- 37 Page 21, line 36, delete "or" and insert ",".
- 38 Page 21, line 36, after "policyholders" insert ", **or requesting**

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

- 1 Page 29, run in lines 22 through 23.
 2 Page 29, delete lines 34 through 42.
 3 Page 30, delete lines 1 through 8.
 4 Page 30, line 9, delete "15" and insert "14".
 5 Page 31, line 9, delete "16" and insert "15".
 6 Page 31, line 18, delete "an application for" and insert "**a plan of**".
 7 Page 31, between lines 25 and 26, begin a new paragraph and insert:
 8 "**Sec. 4. Notwithstanding IC 34-11, all petitions for judicial**
 9 **review of, or any action challenging the validity of or arising out of**
 10 **the adoption or implementation of a conversion under this article,**
 11 ~~Adopted by the 1999 General Assembly on March 30, 2015 after the vote by the~~
 12 Page 31, line 26, delete "17" and insert "16".
 13 Page 31, line 28, delete "any state;" and insert "**Indiana;**".
 14 Page 31, line 38, after "has" insert ":".
 15 Page 31, line 38, before "filed", begin a new line block indented and
 16 insert:
 17 "(1)".
 18 Page 31, line 38, delete "," and insert ";".
 19 Page 31, line 38, before "hire", begin a new line block indented and
 20 insert:
 21 "**(2) notified the commissioner of its intention to file an**
 22 **application under this article; or**
 23 **(3) adopted a resolution proposing a simple plan of conversion**
 24 **under this article;**".
 25 Page 31, line 38, beginning with "hire", begin a new line blocked
 26 left.
 27 Page 32, line 14, delete ", except as approved by the" and insert ".".
 28 Page 32, delete lines 15 through 16.
 (Reference is to HB 1432 as introduced.)

and when so amended that said bill do pass.

Representative Fry