

House Bill 377

By: Representative Knox of the 24th

A BILL TO BE ENTITLED
AN ACT

1 To amend Title 33 of the Official Code of Georgia Annotated, relating to insurance, so as to
2 provide a short title; to define certain terms; to provide for reorganization of mutual insurers
3 and formation of mutual insurance holding companies; to provide for mergers of mutual
4 insurers or other entities with mutual insurance holding companies; to provide for approval
5 of reorganization plans or merger plans by policyholders; to provide for approval of
6 reorganization plans or merger plans by the Commissioner of Insurance; to provide for
7 domestication of mutual insurance holding companies; to provide for conversion of mutual
8 insurance holding companies; to provide for applicability of certain provisions and
9 rehabilitation and liquidation; to provide that certain membership interests shall not be
10 deemed securities; to provide restrictions on voting stock of reorganized stock insurers; to
11 provide for powers of mutual insurance holding companies and restrictions on dividends; to
12 provide time limits for challenges; to provide for payment of costs and expenses of
13 reorganization or merger; to provide for retention of experts to assist in evaluating
14 reorganization or merger plans; to provide an effective date; to repeal conflicting laws; and
15 for other purposes.

16 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

17 **SECTION 1.**

18 Title 33 of the Official Code of Georgia Annotated, relating to insurance, is amended by
19 adding a new Chapter 13A to read as follows:

20 "CHAPTER 13A

21 33-13A-1.

22 This chapter shall be known and may be cited as the 'Mutual Holding Company Act.'

1 33-13A-2.

2 As used in this chapter, the term:

3 (1) 'Independent committee of the board' means a committee of the board of directors of
4 a mutual insurance holding company that is comprised exclusively of nonmanagement
5 board members.

6 (2) 'Intermediate holding company' means one or more stock corporations that own all
7 of the shares of voting stock of one or more reorganized stock companies after a
8 reorganization under Code Section 33-13A-4 or a merger under Code Section 33-13A-5.

9 (3) 'Majority of the voting stock of the reorganized stock insurer' means shares of the
10 capital stock of the reorganized stock insurer which carry the right to cast a majority of
11 the votes entitled to be cast by all of the outstanding shares of the capital stock of the
12 reorganized stock insurer for the election of directors and on all other matters submitted
13 to a vote of the shareholders of the reorganized stock insurer.

14 (4) 'Member' means a person who obtains a membership interest in a mutual insurance
15 holding company by virtue of being a policyholder of a mutual insurer that is the subject
16 of a reorganization plan under Code Section 33-13A-4 or a merger under Code Section
17 33-13A-5.

18 (5) 'Merger plan' means a plan approved by a domestic mutual insurer's board of
19 directors under Code Section 33-13A-5 which proposes to merge a domestic or foreign
20 mutual insurer into an existing mutual insurance holding company or into an intermediate
21 holding company, thereby converting the domestic or foreign mutual insurer into a stock
22 insurer.

23 (6) 'Mutual insurance holding company' means a domestic corporation incorporated
24 pursuant to a reorganization plan under Code Section 33-13A-4 or a merger under Code
25 Section 33-13A-5, which company is the ultimate parent of a reorganized stock insurer
26 and which may be the parent company of one or more intermediate holding companies.

27 (7) 'Nonmanagement board member' means a board member of the board of directors of
28 a mutual insurance holding company who is not an officer or employee of the mutual
29 insurance holding company or any of its subsidiaries.

30 (8) 'Policyholder' means a person who is insured under one or more insurance policies
31 or annuity contracts by a mutual insurer at the time of a reorganization under Code
32 Section 33-13A-4 or a merger under Code Section 33-13A-5; provided, however, that the
33 term 'policyholder' shall not include a person who holds a nonparticipating policy issued
34 by a mutual life insurer if so limited by the bylaws of such mutual life insurer.

35 (9) 'Reorganization plan' means a reorganization plan adopted by a mutual insurer's
36 board of directors in accordance with Code Section 33-13A-4 which proposes to convert
37 the domestic mutual insurer into a stock insurer.

1 (10) 'Reorganized stock insurer' means the domestic or foreign stock insurer resulting
2 from a domestic or foreign mutual insurer's reorganization under Code Section 33-13A-4
3 or merger under Code Section 33-13A-5.

4 (11) 'Voting stock' means securities of any class or any ownership interest having voting
5 power for the election of directors, trustees, or management of a corporation, other than
6 securities having voting power only as a result of a contingency. Voting stock shall also
7 mean a voting security as defined in Code Section 33-14-17.

8 33-13A-3.

9 This article shall apply only to:

10 (1) Domestic and foreign mutual insurers which are actively engaged in the business of
11 insurance in Georgia; and

12 (2) Domestic mutual insurance holding companies.

13 33-13A-4.

14 (a) A domestic mutual insurer may, upon receipt of the approval of the Commissioner,
15 reorganize by forming a mutual insurance holding company based upon a reorganization
16 plan that is consistent with the requirements of this chapter. Such a reorganization plan
17 must be adopted by the affirmative vote of not less than two-thirds of the mutual insurer's
18 board of directors.

19 (b) At any time prior to the mailing to policyholders of the notice pursuant to Code
20 Section 33-13A-7, a mutual insurer's board of directors may amend the reorganization plan
21 by the affirmative vote of not less than two-thirds of the members of the board of directors.
22 At any time before the Commissioner's approval or disapproval of the reorganization plan,
23 a mutual insurer's board of directors may withdraw the reorganization plan by the
24 affirmative vote of not less than two-thirds of the board of directors.

25 (c) The reorganization plan shall provide for the creation and incorporation of a mutual
26 insurance holding company and for the continuation of the corporate existence of the
27 mutual insurer as a stock insurer.

28 (d) The reorganization plan shall provide that all of the initial shares of voting stock of the
29 reorganized stock insurer or insurers shall be issued to the mutual insurance holding
30 company or to an intermediate holding company. The reorganization plan shall provide
31 that the mutual insurance holding company shall at all times own a majority of the voting
32 stock of the reorganized stock insurer or, alternatively, that the mutual insurance holding
33 company shall at all times own the majority of voting stock in an intermediate holding
34 company, which intermediate holding company shall at all times own all of the voting
35 stock of the reorganized stock insurer. The shares of voting stock required to be owned by

1 the mutual insurance holding company or by any intermediate holding company shall not
2 be pledged, hypothecated, or in any way encumbered with regard to any obligation,
3 guaranty, or commitment undertaken by or on behalf of the mutual insurance holding
4 company or the intermediate holding company, if any. The plan shall also provide that the
5 board of directors of the mutual insurance holding company will be elected by the
6 members.

7 (e) The reorganization plan shall provide that membership interests of the policyholders
8 of the mutual insurer or insurers shall automatically become membership interests in the
9 mutual insurance holding company as long as the policy is in force, and that, concurrently
10 upon the effective date of the reorganization, the policyholder's membership interests in
11 the mutual insurer or insurers shall be extinguished.

12 (f) The reorganization plan or merger plan must also address each of the following items:

13 (1) In the case of a reorganization under this Code section, establishing a mutual
14 insurance holding company with at least one stock insurer subsidiary or, in the case of a
15 reorganization by merger under Code Section 33-13A-5, a description of the terms and
16 conditions of the proposed reorganization or merger;

17 (2) An analysis of the benefits and risks attendant to the proposed reorganization,
18 including the rationale for the reorganization;

19 (3) The provisions for protection of the immediate and long-term interests of existing
20 policyholders;

21 (4) Ensuring immediate membership in the mutual insurance holding company of all
22 existing policyholders of the reorganizing domestic insurer or insurers;

23 (5) Describing the membership interests in the mutual insurance holding company for
24 all future policyholders of the reorganized stock insurer;

25 (6) Identifying the number of members of the board of directors of the mutual insurance
26 holding company, if any, that are required to be policyholders of the reorganized stock
27 insurer;

28 (7) Describing the nature and content of the annual report and financial statement to be
29 sent to each policyholder;

30 (8) A copy of the proposed mutual insurance holding company's articles of incorporation
31 and bylaws specifying all membership rights;

32 (9) The names, addresses, and occupational information of all corporate officers and
33 members of the proposed mutual insurance holding company's board of directors, to the
34 extent that such documentation has not already been filed with the department;

35 (10) Information sufficient to demonstrate that the financial condition of the reorganizing
36 or merging insurer will not be materially diminished upon reorganization or merger,
37 including information concerning any subsidiaries of the reorganizing or merging insurers

1 that will become subsidiaries of the mutual insurance holding company or any
2 intermediate holding company as part of the reorganization or merger;

3 (11) A copy of the articles of incorporation and bylaws for any proposed insurance
4 subsidiary or intermediate holding company subsidiary;

5 (12) A description of any plans for an initial subscription or sale of stock or other
6 securities of the reorganized stock insurer or any intermediate holding company; and

7 (13) Any other information related to the reorganization or merger reasonably requested
8 by the Commissioner.

9 (g) The board of directors of a domestic mutual insurer shall file all of the following with
10 the Commissioner within 60 days after adopting a reorganization plan or a merger plan
11 pursuant to subsection (a) of this Code section:

12 (1) The reorganization plan or the merger plan;

13 (2) The forms of notices to be sent to such mutual insurer's policyholders;

14 (3) The form of proxy, if any, to be solicited from policyholders in connection with any
15 policyholder vote on the reorganization plan or the merger plan;

16 (4) The proposed articles of incorporation and bylaws for the mutual insurance holding
17 company and the reorganized stock insurer and, where applicable, for any intermediate
18 holding company; and

19 (5) Such other documents as the Commissioner may reasonably require to evaluate the
20 proposed reorganization or merger.

21 (h) The reorganization plan may provide that any subsidiaries of the reorganized stock
22 insurer may remain as subsidiaries of such company or become direct subsidiaries of the
23 mutual insurance holding company.

24 (i) The reorganization plan shall address the rules for determining membership interests
25 in the mutual insurance holding company of any policyholder of the mutual insurer or the
26 reorganized stock insurer who acquires or terminates his or her policy after the
27 reorganization plan is submitted and adopted by the board and approved by the
28 Commissioner. Nothing in this Code section shall be construed as requiring membership
29 in the mutual insurance holding company of any new or terminating policyholder.

30 (j) A mutual insurance holding company resulting from the reorganization of a domestic
31 mutual insurer organized pursuant to Chapter 14 or Chapter 41 of this title shall be
32 incorporated pursuant to the authority of this chapter. The articles of incorporation and any
33 amendments to such articles of the mutual insurance holding company shall be subject to
34 approval of the Commissioner and the Secretary of State in the same manner as those of
35 any domestic stock or mutual insurer incorporated under Chapter 14 or Chapter 41 of this
36 title.

1 (k) The reorganization plan shall provide that a majority of the board of directors of the
2 mutual insurance holding company shall be nonmanagement board members.

3 (l) Each director of the board of directors of the mutual insurance holding company shall
4 have a fiduciary duty to the members.

5 (m) The plan shall provide that the rights of a holder of a surplus note to participate in the
6 conversion, if any, shall be governed by the terms of the surplus note.

7 33-13A-5.

8 (a) A domestic mutual insurer may, upon receipt of the approval of the Commissioner,
9 reorganize by merging into an existing domestic mutual insurance holding company or an
10 existing intermediate holding company formed pursuant to Code Section 33-13A-4 and
11 continuing the corporate existence of the reorganizing mutual insurer as a stock insurer
12 subsidiary of the mutual insurance holding company. The Commissioner, with or without
13 a public hearing as provided in Code Section 33-13A-8 and if satisfied that the interests of
14 the policyholders are properly protected and that the merger plan is fair and equitable to
15 the policyholders, may approve the proposed merger plan and may require as a condition
16 of approval such modifications of the proposed merger plan as the Commissioner finds
17 necessary for the protection of the interests of such policyholders. A merger pursuant to
18 this Code section shall not be subject to Code Section 33-13-3, relating to acquisition of
19 control of or merger with domestic insurers, or Code Section 33-13-3.1, relating to
20 acquisition of insurers and effect on competition.

21 (b) A foreign mutual insurer may also reorganize upon the approval of the Commissioner
22 and in compliance with the requirements of any law or regulation which is applicable to
23 the foreign mutual insurer by merging its policyholders' membership interests into an
24 existing domestic mutual insurance holding company or an existing intermediate holding
25 company formed pursuant to a reorganization plan under Code Section 33-13A-4 and
26 continuing the corporate existence of the reorganizing foreign mutual insurer as a foreign
27 stock insurer subsidiary of the domestic mutual insurance holding company. The
28 Commissioner, with or without a public hearing as provided in Code Section 33-13A-8,
29 may approve the proposed merger. The Commissioner may retain consultants as provided
30 in Code Section 33-13A-17. The reorganizing foreign mutual insurer may remain a foreign
31 company or foreign corporation after the merger and may be admitted to do business in this
32 state. A foreign mutual insurer which is a party to the merger may at the same time
33 redomesticate to this state by complying with the applicable requirements of this state and
34 any other requirements imposed by its current state of domicile. The provisions of
35 subsection (c) of this Code section shall apply to a merger authorized under this subsection.

1 (c) All of the initial shares of the voting stock of the reorganized stock insurer shall be
2 issued to the mutual insurance holding company or an intermediate holding company. The
3 membership interests of the policyholders of the reorganized stock insurer shall become
4 membership interests in the mutual insurance holding company. Policyholders of the
5 reorganized stock insurer shall be members of the mutual insurance holding company in
6 accordance with the articles of incorporation and bylaws of the mutual insurance holding
7 company. The mutual insurance holding company shall at all times own a majority of the
8 voting stock of the reorganized stock insurer or, alternatively, the mutual insurance holding
9 company shall at all times own a majority of the voting stock in an intermediate holding
10 company which at all times owns all of the voting stock of the reorganized stock insurer.

11 (d) A mutual insurance holding company resulting from the reorganization of a domestic
12 mutual insurer organized under Code Section 33-13A-4 shall be incorporated pursuant to
13 the provisions of this chapter. The articles of incorporation and any amendments to such
14 articles of the mutual insurance holding company shall be subject to approval of the
15 Commissioner and the Secretary of State in the same manner as those of any domestic
16 stock or mutual insurer incorporated under Chapter 14 or Chapter 41 of this title.

17 33-13A-6.

18 If, at any time during or following the creation of a mutual insurance holding company, an
19 intermediate holding company or the reorganized stock insurer engages in a public offering
20 of voting stock:

21 (1) Members of the mutual insurance holding company shall receive, without payment,
22 nontransferable subscription rights to subscribe to that portion of the public offering as
23 has been approved by the board of directors of the mutual insurance holding company as
24 reasonable in order to effectuate the public offering of shares and the infusion of new
25 public capital, which such subscription rights shall be no less than 20 percent of the total
26 number of shares available through such offering;

27 (2) The plan may provide that the directors and officers of the mutual insurance holding
28 company shall receive, without payment, nontransferable subscription rights to purchase
29 up to 10 percent of the capital stock of the reorganized stock insurer or the stock of
30 another corporation that is participating in the reorganization or merger plan as provided
31 in this chapter. Those subscription rights shall be allocated among the directors and
32 officers by a fair and equitable formula approved by the Commissioner. Subscription
33 rights provided to a director or officer under this Code section shall be in addition to any
34 subscription rights provided to that director or officer under paragraph (1) of this Code
35 section in his or her capacity as a member of the mutual insurance holding company.
36 Stock purchased by a director or officer under this Code section may not be sold within

1 one year following the effective date of the acquisition of shares. The plan may also
2 provide that a director or officer or person acting in concert with a director or officer of
3 the mutual insurance holding company may not acquire any capital stock of the
4 reorganized stock insurer for three years after the effective date of the reorganization or
5 merger plan, except through a broker or dealer, without the permission of the
6 Commissioner; provided, however, that such restrictions may not apply to prohibit the
7 directors and officers from purchasing stock through subscription rights received in the
8 plan under this Code section;

9 (3) The plan may allocate to a tax-qualified employee benefit plan nontransferable
10 subscription rights to purchase up to 10 percent of the capital stock of the reorganized
11 stock insurer or the stock of another corporation that is participating in the reorganization
12 or merger plan as provided in this chapter. Such employee benefit plan shall be entitled
13 to exercise its subscription rights regardless of the amount of shares purchased by other
14 persons;

15 (4) The plan shall provide that any shares of capital stock not subscribed to by persons
16 exercising subscription rights received under paragraphs (1), (2), and (3) of this Code
17 section shall be included in the public offering;

18 (5) The plan shall provide that any one person or group of persons acting in concert may
19 not acquire, through public offering or subscription rights, more than 10 percent of the
20 capital stock of the reorganized stock insurer for a period of two years from the effective
21 date of the reorganization or merger plan without the prior approval of the Commissioner;
22 provided, however, that directors and officers of the mutual insurance holding company
23 shall not be considered a 'group acting in concert' solely because they are directors and
24 officers of the mutual insurance holding company or when exercising subscription rights
25 provided under this Code section; and

26 (6) The terms and conditions of any such public stock offering shall be approved by an
27 independent committee of the board of directors of the mutual insurance holding
28 company.

29 33-13A-7.

30 (a) A reorganization plan or merger plan adopted by a mutual insurer's board of directors
31 pursuant to Code Section 33-13A-4 or 33-13A-5 shall be voted on and approved by the
32 policyholders of the reorganizing mutual insurer at a special policyholders' meeting
33 convened for the sole purpose of voting on the reorganization plan or merger plan. Each
34 policyholder shall be entitled to cast only one vote, in person, by proxy, or by ballot sent
35 in by mail, regardless of the number of policies or contracts that he or she owns or holds;
36 provided, however, that if the vote relates to reorganization of a life insurer, the right to

1 vote may be limited by the mutual life insurer's bylaws to members whose policies are
2 other than term or group policies and which policies have been in effect for more than one
3 year. Any proxy must relate specifically to the reorganization plan or merger plan.
4 Policyholders shall be given at least 30 days' written notice of the meeting to vote upon the
5 reorganization plan or merger plan. The notice shall include at least a summary of the
6 reorganization or merger as adopted by the board of directors, a uniform ballot for voting
7 on the question of the proposed reorganization or merger, and a statement informing
8 policyholders that the Commissioner may hold a public hearing on the proposed
9 reorganization or merger to be held within 60 days after the policyholders' approval of any
10 reorganization plan or merger plan. Any policyholder approval required by this Code
11 section shall be approved by the affirmative vote of at least a two-thirds' majority of the
12 votes cast by policyholders either in person, by proxy, or by ballot sent in by mail. Notice
13 of any reorganization plan or merger plan so approved shall be forwarded to the
14 Commissioner within ten days of the policyholder vote.

15 (b) In the case of a merger plan pursuant to Code Section 33-13A-5, such plan must be
16 approved by a two-thirds' majority of the policyholders of the mutual insurer or insurers
17 voting on the proposed merger and also by a two-thirds' majority of the members of the
18 existing mutual insurance holding company voting on the proposed merger, provided that
19 the approval of the members of the existing mutual insurance holding company shall not
20 be required if the Commissioner determines that the proposed merger would not have a
21 material adverse effect on the management or the financial condition of the mutual
22 insurance holding company.

23 (c) In the case of a merger of two mutual insurance holding companies, the merger plan
24 must be approved by a two-thirds' majority of the members of both mutual insurance
25 holding companies voting on such merger; provided, however, that the approval of such
26 members of either or both mutual insurance holding companies shall not be required if the
27 Commissioner determines that the proposed merger would not have a material adverse
28 effect on the management or the financial condition of either or both mutual insurance
29 holding companies, as the case may be.

30 (d) In any case where a domestic mutual insurance holding company is merging with a
31 mutual insurance holding company domiciled in another state and regulated under that
32 other state's law, nothing in this article shall prohibit the application of the new domestic
33 state's approval procedures, provided that the Commissioner determines that the approval
34 requirements of this chapter applicable to the domestic mutual insurance holding company
35 have been met, and further provided that the Commissioner determines that the approval
36 by the other mutual insurer's members according to that other state's procedures is in the

1 best interests of the members of the Georgia mutual insurance holding company that is
2 party to the merger.

3 33-13A-8.

4 (a) The Commissioner, after receiving notice of policyholder approval of a reorganization
5 plan pursuant to Code Sections 33-13A-4 and 33-13A-7 or after receiving notice of
6 policyholder or member approval of a merger plan pursuant to Code Sections 33-13A-5
7 and 33-13A-7 may, but need not, conduct a public hearing regarding any such proposed
8 plan. The hearing shall be held within 60 days after the submission of a completed
9 reorganization plan or merger plan as approved by the policyholders or, if applicable, by
10 the members. The Commissioner shall give the reorganizing or merging company or
11 companies at least 20 days' prior notice of the hearing. Such notice shall specify the time
12 and place of the hearing. Any mutual insurer or mutual insurance holding company which
13 is a party to the proposed reorganization plan or merger plan shall provide public notice of
14 the time and place of the hearing to be published for five consecutive days in a newspaper
15 of general state-wide circulation. At the public hearing, the reorganizing or merging
16 mutual insurer, its policyholders, and any other person whose interest may be affected by
17 the proposed reorganization or merger may present evidence, examine and cross-examine
18 witnesses, and offer oral and written arguments or comments according to the procedure
19 for contested cases under Chapter 2 of this title.

20 (b) Any interested person or group which desires to correspond with the policyholders of
21 the mutual insurer which is the subject of a proposed reorganization plan or merger plan
22 may petition the Commissioner to supervise a mailing of any notice or materials which is
23 pertinent to the proposed reorganization or merger. Any such interested party or group
24 must submit such petition and the materials intended to be mailed at least ten days prior to
25 the date of the proposed public hearing on the reorganization or merger. The
26 Commissioner shall review the materials and may in his or her discretion require the
27 mutual insurer to mail such materials to all policyholders who would be affected by the
28 proposed reorganization or merger; provided, however, that the Commissioner must
29 provide notice of the required mailing to policyholders and the approved contents of any
30 such mailing to the mutual insurer at least five days prior to any proposed public hearing
31 on the reorganization or merger. The mutual insurer shall provide satisfactory proof to the
32 Commissioner that the notice or materials have been sent to all policyholders. The costs
33 of any such additional mailing shall be assessed to the party or group requesting the
34 mailing, and under no circumstances shall the mutual insurer or Commissioner be required
35 to distribute a list of policyholder names and addresses to the requesting party or group.
36 In the event that the mutual insurer advises the Commissioner that there is inadequate time

1 prior to the public hearing for the required mailing or for reasonable evaluation of the
2 materials by the policyholders, the Commissioner may allow one single postponement of
3 the public hearing for up to an additional 30 days in order to allow additional time for the
4 distribution of the requested notice and materials to the policyholders. Any such
5 postponement shall not operate to extend the deadline for submission of the petition to the
6 Commissioner at least ten days in advance of the public hearing by any interested party,
7 as contemplated in this Code section.

8 (c) The Commissioner shall by order approve or disapprove the proposed reorganization
9 plan or merger plan within 60 days after the Commissioner deems the filing of such plan
10 to be complete, if no public hearing is to be held, or 60 days after the filing is deemed
11 complete and after the conclusion of the public hearing. The Commissioner may extend
12 the time for issuance of such order by an additional 30 days by providing written notice to
13 the board of directors of the mutual insurer.

14 (d) The Commissioner shall approve the proposed reorganization or merger unless the
15 Commissioner finds that:

16 (1) The provisions of this Code section or Code Section 33-13A-4, 33-13A-5, or
17 33-13A-7 have not been complied with;

18 (2) Disapproval is necessary to prevent the financial impairment of the mutual insurer
19 or proposed stock insurer;

20 (3) The financial resources or management of the mutual insurer warrant disapproval of
21 the proposed reorganization or merger; or

22 (4) The proposed reorganization or merger would be unfair or inequitable to the
23 policyholders of the mutual insurer.

24 (e) Upon deciding to approve or disapprove a proposed reorganization plan or merger plan,
25 the Commissioner shall notify the mutual insurer's board of directors of the decision. If
26 the Commissioner disapproves the proposed reorganization or merger, the Commissioner's
27 notice to the mutual insurer's board of directors shall detail the reasons for such
28 disapproval. If the Commissioner approves the proposed reorganization or merger, then
29 the effective date of the reorganization or merger shall coincide with the date the
30 Commissioner gives such approval, or any later date, not to exceed 180 days, if requested
31 by the mutual insurer at the time the reorganization plan or merger plan was filed originally
32 with the Commissioner.

33 (f) After any approval of a reorganization plan or merger plan, the mutual insurance
34 holding company, the reorganized stock insurer and, if applicable, any intermediate holding
35 company shall submit final copies of their respective articles of incorporation and bylaws
36 to the Commissioner and to the Secretary of State.

1 (g) Upon a reorganization plan or merger plan taking effect in accordance with this Code
2 section, the corporate existence of the mutual insurer shall continue in the reorganized
3 stock insurer. Unless otherwise specified in the reorganization plan or merger plan, those
4 persons who are the directors and officers of the mutual insurer on the effective date of the
5 reorganization or merger shall serve as interim directors and officers of the reorganized
6 stock insurer until new directors and officers are elected pursuant to the terms of the
7 reorganized or merged company's articles of incorporation and bylaws.

8 (h) If the name of a mutual insurer reorganizing into a stock insurer or merging to create
9 a stock insurer includes the word mutual, then the new reorganized stock insurer may
10 continue to use the word mutual in its name unless the Commissioner finds that the
11 continued use of the word mutual in the company's name is likely to mislead or deceive
12 the public.

13 33-13A-9.

14 (a) Any mutual insurance holding company organized under the laws of any other state
15 which owns an insurer authorized to transact business in this state may become a domestic
16 mutual insurance holding company by complying with all of the requirements relative to
17 the organization of a mutual insurance holding company under the laws of this state.

18 (b) Any domestic mutual insurance holding company, upon the approval of the
19 Commissioner, may transfer its domicile to any other state which authorizes mutual
20 insurance holding companies and which evidences its approval of the redomestication of
21 the Georgia domestic mutual insurance holding company and, upon such transfer, shall
22 cease to be a domestic mutual insurance holding company. The Commissioner shall,
23 within 60 days after the filing of a request to transfer its domicile by the domestic mutual
24 insurance holding company, approve any such proposed transfer of domicile of a mutual
25 insurance holding company unless the Commissioner determines that the proposed transfer
26 is not in the best interests of the members of the mutual insurance holding company.

27 33-13A-10.

28 A domestic mutual insurer which reorganized under Code Section 33-13A-4 or merged
29 under Code Section 33-13A-5 into a mutual insurance holding company that has been
30 organized for at least two years or has been organized for at least one year and which owns
31 an intermediate holding company or an insurance company subsidiary that has sold shares
32 of its capital stock equal to at least 25 percent of the total policyholders' surplus of such
33 insurance company subsidiary may convert to a domestic stock corporation pursuant to the
34 provisions of Code Section 33-14-76, relating to the conversion of a mutual insurer to a
35 stock insurer. The terms and conditions of any such reorganization plan shall be approved

1 by an independent committee of the board of directors of the mutual insurance holding
2 company.

3 33-13A-11.

4 (a) A mutual insurance holding company is deemed to be subject to Chapter 14 and
5 Chapter 3 of this title and as such shall automatically be a party to any proceeding under
6 Chapter 37 of this title involving an insurance company which as a result of a
7 reorganization pursuant to this chapter is a subsidiary of the mutual insurance holding
8 company. In any proceeding under Chapter 37 of this title involving the reorganized stock
9 insurer, the assets of the reorganized stock insurer which have been transferred, directly or
10 indirectly, to the mutual insurance holding company at the time of and as a part of the
11 reorganization are deemed to be assets of the estate of the reorganized stock insurer for
12 purposes of satisfying the claims of the reorganized stock insurer's policyholders.

13 (b) A mutual insurance holding company shall not dissolve or liquidate without the
14 approval of the Commissioner or as ordered by the superior court pursuant to the
15 provisions of Chapter 37 of this title.

16 (c) At any time after a merger as contemplated in Code Section 33-13A-5 or after any
17 reorganization under Code Section 33-13A-4, the Commissioner shall retain jurisdiction
18 over any mutual insurance holding company or intermediate holding company that is
19 involved in the merger or reorganization. The Commissioner shall have jurisdiction over
20 any mutual insurance holding company or intermediate holding company pursuant to Code
21 Sections 33-13-4 through 33-13-15 to ensure the solvency, financial strength, and
22 continued compliance of the insurer and its affiliates, provided that the definitions in
23 paragraphs (1) through (8) of Code Section 33-13-1 shall apply to the application of the
24 provisions of 33-13-4 through 33-13-15. Notwithstanding the provisions of Code Section
25 33-13-5, any stock dividend proposed to be paid within one year of the effective date of
26 any reorganization or merger under this chapter shall be subject to prior approval of the
27 Commissioner. The Commissioner shall approve or disapprove the proposed dividend
28 within 30 days of receipt of the dividend payment request. Stock dividends proposed to
29 be paid after one year from the effective date of any reorganization or merger under this
30 article shall be governed by the provisions of Code Section 33-13-5.

31 33-13A-12.

32 A membership interest in a domestic mutual insurance holding company shall not
33 constitute a security under the laws of this state; provided, however, that nothing in this
34 Code section shall limit the voting rights of a member. No member of the mutual insurance
35 holding company shall transfer membership in the mutual insurance holding company or

1 any right arising from membership. If, at any time prior to a reorganization under Code
2 Section 33-13A-4 or a merger under Code Section 33-13A-5, a policyholder ceases to be
3 a policyholder of the mutual insurer, such policyholder shall not become a member of the
4 mutual insurance holding company or any intermediate holding company. Additionally,
5 if at any time subsequent to the reorganization or merger, a policyholder of the reorganized
6 stock insurer shall cease to be a policyholder, such policyholder shall also cease to be a
7 member of the mutual insurance holding company or any intermediate holding company.

8 33-13A-13.

9 (a) The voting stock of the reorganized stock insurer which is owned by a mutual
10 insurance holding company shall not be conveyed, transferred, assigned, pledged, subjected
11 to a security interest or lien, encumbered, or otherwise hypothecated or alienated by the
12 mutual insurance holding company or intermediate holding company. Any conveyance,
13 transfer, assignment, pledge, security interest, lien, encumbrance, or hypothecation or
14 alienation of, in, or on the majority of the voting stock of the reorganized stock insurer
15 which is owned by a mutual insurance holding company shall be a violation of this Code
16 section and shall be void in reverse chronological order of the date of such conveyance,
17 transfer, assignment, pledge, security interest, lien, encumbrance, or hypothecation or
18 alienation as to the shares necessary to constitute a majority of such voting stock. The
19 shares of the capital stock of the surviving or new company resulting from a merger or
20 consolidation of two or more reorganized stock insurers or two or more intermediate
21 holding companies which were subsidiaries of the same mutual insurance holding company
22 shall be subject to the same requirements, restrictions, and limitations as provided in this
23 Code section for the shares of the merging or consolidating reorganized stock insurers or
24 intermediate holding companies.

25 (b) The majority of the voting stock of the reorganized stock insurer shall be owned by a
26 mutual insurance holding company which may include indirect ownership through one or
27 more intermediate holding companies in a corporate structure as approved by the
28 Commissioner. However, indirect ownership through one or more intermediate holding
29 companies shall not result in the mutual insurance holding company owning less than the
30 equivalent of a majority of the voting stock of the reorganized stock insurer.

31 (c) Any stock insurer or any intermediate holding company subsidiary of the mutual
32 insurance holding company may issue incentive stock options, stock appreciation rights,
33 or any other incentive plan based upon an increase in the stock price of the subsidiary only
34 with the prior approval of a majority vote of the board of directors of the mutual insurance
35 holding company.

1 33-13A-14.

2 (a) A mutual insurance holding company organized under this chapter may hold, directly
3 or indirectly, multiple subsidiaries, including multiple intermediate holding companies, and
4 an intermediate holding company may in turn hold multiple subsidiaries, directly or
5 indirectly, including multiple stock or mutual insurers.

6 (b) A mutual insurance holding company shall not pay dividends to its members, although
7 it may receive dividends from any of its subsidiaries. Nothing within this Code section
8 shall prohibit a converted stock insurer subsidiary of a mutual insurance holding company
9 from issuing policyholder dividends, refunds, credits, or other forms of compensation to
10 its policyholders related to or based upon an individual policyholder's loss ratio, years as
11 a policyholder, or other facts related to a policyholder's underlying policies.

12 33-13A-15.

13 Any action challenging the validity of, or arising out of, actions taken or proposed to be
14 taken in connection with a reorganization or merger under this chapter shall be commenced
15 not later than 30 days after the effective date of such reorganization or merger.

16 33-13A-16.

17 All costs and expenses of the process of a reorganization or merger pursuant to this chapter
18 shall be paid for or reimbursed by the mutual insurer.

19 33-13A-17.

20 The Commissioner may engage the assistance of experts, including, but not limited to,
21 accountants, actuaries, and other consultants, to assist in the evaluation of any proposed
22 reorganization plan or merger plan. All reasonable costs related to the review of a
23 reorganization plan or merger plan or any other related matter, including the costs
24 attributable to the Commissioner's use of experts, shall be paid by the mutual insurer or the
25 reorganized stock insurer filing the reorganization plan or merger plan.

26 33-13A-18.

27 The hearing procedures as specified in this chapter shall supersede any other provisions of
28 Chapter 2 of this title to the extent of any conflict therewith.

29 33-13A-19.

30 The Commissioner shall have the authority to promulgate rules and regulations to
31 implement and enforce the provisions of this chapter."

1 **SECTION 2.**

2 This Act shall become effective on July 1, 2007.

3 **SECTION 3.**

4 All laws and parts of laws in conflict with this Act are repealed.