

FIRST REGULAR SESSION

[PERFECTED]

HOUSE BILL NO. 212

91ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE WARD.

Pre-filed December 27, 2000, and 1000 copies ordered printed.

Read 1st time January 3, 2001.

Read 2nd time January 4, 2001, and referred to the Committee on Insurance, January 29, 2001.

Reported from the Committee on Insurance, March 6, 2001, with recommendation that the bill Do Pass by Consent.

Perfectured by Consent March 22, 2001.

ANNE C. WALKER, Chief Clerk

0842L.01P

AN ACT

To repeal section 375.355, RSMo 2000, relating to insurance companies, and to enact in lieu thereof one new section relating to the same subject.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Section 375.355, RSMo 2000, is repealed and one new section enacted in lieu thereof, to be known as section 375.355, to read as follows:

375.355. 1. Any insurance company organized under the laws of this state may hereafter, with the approval of the director first obtained,

(1) Organize any subsidiary insurance company in which it shall own and hold not less than a majority of the common stock; or

(2) Acquire by purchase, merger or otherwise and hold not less than a majority of the stock of any other insurance company, regardless of the domicile of any company so organized or acquired, for the purpose of operating any such company under a plan of common control.

2. Whenever any insurance company shall propose under the provisions of this section to acquire by purchase or otherwise not less than a majority of the stock of any other insurance company or to dispose of any stock so purchased or so acquired, it shall present its petition to the director setting forth the terms and conditions of the proposed acquisition or disposition and praying for the approval of the acquisition or disposition. The director shall thereupon issue an order of notice, requiring notice to be given, to the policyholders of a mutual company and stockholders of a stock company, of the pendency of the petition, and the time and place at which

15 the same will be heard, by publication of the order of notice in two daily newspapers designated
16 by the director for at least once a week for two weeks before the time appointed for the hearing
17 upon the petition; and, **except as otherwise provided in this subsection**, any further notice
18 which the director may require shall be given by the petitioners. **In a merger described in**
19 **subdivision (2) of subsection 1 of this section involving two mutual insurance companies,**
20 **if the surplus of the surviving company is at least ten times greater than the surplus of the**
21 **company being acquired, the notice to the surviving company policyholders of the meeting**
22 **in which the merger is to be approved may be made solely by publication in two daily**
23 **newspapers as prescribed in this section.** At the time and place fixed in the notice, or at such
24 time and place as shall be fixed by adjournment, the director shall proceed with the hearing, and
25 may make such examination into the affairs and conditions of the companies as he may deem
26 proper. For the purpose of making the examination, or having the same made, the director may
27 employ the necessary clerical, actuarial, legal, and other assistance. The director of the insurance
28 department of this state shall have the same power to summon and compel the attendance and
29 testimony of witnesses and the production of books and papers at the hearing as by law granted
30 in examinations of companies. Any policyholder or stockholder of the company or companies
31 may appear before the director and be heard in reference to the petition. The director, if satisfied
32 that the interest of the policyholders of the company or companies is protected, and that no
33 reasonable objection exists as to the acquisition or disposition, and that the acquisition will not
34 tend to substantially lessen competition or create a monopoly, shall approve and authorize the
35 proposed acquisition or disposition. All expenses and costs incident to the proceedings under
36 this subsection shall be paid by the company or companies bringing the petition.

37 3. The shares of any subsidiary life insurance company acquired or held under the
38 provisions of this section by a parent life insurance company organized under the provisions of
39 chapter 376, RSMo, shall be eligible for deposit by the parent life insurance company as
40 provided in section 376.170, RSMo, at a value no greater than the proportion of the capital and
41 surplus of the subsidiary company as shown by its last annual statement filed in the state of its
42 domicile represented by the shares held by the parent life insurance company, but only to the
43 extent that the capital and surplus is represented by cash or securities of the kind and type eligible
44 for deposit under the provisions of section 376.170, RSMo, and other applicable statutes.

45 4. (1) The provisions of this section shall not apply to the acquisition or disposition by
46 purchase, sale or otherwise of not less than the majority of the stock of any insurance company
47 domiciled outside of the state of Missouri, if the consideration involved in such acquisition or
48 disposition does not exceed the following threshold:

49 (a) With respect to an insurance holding company, so long as such consideration does
50 not exceed the lesser of three percent of its consolidated assets or twenty percent of its

51 consolidated stockholders' equity as of the thirty-first day of December of the preceding year
52 according to its consolidated balance sheet prepared in accordance with generally accepted
53 accounting principles and audited by independent certified accountants in accordance with
54 generally acceptable auditing standards; or

55 (b) With respect to an insurance company organized under the laws of this state, so long
56 as such consideration does not exceed the lesser of three percent of its assets or ten percent of
57 its capital and surplus as of the thirty-first day of December of the preceding year according to
58 its balance sheet prepared in accordance with accounting practices prescribed or permitted by the
59 department of insurance and in conformity with the practices of the National Association of
60 Insurance Commissioners and audited by independent certified accountants in accordance with
61 generally acceptable auditing standards.

62 (2) In calculating the amount of consideration involved in such acquisition or disposition
63 for the purposes of subdivision (1) of this subsection, there shall be included total net moneys
64 or other consideration expended, and obligations assumed in the acquisition or disposition,
65 including all organizational expenses and contributions to capital and surplus of such insurance
66 company domiciled outside of the state of Missouri, whether represented by the purchase of
67 capital stock or issuance of other securities. For the purposes of this subsection, the term
68 "insurance holding company" means a domestic insurance holding company in which the
69 majority of stock is owned by a domestic insurance company, or a domestic insurance holding
70 company which owns the majority of the stock of a domestic insurance company.