

FIRST REGULAR SESSION  
SENATE COMMITTEE SUBSTITUTE FOR  
**HOUSE BILL NO. 212**  
91ST GENERAL ASSEMBLY

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Reported from the Committee on Insurance and Housing, April 11, 2001, with recommendation that the Senate Committee Substitute do pass and be placed on the Consent Calendar.

0842S.04C

TERRY L. SPIELER, Secretary.

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**AN ACT**

To repeal sections 375.355 and 379.770, RSMo 2000, relating to policyholder notification in certain insurance contracts, and to enact in lieu thereof two new sections relating to the same subject.

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

Section A. Sections 375.355 and 379.770, RSMo 2000, are repealed and two new  
2 sections enacted in lieu thereof, to be known as sections 375.355 and 379.770, to read as  
3 follows:

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

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

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

9 2. Whenever any insurance company shall propose under the provisions of this section  
10 to acquire **control of another insurance company** by purchase, **merger** or otherwise [not

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

11 less than a majority of the stock of any other insurance company] or to dispose of any stock  
12 so purchased or so acquired, it shall present its petition to the director setting forth the terms  
13 and conditions of the proposed acquisition or disposition and praying for the approval of the  
14 acquisition or disposition. The director shall thereupon issue an order of notice, requiring  
15 notice to be given, to the policyholders of a mutual company and stockholders of a stock  
16 company, of the pendency of the petition, and the time and place at which the same will be  
17 heard, by publication of the order of notice in two daily newspapers designated by the director  
18 for at least once a week for two weeks before the time appointed for the hearing upon the  
19 petition; and any further notice which the director may require shall be given by the  
20 petitioners. At the time and place fixed in the notice, or at such time and place as shall be  
21 fixed by adjournment, the director shall proceed with the hearing, and may make such  
22 examination into the affairs and conditions of the companies as he may deem proper. For the  
23 purpose of making the examination, or having the same made, the director may employ the  
24 necessary clerical, actuarial, legal, and other assistance. The director of the insurance  
25 department of this state shall have the same power to summon and compel the attendance  
26 and testimony of witnesses and the production of books and papers at the hearing as by law  
27 granted in examinations of companies. Any policyholder or stockholder of the company or  
28 companies may appear before the director and be heard in reference to the petition. The  
29 director, if satisfied that the **proposed acquisition or disposition was properly**  
30 **approved after notice as required by the articles and bylaws of the company or**  
31 **companies, and that the** interest of the policyholders of the company or companies is  
32 protected, and that no reasonable objection exists as to the acquisition or disposition, and that  
33 the acquisition will not tend to substantially lessen competition or create a monopoly, shall  
34 approve and authorize the proposed acquisition or disposition. All expenses and costs  
35 incident to the proceedings under this subsection shall be paid by the company or companies  
36 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  
39 of 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  
41 and surplus of the subsidiary company as shown by its last annual statement filed in the  
42 state of its domicile represented by the shares held by the parent life insurance company, but  
43 only to the extent that the capital and surplus is represented by cash or securities of the kind  
44 and type eligible for deposit under the provisions of section 376.170, RSMo, and other  
45 applicable statutes.

46       4. (1) The provisions of this section shall not apply to the acquisition or disposition

47 by purchase, sale or otherwise of not less than the majority of the stock of any insurance  
48 company domiciled outside of the state of Missouri, if the consideration involved in such  
49 acquisition or disposition does not exceed the following threshold:

50 (a) With respect to an insurance holding company, so long as such consideration does  
51 not exceed the lesser of three percent of its consolidated assets or twenty percent of its  
52 consolidated stockholders' equity as of the thirty-first day of December of the preceding year  
53 according to its consolidated balance sheet prepared in accordance with generally accepted  
54 accounting principles and audited by independent certified accountants in accordance with  
55 generally acceptable auditing standards; or

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

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

379.770. Two or more domestic reciprocal exchanges or interinsurers may merge or  
2 consolidate on affirmative vote of not less than two-thirds of the subscribers of each exchange  
3 or interinsurer who vote on the merger or consolidation, pursuant to due notice and [by  
4 mailing a copy of the notice to each subscriber at least ten days prior to the subscribers'  
5 meeting and] prior approval of the director of the department of insurance of this state of the  
6 terms **and manner** of the notice and of the manner and form of the voting and of the  
7 proposed merger or consolidation.