

FIRST REGULAR SESSION  
[TRULY AGREED TO AND FINALLY PASSED]  
SENATE COMMITTEE SUBSTITUTE FOR

# HOUSE BILL NO. 212

## 91ST GENERAL ASSEMBLY

0842S.04T

2001

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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Section A. Sections 375.355 and 379.770, RSMo 2000, are repealed and two new  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 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 less  
4 than a majority of the common stock; or

5 (2) Acquire **control of another insurance company** by purchase, merger or otherwise  
6 [and hold not less than a majority of the stock of any other insurance company], regardless of the  
7 domicile of any company so organized or acquired, for the purpose of operating any such  
8 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 less  
11 than a majority of the stock of any other insurance company] or to dispose of any stock so  
12 purchased or so acquired, it shall present its petition to the director setting forth the terms and  
13 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 notice  
15 to be given, to the policyholders of a mutual company and stockholders of a stock company, of  
16 the pendency of the petition, and the time and place at which the same will be heard, by

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

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

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

44 4. (1) The provisions of this section shall not apply to the acquisition or disposition by  
45 purchase, sale or otherwise of not less than the majority of the stock of any insurance company  
46 domiciled outside of the state of Missouri, if the consideration involved in such acquisition or  
47 disposition does not exceed the following threshold:

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

53 generally acceptable auditing standards; or

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

61 (2) In calculating the amount of consideration involved in such acquisition or disposition  
62 for the purposes of subdivision (1) of this subsection, there shall be included total net moneys  
63 or other consideration expended, and obligations assumed in the acquisition or disposition,  
64 including all organizational expenses and contributions to capital and surplus of such insurance  
65 company domiciled outside of the state of Missouri, whether represented by the purchase of  
66 capital stock or issuance of other securities. For the purposes of this subsection, the term  
67 "insurance holding company" means a domestic insurance holding company in which the  
68 majority of stock is owned by a domestic insurance company, or a domestic insurance holding  
69 company which owns the majority of the stock of a domestic 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 mailing  
4 a copy of the notice to each subscriber at least ten days prior to the subscribers' meeting and]  
5 prior approval of the director of the department of insurance of this state of the terms **and**  
6 **manner** of the notice and of the manner and form of the voting and of the proposed merger or  
7 consolidation.