

BILL ANALYSIS

Senate Research Center
77R9748 AJA-D

C.S.S.B. 1598
By: Wentworth
Business & Commerce
4/17/2001
Committee Report (Substituted)

DIGEST AND PURPOSE

Currently, a mutual life insurance company is authorized to convert to a stock company under the provisions of Article 11.01, Section 1(c), Texas Insurance Code. C.S.S.B. 1598 adds additional language that allows a mutual life insurance company to reorganize through the use of a mutual holding company.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article 11.01, Insurance Code, by adding Section 3, as follows:

Sec. 3.(a) Authorizes a mutual life insurance company organized or operating under the provisions of this chapter, subject to Article 15.22 of this code, to reorganize by forming an insurance holding company based on a mutual plan and continuing the corporate existence of the reorganizing mutual life insurance company as a stock insurance company if the commissioner of insurance (commissioner) determines that the reorganization is fair and equitable to the policyholders of the company and approves the proposed plan of reorganization.

(b) Requires the commissioner to retain jurisdiction over a company that is reorganized under this section.

(c) Requires a mutual holding company that results from a reorganization of a domestic mutual life insurance company organized under this chapter to be incorporated under the provisions of this code and the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., V.T.C.S.). Provides that the articles of incorporation of the mutual holding company and any amendments to the articles of incorporation are subject to approval by the commissioner.

(d) Provides that a sale, issuance, or offering of securities under this section is exempt from the registration and licensing provisions of The Securities Act (Article 581-1 et seq., V.T.C.S.). Provides that an officer, director, or employee who participates in a reorganization under this section is exempt from the registration and licensing provisions of The Securities Act (Article 581-1 et seq., V.T.C.S.). Prohibits a person from being compensated for services performed under the exemption provided by this section.

SECTION 2. Effective date: September 1, 2001.

SUMMARY OF COMMITTEE CHANGES

SECTION 1. Amends As Filed S.B. 1598, Article 11.01, Insurance Code, by adding Section 3.