DEC 8 - 2000

ENROLLED ORIGINAL

AN ACT

D.C. ACT 13-466

Codification District of Columbia Code 2001 Supp.

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

OCTOBER 30, 2000

To amend the Insurance Demutualization Act of 1996 to reduce the percentage of votes of the board of directors required to adopt the plan of conversion for demutualization; to provide certain rights to minority shareholders of the subsidiary of a converting mutual insurance holding company; to confirm appeal rights with respect to the Commissioner's approval or disapproval of a plan of conversion; to shorten the time that a company must wait to hold the policyholder meeting to approve the plan; to reduce the percentage of votes required to approve a plan by the members; to give more discretion to companies in setting the total price of the stock and controlling the terms of conversions; to reduce the time in which a plan becomes effective; to change the policyholder's right to rescind a policy to a right to terminate a policy; and to clarify the source of payment for costs and expenses of a plan of conversion.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Insurance Demutualization Amendment Act of 2000".

Sec. 2. The Insurance Demutualization Act of 1996 is amended as follows:

(a) Section 3 is amended by striking the phrase "2/3" wherever it appears and inserting the phrase "a majority" in its place.

(b) Section 4 is amended as follows:

(1) A new subsection (a-1) is added to read as follows:

"(a-1) The Commissioner, in his discretion, may order that a hearing on the plan be held, which hearing shall be conducted in accordance with the contested case procedures set forth in section 10 of the District of Columbia Administrative Procedure Act.

(2) A new subsection (a-2) is added to read as follows:

"(a-2) A decision or order of the Commissioner, after a hearing conducted in accordance with the contested case procedures as set forth in subsection (a-2) of this section, may be reviewed as provided in section 11 of the District of Columbia Administrative Procedure Act.".

(c) Section 5 is amended as follows:

(1) Subsection (b) is amended by striking the phrase "60 days" and inserting the

phrase "10 days and no more than 60 days" in its place.

(2) Subsection (c) is amended by striking the phrase "2/3" and inserting the phrase "a majority" in its place.

(d) Section 7 is amended as follows:

(1) Subsection (e) is amended as follows:

(A) The existing text is designated as paragraph (1).

(B) A new paragraph (2) is added to read as follows:

"(2) In the case of the conversion of an existing mutual insurance holding company to a stock company, if shares of common stock in an intermediate stock holding company have previously been issued to persons other than the mutual holding company, the plan of conversion shall provide that such common stockholders shall receive an ownership interest in the converted mutual insurance holding company equal to the percentage ownership in the intermediate stock holding company immediately before the conversion, with the subscription rights to the balance of the shares to be distributed as provided under paragraph (1) of this subsection.".

(2) Subsection (i) is amended to read as follows:

"(i) The plan shall set the total price of the capital stock equal to the estimated pro forma market value of the converted stock company based upon an independent evaluation by a qualified person. The pro forma market value may be the value or range of values that is estimated to be necessary to attract full subscription for shares as indicated by the independent evaluation.".

(3) Subsection (j) is amended to read as follows:

"(j) The plan shall set the purchase price of each share of capital stock equal to any reasonable amount that will not inhibit the purchase of shares by members. The purchase price of each share shall be uniform for all purchasers.".

(e) Section 10 is amended to read as follows:

"A plan shall become effective when the Commissioner has approved the plan.".

(f) Subsection 11 is amended as follows:

(1) Subsection (a) is amended as follows:

(A) Strike the word "rescind" and insert the word "terminate" in its place.

(B) Strike the number "45" and insert the number "30" in its place.

(2) Subsection (b) is amended to read as follows:

"(b) Any member entitled to receive the notice described in subsection (a) of this section shall be entitled to terminate his or her policy and receive a pro rata refund of any amounts paid for the policy or contract within 15 days after receipt of the notice.".

(g) Section 14 is amended to read as follows:

"All costs and expenses connected with a plan of conversion shall be paid for or reimbursed by the mutual company or the converted stock company from the proceeds of the offering; provided, that if the plan provides either for a holding company to acquire the stock of

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the converted stock company or for the merger of the mutual company into a stock insurance company as provided in section 7(h), the acquiring holding company or the stock insurance company shall pay for or reimburse all the costs and expenses connected with the plan.".

Sec. 3. The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 602(c)(3) of the Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Code § 1-233(c)(3)).

Sec. 4. This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), approval by the Financial Responsibility and Management Assistance Authority as provided in section 203(a) of the District of Columbia Financial Responsibility and Management Assistance Act of 1995, approved April 17, 1995 (109 Stat. 116; D.C. Code § 47-392.3(a)), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Code § 1-233(c)(1)), and publication in the District of Columbia Register.

Linda W. Cropp

Chairman
Council of the District of Columbia

Anthony A. Williams

Mayor
District of Columbia

APPROVED: October 30, 2000