



**Senate Fiscal Agency**  
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BILL



ANALYSIS

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House Bill 4521 (Substitute H-1 as reported by the Committee of the Whole)

Sponsor: Representative John Llewellyn

House Committee: Insurance

Senate Committee: Financial Services

## **CONTENT**

The bill would amend the Insurance Code to replace the process by which a mutual insurer (an insurer that is owned by its policyholders) may convert to a stock company (one that is owned by its stockholders). The bill would do the following:

- Require a mutual company to adopt a plan of conversion by the affirmative vote of at least two-thirds of its board of directors.
- Require a mutual company to submit its plan of conversion, a business plan for the converted company, and other items to the Insurance Commissioner; and provide that a business plan could be granted confidential treatment.
- Require the Commissioner to approve or disapprove a plan of conversion within 90 days.
- Provide that a plan would be adopted upon the affirmative vote of at least two-thirds of the votes cast by eligible members (members whose policies were in force when the board adopted the plan).
- Require a conversion plan to contain certain provisions, including the subscription rights to eligible members.
- Require the total price of the capital stock to equal the estimated pro forma market value of the converted stock company or the stock of another participating corporation.
- Limit the percentage of capital stock that a person or group of persons could acquire through public offering or subscription rights.
- Limit the ability of a director or officer of a mutual company to acquire capital stock of the converted company.
- Allow a plan to provide that directors and officers of a mutual company would receive nontransferable subscription rights to purchase capital stock of the converted company.
- Provide for the right of members to rescind or cancel their policies.
- Requires an action challenging a plan to be begun within 30 days after its effective date, and provide for a three-year period of limitations on an action based on noncompliance with a plan.
- Allow the Commissioner to waive notice and policyholder approval requirements in the case of an insolvent mutual insurer.

MCL 500.5901 et al.

Legislative Analyst: S. Margules

## **FISCAL IMPACT**

This bill would not affect the regulatory workload of the Insurance Bureau, Michigan Department of Commerce or have a fiscal impact on the State or on local governmental units.

Date Completed: 10-16-95

Fiscal Analyst: K. Lindquist

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.