

FIRST REGULAR SESSION
SENATE COMMITTEE SUBSTITUTE FOR
SENATE BILL NO. 241
91ST GENERAL ASSEMBLY

Reported from the Committee on Insurance and Housing, February 13, 2001, with recommendation that the Senate Committee Substitute do pass and be placed on the Consent Calendar.

TERRY L. SPIELER, Secretary.

1078S.03C

AN ACT

To repeal section 375.355, RSMo 2000, relating to mergers of insurance companies, and to enact in lieu thereof one new section relating to the same subject.

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

Section A. Section 375.355, RSMo 2000, is repealed and one new section enacted in lieu thereof, to be known as section 375.355, to read as follows:

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

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

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

2. Whenever any insurance company shall propose under the provisions of this section to acquire **control of another insurance company** by purchase, **merger** or otherwise [not less than a majority of the stock of any other insurance company] or to dispose of any stock so purchased or so acquired, it shall present its petition to the director setting forth the terms and conditions of the proposed acquisition or disposition and praying for the approval of the acquisition or disposition. The director shall thereupon issue an order of notice, requiring notice to be given, to the policyholders of a mutual company and stockholders of a stock company, of the pendency of

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

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

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

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

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

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

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

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