

ENROLLMENT(S)

(5)



ENROLLED ORIGINAL

AN ACT

D.C. ACT 11-290

*Codification
District of
Columbia
Code
1997 Supp.*

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

JUNE 21, 1996

To enact a law that affords a mutual insurance company the opportunity to reorganize by directly or indirectly forming an insurance holding company upon a mutual plan and continuing the corporate existence of the reorganizing insurance company as a stock insurance company.

New
Subchapter
II,
Chapter 37,
Title 35

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Mutual Holding Company Act of 1996".

Sec. 2. Formation of a mutual holding company.

(a) A domestic mutual insurance company, upon approval of the Superintendent, may reorganize by directly or indirectly forming an insurance holding company based upon a mutual plan. The reorganized insurance company shall continue, without interruption, its corporate existence as a stock insurance company subsidiary to the mutual insurance holding company or as a stock insurance company subsidiary to an intermediate holding company which is subsidiary to the mutual insurance holding company.

New Section
35-3721

(b) The Superintendent, after a public hearing as provided in section 4(g)(1) of the Holding Company System Act of 1993, effective October 21, 1993 (D.C. Law 10-44; D.C. Code § 35-3703(g)(1)) ("Holding Company Act"), if satisfied that the interests of the policyholders are properly protected and that the plan of reorganization is fair and equitable to the policyholders, shall approve the proposed plan of reorganization and may require as a condition of approval such modifications of the proposed plan of reorganization as the Superintendent finds necessary for the protection of the policyholders' interests. The Superintendent may retain consultants as provided in section 4(g)(3) of the Holding Company Act. A reorganization pursuant to this section is subject to section 4(a), (b), and (c) of the Holding Company Act. The Superintendent shall retain jurisdiction over a mutual insurance holding company organized pursuant to this section to assure that policyholder interests are protected.

(c) All of the initial shares of the capital stock of the reorganized insurance company shall be issued to the mutual insurance holding company. The membership interests of the policyholders of the reorganized insurance company shall become membership interests in the mutual insurance holding company.

(d) Policyholders of the reorganized insurance company shall be members of the mutual insurance holding company in accordance with the articles of incorporation and bylaws of the mutual insurance holding company. The mutual insurance holding company shall at all times own a majority of the voting shares of the capital stock of the reorganized insurance company.

Sec. 3. Merger of policyholder membership interests.

New Section
35-3722

(a) A domestic mutual insurance company, upon the approval of the Superintendent, may reorganize by merging its policyholders' membership interests into a mutual insurance holding company formed pursuant to this section and continuing the corporate existence of the reorganizing insurance company as a stock insurance company or as a stock insurance company subsidiary to an intermediate holding company which is a subsidiary to the mutual insurance holding company.

(b) The Superintendent, after a public hearing as provided in section 4(g)(1) of the Holding Company Act, if satisfied that the interests of the policyholders are properly protected and that the merger is fair and equitable to the policyholders, shall approve the proposed merger and may require as a condition of approval such modifications of the proposed merger as the Superintendent finds necessary for the protection of the policyholders' interests. The Superintendent may retain consultants as provided in section 4(g)(3) of the Holding Company Act. A merger pursuant to this section is subject to section 4(a), (b), and (c) of the Holding Company Act. The Superintendent shall retain jurisdiction over the mutual insurance holding company organized pursuant to this section to assure that policyholder interests are protected.

(c) All of the initial shares of the capital stock of the reorganized insurance company shall be issued to the mutual insurance holding company. The membership interests of the policyholders of the reorganized insurance company shall become membership interests in the mutual insurance holding company. Policyholders of the reorganized insurance company shall be members of the mutual insurance holding company in accordance with the articles of incorporation and bylaws of the mutual insurance holding company. The mutual insurance holding company shall at all times own a majority of the voting shares of the capital stock of the reorganized insurance company. A merger of policyholders' membership interests in a mutual insurance company into a mutual insurance holding company shall be deemed to be a merger of insurance companies pursuant to section 4 of the Holding Company Act and section 4 of the Holding Company Act is also applicable.

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Sec. 4. Incorporation of holding company.

New Section
35-3723

A mutual insurance holding company resulting from a reorganization of a domestic mutual insurance company organized under chapter III of the Life Insurance Act, approved June 12, 1960 (74 Stat. 218; D.C. Code § 35-601 *et seq.*) ("Life Insurance Act"), shall be incorporated pursuant to the Life Insurance Act. The articles of incorporation and any amendments to such articles of the mutual insurance holding company shall be subject to approval of the Superintendent and Corporation Counsel of the District in the same manner as those of an insurance company.

Sec. 5. Insurers rehabilitation and liquidation.

New Section
35-3724

(a) A mutual insurance holding company is deemed to be an insurer subject to the Insurers Rehabilitation and Liquidation Act of 1993, effective October 15, 1993 (D.C. Law 10-35; D.C. Code § 35-2801 *et seq.*) ("Insurers Rehabilitation and Liquidation Act"), and shall automatically be a party to any proceeding under the Insurers Rehabilitation and Liquidation Act involving an insurance company, which as a result of a reorganization pursuant to section 2 or 3 is a subsidiary of the mutual insurance holding company. In any proceeding under the Insurers Rehabilitation and Liquidation Act involving the reorganized insurance company, the assets of the mutual insurance holding company are deemed to be assets of the estate of the reorganized insurance company for purposes of satisfying the claims of the reorganized insurance company's policyholders.

(b) A mutual insurance holding company shall not dissolve or liquidate without the approval of the Superintendent or as ordered by the District Court pursuant to the Insurers Rehabilitation and Liquidation Act.

Sec. 6. Applicability; membership interest; powers.

New Section
35-3725

(a) Section 19 of the Life Insurance Act is not applicable to a reorganization or merger pursuant to this section.

(b) A membership interest in a domestic mutual insurance holding company shall not constitute a security as defined in section 3 of An Act To confer additional jurisdiction upon the Superintendent of Insurance for the District of Columbia to regulate domestic stock insurance companies and to exempt such companies from section 12(g)(1) of the Securities Exchange Act of 1934, approved April 18, 1966 (80 Stat. 125; D.C. Code § 35-213).

(c) A mutual holding company created under this act shall have the same powers to borrow or assume liability as a mutual insurance company organized under the provisions of District law.

Sec. 7. Failure to give notice.

New Section
35-3726

If the mutual company complies substantially and in good faith with the notice requirements of this act, the mutual company's failure to give any member or members any

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required notice does not impair the validity of any action taken under this act.

Sec. 8. Limitations of actions.

New Section
35-3727

Any action challenging the validity of or arising out of acts taken or proposed to be taken under this act shall be commenced within 30 days after the effective date of this act.

Sec. 9. Rulemaking.

New Section
35-3728

The Mayor, pursuant to title 1 of the District of Columbia Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1204; D.C. Code § 1-1501 *et seq.*), may issue rules and regulations to implement the provisions of this act.

Sec. 10. Fiscal impact statement.

The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Self-Government and Governmental Reorganization Act, approved December 24, 1973 (87 Stat. 813; D.C. Code § 1-233(c)(3)).

Sec. 11. Effective date.

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 Authority Act of 1995, approved April 17, 1995 (109 Stat. 116; D.C. Code § 47-392.3(a)), and a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Self-Government and Governmental Reorganization Act, approved December 24, 1973 (87 Stat. 813; D.C. Code § 1-233(c)(1)), and publication in the District of Columbia Register.

Chairman Pro Tempore
Council of the District of Columbia

Mayor
District of Columbia

APPROVED: June 21, 1996



COUNCIL OF THE DISTRICT OF COLUMBIA

COUNCIL PERIOD ELEVEN

RECORD OF OFFICIAL COUNCIL VOTE

Docket No. B11-623 ITEM ON CONSENT CALENDAR ACTION & DATEADOPTED FIRST READING, 5-7-96APPROVED VOICE VOTE
RECORDED VOTE ON REQUESTLIGHTFOOT AND PATTERSON

ABSENT _____

 ROLL CALL VOTE - Result _____

Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB
Chmn. Clarke					Jarvis					Smith, Jr.				
Brazil					Lightfoot					Thomas, Sr.				
Chavous					Mason					Whittington				
Cropp					Patterson									
Evans					Ray									

X - Indicates Vote

AB - Absent

NV - Present not Voting

Chmn. Clarke

Secretary to the Council

CERTIFICATION RECORD

June 11, 1996

Date

 ITEM ON CONSENT CALENDAR ACTION & DATEADOPTED FINAL READING, 6-4-96 VOICE VOTE
RECORDED VOTE ON REQUESTCHAVOUS AND EVANS ROLL CALL VOTE - Result _____

Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB
Chmn. Clarke					Jarvis					Smith, Jr.				
Brazil					Lightfoot					Thomas, Sr.				
Chavous					Mason					Whittington				
Cropp					Patterson									
Evans					Ray									

X-Indicates no

AB-Absent

NV-Present not voting

Chmn. Clarke

Secretary to the Council

CERTIFICATION RECORD

June 11, 1996

Date

 ITEM ON CONSENT CALENDAR ACTION & DATE VOICE VOTE
RECORDED VOTE ON REQUEST

ABSENT _____

 ROLL CALL VOTE - Result _____

Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB
Chmn. Clarke					Jarvis					Smith, Jr.				
Brazil					Lightfoot					Thomas, Sr.				
Chavous					Mason					Whittington				
Cropp					Patterson									
Evans					Ray									

X - Indicates Vote

AB - Absent

NV - Present not Voting

CERTIFICATION RECORD

Secretary to the Council

Date