



General Assembly

**Substitute Bill No. 5053**

February Session, 2014



**AN ACT STRENGTHENING CONNECTICUT'S INSURANCE INDUSTRY  
COMPETITIVENESS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) As used in this section and  
2 sections 2 to 14, inclusive, of this act:

3 (1) "Adoption date" means the date a mutual insurer's board of  
4 directors adopts a plan of reorganization;

5 (2) "Commissioner" means the Insurance Commissioner;

6 (3) "Converted company" means the domestic stock corporation into  
7 which a mutual holding company has been converted in accordance  
8 with the provisions of section 11 of this act;

9 (4) "Converting company" means a mutual holding company that is  
10 converting into a domestic stock corporation in accordance with the  
11 provisions of section 11 of this act;

12 (5) "Effective date" means the date upon which the reorganization of  
13 the mutual insurer is effective, as provided in subsection (g) of section  
14 2 of this act;

15 (6) "Equity rights" means the rights conferred to members, by law or  
16 by a mutual holding company's articles of incorporation, in the equity

17 of such company, including the right to participate in any distribution  
18 of such company's equity or assets. "Equity rights" do not include any  
19 rights expressly conferred solely by the terms of a policy except for the  
20 right to vote;

21 (7) "Institution" means a corporation, stock corporation, limited  
22 liability company, association, business trust, partnership or any  
23 similar entity;

24 (8) "Intermediate stock holding company" means an institution (A)  
25 of which at least fifty-one per cent of its voting stock is owned from the  
26 effective date, directly or through another intermediate stock holding  
27 company, by a mutual holding company, and (B) that owns from the  
28 effective date, directly or indirectly, at least fifty-one per cent of the  
29 voting stock of at least one reorganized insurer. For purposes of  
30 calculating the percentage of voting stock, any issued and outstanding  
31 securities of the reorganized insurer or any intermediate stock holding  
32 company that are convertible into voting stock are considered voting  
33 stock;

34 (9) "Member" means, (A) with respect to a reorganizing insurer, a  
35 policyholder of such insurer, and (B) with respect to a mutual holding  
36 company, a person entitled to vote, by law or by the mutual holding  
37 company's charter or bylaws, at such company's meetings;

38 (10) "Membership interests" means the rights other than equity  
39 rights conferred to members, by law or by a mutual holding company's  
40 charter or bylaws. "Membership interests" do not include any rights  
41 expressly conferred solely by the terms of a policy;

42 (11) "Mutual holding company" means a corporation organized in  
43 accordance with sections 2 and 3 of this act, (A) that, from the effective  
44 date, owns, directly or through one or more intermediate stock holding  
45 companies, at least fifty-one per cent of the voting stock of one or more  
46 reorganized insurers, (B) that is not authorized to issue voting stock,  
47 and (C) whose articles of incorporation contain the provisions set forth

48 in subsection (c) of section 3 of this act. For purposes of calculating the  
49 percentage of voting stock, any issued and outstanding securities of  
50 the reorganized insurer or any intermediate stock holding company  
51 that are convertible into voting stock are considered voting stock;

52 (12) "Mutual insurer" has the same meaning as provided in section  
53 38a-1 of the general statutes;

54 (13) "Officer" means an individual elected to such position by the  
55 board of directors of the mutual holding company, intermediate stock  
56 holding company or reorganized insurer, as applicable;

57 (14) "Outside director" means a director of the mutual holding  
58 company, intermediate stock holding company or reorganized insurer,  
59 who is not an officer or employee of such company or insurer;

60 (15) "Person" means an individual, a public or private corporation, a  
61 stock corporation, a limited liability company, an association, a  
62 business trust, a partnership, a board of directors, an estate, a trustee, a  
63 fiduciary, or any similar entity, or the state or any political subdivision  
64 of the state;

65 (16) "Plan of conversion" means a plan adopted by a mutual holding  
66 company in accordance with section 11 of this act;

67 (17) "Plan of reorganization" means a plan adopted by a mutual  
68 insurer in accordance with section 2 of this act;

69 (18) "Policy" means an individual or group insurance policy, an  
70 individual or group annuity contract or a fidelity or surety bond,  
71 issued by a mutual insurer. "Policy" does not include a reinsurance  
72 contract;

73 (19) "Reorganized insurer" means the domestic stock insurer into  
74 which a mutual insurer has been reorganized in accordance with the  
75 provisions of section 2 of this act;

76 (20) "Reorganizing insurer" means a domestic mutual insurer that is  
77 reorganizing under a plan of reorganization in accordance with the  
78 provisions of section 2 of this act;

79 (21) "Stock purchase right" means a nontransferable right, granted to  
80 each policyholder of the reorganized insurer that has been a  
81 policyholder of the reorganizing insurer for at least one year prior to  
82 the effective date, to acquire stock in the reorganized insurer or in any  
83 intermediate stock holding company affiliated with such insurer if  
84 such insurer or company conducts an initial public offering of voting  
85 stock;

86 (22) "Voting stock" means securities of any class or any ownership  
87 interest having voting power for the election of directors, trustees or  
88 management of a person. "Voting stock" does not include securities  
89 having voting power only because of the occurrence of a contingency.

90 Sec. 2. (NEW) (*Effective from passage*) (a) A domestic mutual insurer  
91 may reorganize, in accordance with this section and section 3 of this  
92 act, as a domestic stock insurer owned, directly or indirectly, by a  
93 mutual holding company.

94 (b) (1) A domestic mutual insurer seeking such reorganization shall  
95 propose a plan of reorganization that includes the reasons for the  
96 proposed reorganization and provisions for:

97 (A) Amending the domestic mutual insurer's articles of  
98 incorporation to reorganize such insurer into a domestic stock  
99 corporation, including provisions governing an initial voting stock  
100 offer, if any;

101 (B) Forming a mutual holding company, including such company's  
102 acquisition, directly or through one or more intermediate stock  
103 holding companies, of at least fifty-one per cent of the voting stock of  
104 the reorganized insurer;

105 (C) The succeeding of the rights, properties, debts, obligations and

106 liabilities of the mutual insurer;

107 (D) The members of the reorganizing insurer becoming members of  
108 the mutual holding company;

109 (E) The members of the reorganizing insurer with policies in force  
110 on the effective date having equity rights and membership interests in  
111 the mutual holding company; and

112 (F) Any proposed fees, commissions or other consideration to be  
113 paid to any person for aiding, promoting or assisting, in any manner,  
114 such reorganization.

115 (2) A plan of reorganization may also include provisions restricting  
116 the ability of any person or persons acting in concert from directly or  
117 indirectly acquiring or offering to acquire the beneficial ownership of  
118 ten per cent or more of any class of voting stock of the reorganized  
119 insurer or any entity that directly or indirectly controls such insurer.

120 (3) The proposed plan of reorganization shall be approved by an  
121 affirmative vote of three-fourths of the board of directors of the  
122 domestic mutual insurer.

123 (4) Upon approval by its board of directors, a domestic mutual  
124 insurer seeking such reorganization shall submit to the Insurance  
125 Commissioner an application, in a form prescribed by the  
126 commissioner, that is executed by an authorized officer of such  
127 insurer. Such application shall be accompanied by the following:

128 (A) The proposed plan of reorganization;

129 (B) The proposed articles of incorporation of each corporation that  
130 will be a constituent corporation of the reorganization;

131 (C) The proposed bylaws of each corporation that will be a  
132 constituent corporation of the reorganization;

133 (D) The names and biographies of the officers and directors of each

134 corporation that will be a constituent corporation of the  
135 reorganization;

136 (E) A resolution of the board of directors of the mutual insurer and  
137 certified by the secretary of such board, authorizing the reorganization;

138 (F) Financial statements in a form acceptable to the commissioner  
139 giving effect to the reorganization, for the mutual holding company  
140 and any corporation that will be a constituent corporation of the  
141 reorganization and that will experience a change in capitalization due  
142 to the reorganization;

143 (G) A draft of the materials the domestic mutual insurer intends to  
144 mail to its members to seek their approval of the plan, including a  
145 summary of the plan of reorganization; and

146 (H) Any other information the commissioner deems necessary to the  
147 commissioner's review of the proposed plan of reorganization.

148 (c) (1) The commissioner shall hold a public hearing on the reasons  
149 for and purpose of such reorganization, the fairness of the terms and  
150 conditions of the proposed plan of reorganization and whether such  
151 reorganization is in the best interest of the domestic mutual insurer, is  
152 fair and equitable to its members and is not detrimental to the insuring  
153 public.

154 (2) The reorganizing insurer shall mail a notice of the public hearing  
155 to each member at such member's last known mailing address as  
156 shown in the insurer's records. The notice shall (A) be mailed at least  
157 sixty days prior to the date of the hearing, (B) include the date, time,  
158 place and purpose of the hearing, and (C) be accompanied or preceded  
159 by a true and complete copy of the proposed plan of reorganization or  
160 summary thereof approved by the commissioner and any other  
161 explanatory information or materials the commissioner may require. In  
162 addition, the reorganizing insurer shall provide notice of the date,  
163 time, place and purpose of the hearing by publication in three  
164 newspapers having general circulation, one of which shall be in the

165 county in which the principal office of the reorganizing insurer is  
166 located, and two which shall be in other municipalities within or  
167 without the state and approved by the commissioner. Such notice shall  
168 be published not less than fifteen days and not more than sixty days  
169 prior to the hearing and shall be in a form approved by the  
170 commissioner. Any director, officer, employee or member of the  
171 reorganizing insurer shall have the right to appear and be heard at the  
172 hearing.

173 (3) (A) The commissioner shall approve or disapprove the proposed  
174 plan of reorganization, in writing, not later than sixty days after the  
175 conclusion of the public hearing held under subdivision (1) of this  
176 subsection. The commissioner shall approve the proposed plan of  
177 reorganization if the commissioner finds that: (i) The proposed  
178 reorganization is in the best interest of the reorganizing insurer; (ii) the  
179 plan is fair and equitable to the members of the reorganizing insurer;  
180 (iii) the plan will not substantially lessen competition in any line of  
181 insurance business; (iv) the plan provides for the enhancement of the  
182 operations of the reorganizing insurer; (v) the plan, when completed,  
183 provides for the reorganized insurer's paid-in capital stock to be in an  
184 amount at least equal to the minimum paid-in capital stock and the net  
185 surplus required of a new domestic stock insurer upon such domestic  
186 stock insurer's initial authorization to transact like kinds of insurance;  
187 and (vi) the plan complies with the provisions of this section and  
188 sections 3 to 7, inclusive, of this act.

189 (B) The commissioner may engage the services of Insurance  
190 Department personnel and private consultants to assist the  
191 commissioner in determining whether a plan of reorganization meets  
192 the requirements of this section. The domestic mutual insurer  
193 submitting such plan shall pay all reasonable costs related to such  
194 determination, including the costs associated with such department  
195 personnel.

196 (C) Upon approval by the commissioner, the reorganizing insurer  
197 shall file with the commissioner the approved plan of reorganization.

198 (D) The commissioner may request such insurer to modify the  
199 proposed plan of reorganization if the commissioner finds that such  
200 plan does not meet the requirements for approval as set forth in  
201 subparagraph (A) of this subdivision. Such request for modification  
202 shall not prevent such insurer from withdrawing such plan pursuant  
203 to subsection (e) of this section.

204 (E) If the commissioner disapproves the proposed plan of  
205 reorganization, such disapproval shall be in writing and shall set forth  
206 the reasons for such disapproval. Within fifteen days after receipt of  
207 such disapproval, the reorganizing insurer may request a hearing. The  
208 commissioner shall provide such hearing within fifteen days after such  
209 request.

210 (d) (1) Upon approval by the commissioner of the proposed plan of  
211 reorganization, the board of directors, the chairperson of the board of  
212 directors or the president of the reorganizing insurer shall call a  
213 members' meeting to present and hold a vote on the plan of  
214 reorganization. Such meeting shall be held not earlier than thirty days  
215 after the date of the public hearing held under subsection (c) of this  
216 section. The plan shall be approved by an affirmative vote of two-  
217 thirds of the members of the reorganizing insurer.

218 (2) (A) The reorganizing insurer shall mail a notice of the meeting to  
219 each member at such member's last known mailing address as shown  
220 in the insurer's records. The notice shall (i) be mailed at least sixty days  
221 prior to the date of the meeting and may be combined with the public  
222 hearing notice required under subsection (c) of this section, (ii) include  
223 the date, time, place and purpose of the meeting, and (iii) be  
224 accompanied or preceded by (I) a true and complete copy of the plan  
225 of reorganization or summary thereof approved by the commissioner,  
226 (II) the financial statements described in subparagraph (F) of  
227 subdivision (4) of subsection (b) of this section, (III) a description of  
228 material risks and benefits to members' interests, (IV) any information  
229 pertaining to an initial offering of voting stock included in the plan of  
230 reorganization, and (V) any other explanatory information or materials

231 the commissioner may require.

232 (B) (i) Each member whose name appears in the reorganizing  
233 insurer's records as a member on the adoption date shall be entitled to  
234 vote on the proposed plan of reorganization. Each such member shall  
235 vote by written ballot cast in person, by mail or by proxy.

236 (ii) The commissioner shall have the power, to the extent the  
237 commissioner deems necessary to ensure a fair and accurate vote and  
238 consistent with the provisions of this section and sections 3 to 7,  
239 inclusive, of this act, to prescribe and supervise the procedures for  
240 such vote. Such powers include, but are not limited to, the supervision  
241 and regulation of (I) the determination of members entitled to notice of  
242 the meeting and to vote on the proposed plan of reorganization, (II)  
243 the provision of notice to members of the meeting and the proposed  
244 plan or reorganization, (III) the receipt, custody, safeguarding,  
245 verification and tabulation of ballots and proxy forms, and (IV) the  
246 resolution of any disputes arising from such vote.

247 (e) (1) At any time before the effective date, the reorganizing insurer  
248 may, by an affirmative vote of three-fourths of its board of directors,  
249 amend or withdraw the plan of reorganization. With respect to an  
250 amended plan of reorganization, all references to a plan of  
251 reorganization in sections 1 to 14, inclusive, of this act, shall be deemed  
252 to include such plan as amended. The reorganizing insurer shall  
253 submit any such amendment to the commissioner for approval. Upon  
254 approval by the commissioner, the reorganizing insurer shall file with  
255 the commissioner the approved plan of reorganization as amended.

256 (2) No amendment shall (A) be deemed to change the adoption date,  
257 or (B) change the plan of reorganization in a manner the commissioner  
258 determines is prejudicial to the members of the reorganizing insurer.

259 (3) (A) If the amendment is submitted after the public hearing held  
260 pursuant to subsection (c) of this section, the commissioner shall hold  
261 another public hearing on the plan of reorganization as amended, in

262 accordance with the notice requirements set forth in subsection (c) of  
263 this section.

264 (B) If the amendment is submitted after the members have  
265 approved the plan of reorganization as set forth in subsection (d) of  
266 this section, the board of directors, the chairperson of the board of  
267 directors or the president of the reorganizing insurer shall call another  
268 members' meeting, in accordance with the notice requirements set  
269 forth in subsection (d) of this section, to present and hold a vote on the  
270 plan of reorganization as amended. The plan of reorganization as  
271 amended shall be approved by an affirmative vote of two-thirds of the  
272 members of the reorganizing insurer.

273 (f) Upon approval by the members of the reorganizing insurer, the  
274 commissioner shall issue a new certificate of authority to the  
275 reorganized insurer and approve the articles of incorporation of the  
276 mutual holding company and the articles of incorporation of the  
277 reorganized insurer. The commissioner shall provide to the mutual  
278 holding company and the reorganized insurer certificates of approval  
279 for the articles of incorporation in such form as the commissioner  
280 prescribes.

281 (g) (1) The plan of reorganization shall be effective upon the date the  
282 mutual holding company and the reorganized insurer both file their  
283 articles of incorporation with the Secretary of the State, or upon such  
284 later date as is specified in the plan of reorganization or the articles of  
285 incorporation of the reorganized insurer, except that such later date  
286 shall not be more than thirty days after the date the mutual holding  
287 company files its articles of incorporation with said Secretary.

288 (2) If the name of a reorganizing insurer includes the word  
289 "mutual", the reorganized insurer may continue to use such word in its  
290 name unless the commissioner finds the continued use of such word is  
291 likely to mislead or deceive the public.

292 (3) From the effective date, (A) at least fifty-one per cent of the

293 issued and outstanding voting stock of the reorganized insurer shall be  
294 owned, directly or through another intermediate stock holding  
295 company, by the mutual holding company, and (B) at least fifty-one  
296 per cent of the issued and outstanding voting stock of any  
297 intermediate holding company shall be owned, directly or through  
298 another intermediate stock holding company, by the mutual holding  
299 company. For purposes of calculating the percentage of issued and  
300 outstanding voting stock, any issued and outstanding securities of the  
301 reorganized insurer or any intermediate stock holding company that  
302 are convertible into voting stock are considered voting stock.

303 (4) Upon the effective date:

304 (A) The reorganizing insurer shall immediately become a domestic  
305 stock insurer, which shall be a continuation of the corporate existence  
306 of the reorganizing insurer;

307 (B) All rights of any person to (i) vote on any matter concerning the  
308 reorganizing insurer, or (ii) share in any distribution of or receive any  
309 consideration based on the surplus of the reorganizing insurer in a  
310 conservation, liquidation or dissolution proceeding or under such  
311 insurer's articles of incorporation or bylaws or the general statutes,  
312 shall be extinguished, except that any rights expressly conferred solely  
313 by the terms of a policy shall not be extinguished;

314 (C) The members of the reorganizing insurer shall immediately  
315 become members of the mutual holding company, except that in the  
316 case of a group annuity contract issued by a reorganizing insurer that  
317 is a domestic mutual life insurer, the group policyholder only shall  
318 become a member of the mutual holding company. The rights  
319 bestowed by virtue of such membership shall continue only as long as  
320 the related policy remains in force;

321 (D) The members of the reorganizing insurer whose policies in force  
322 on the effective date confer the right to vote shall immediately have  
323 equity rights in the mutual holding company. Such equity rights shall

324 continue only as long as the related policy remains in force; and

325 (E) All of the voting stock initially issued by the reorganized insurer  
326 shall be owned, directly or through one or more intermediate stock  
327 holding companies, by the mutual holding company.

328 (5) Policyholders of policies that confer the right to vote and issued  
329 after the effective date by the reorganized insurer shall be members of  
330 and have equity rights in the mutual holding company.

331 (h) Except as provided in the plan of reorganization approved by  
332 the commissioner, no person shall receive any fee, commission or other  
333 consideration, other than such person's regular salary and  
334 compensation, for aiding, promoting or assisting, in any manner, a  
335 reorganization under this section and sections 3 to 14, inclusive, of this  
336 act. This provision shall not be deemed to prohibit the payment of  
337 reasonable fees and compensation to attorneys, accountants, actuaries  
338 and other individuals who are directors or officers of the reorganizing  
339 insurer for services performed in the independent practice of their  
340 professions.

341 Sec. 3. (NEW) (*Effective from passage*) (a) No mutual holding  
342 company shall engage in the business of insurance.

343 (b) A mutual holding company shall comply with all applicable  
344 provisions of law relating to the powers, duties and liabilities of  
345 corporations.

346 (c) A mutual holding company's articles of incorporation shall  
347 contain the following provisions that state:

348 (1) The company is a mutual holding company organized under this  
349 section and section 2 of this act;

350 (2) One purpose of the company is to own, directly or through one  
351 or more intermediate stock holding companies, at least fifty-one per  
352 cent of the voting stock of one or more reorganized insurers;

353 (3) The company is not authorized to issue voting stock;

354 (4) The company's members have the rights specified in  
355 subdivisions (4) and (5) of subsection (g) of section 2 of this act and in  
356 the company's articles of incorporation and bylaws; and

357 (5) The company's assets and liabilities are subject to inclusion, to  
358 the extent authorized under sections 1 to 14, inclusive, of this act, in the  
359 estate of a reorganized insurer of which the company owns voting  
360 stock in any proceeding brought against the reorganized insurer under  
361 chapter 704c of the general statutes.

362 (d) A mutual holding company shall file with the commissioner, not  
363 later than thirty days after the adoption of any amendment to its  
364 bylaws, a copy of such amendment, certified by such company's  
365 secretary under such company's corporate seal.

366 (e) A mutual holding company may hold, directly or indirectly,  
367 multiple subsidiaries including multiple intermediate stock holding  
368 companies. An intermediate stock holding company may hold, directly  
369 or indirectly, multiple subsidiaries including multiple reorganized  
370 insurers. A mutual holding company and its subsidiaries and affiliates  
371 shall be deemed members of an insurance holding company system, as  
372 defined in section 38a-129 of the general statutes, and the provisions of  
373 sections 38a-129 to 38a-140, inclusive, of the general statutes shall  
374 apply to the extent such provisions do not conflict with the provisions  
375 in sections 1 to 14, inclusive, of this act.

376 (f) No mutual holding company shall make any payment of income,  
377 dividends contingent upon an apportionment of profits or any other  
378 distribution of profits except to the extent provided in such company's  
379 articles of incorporation or as otherwise directed or approved by the  
380 commissioner.

381 (g) Membership interests in a mutual holding company shall not be  
382 considered a security, as defined in section 36b-3 of the general  
383 statutes. A description of the membership interests and related factual

384 disclosures shall not be deemed inducements to buy insurance in  
385 violation of section 38a-816 or 38a-825 of the general statutes, and a  
386 recipient of such description and related factual disclosures shall not  
387 be deemed to be in violation of the provisions of section 38a-825 of the  
388 general statutes.

389 (h) (1) The mutual holding company shall hold an annual meeting  
390 and shall mail a notice of the meeting to each member at such  
391 member's last known mailing address as shown in the company's  
392 records. The notice shall be mailed at least sixty days prior to the date  
393 of the meeting.

394 (2) Members of a mutual holding company may vote by proxies  
395 dated and executed within ninety days of, and returned to and  
396 recorded on the books of the company not later than seven days  
397 before, the meeting at which such proxies are to be used. Unless  
398 otherwise provided in the articles of reorganization or bylaws of the  
399 reorganizing insurer, each member of a mutual holding company shall  
400 be entitled to one vote.

401 (3) Unless a greater percentage for approval is required by law or  
402 specified in a mutual holding company's articles of incorporation, any  
403 required approval by the members shall be by a majority vote of the  
404 members voting.

405 (i) No mutual holding company shall transfer its domicile to another  
406 state for a period of five years after the effective date without the  
407 approval of the commissioner.

408 (j) (1) A mutual holding company may specify in its articles of  
409 incorporation or its bylaws that its directors may be divided into two  
410 or more classes, which terms of office shall expire at different times,  
411 provided no term of office shall be longer than six years. If a mutual  
412 holding company does not specify such provision in its articles of  
413 incorporation or its bylaws, the term of office for each director of such  
414 company shall be one year.

415 (2) Upon the expiration of a director's term of office, such director  
416 shall continue to serve until such director's successor has been elected  
417 and qualified. Any vacancy on the board that occurs prior to the  
418 expiration of a director's term of office shall be filled by a majority vote  
419 of the remaining directors, notwithstanding any quorum requirements.  
420 Any director so elected shall hold office until the next annual meeting.

421 Sec. 4. (NEW) (*Effective from passage*) (a) A reorganized insurer may  
422 amend its articles of incorporation that have been adopted pursuant to  
423 a plan of reorganization and filed with the Secretary of the State, in  
424 accordance with subdivision (1) of subsection (g) of section 2 of this  
425 act, after the effective date in accordance with the provisions of chapter  
426 601 of the general statutes.

427 (b) (1) A reorganized insurer may amend its plan of reorganization  
428 after the effective date. The insurer shall comply with the following:

429 (A) Approval by the board of directors of the reorganized insurer by  
430 a majority vote;

431 (B) Submission of the proposed amendment to the commissioner, in  
432 writing, in accordance with the provisions of subdivision (4) of  
433 subsection (b) of section 2 of this act; and

434 (C) Approval by members of the mutual holding company that  
435 were entitled to vote, as members of the former domestic mutual  
436 insurer, on the original plan of reorganization. Such approval shall be  
437 by a majority vote of the members voting. The board of directors, the  
438 chairperson of the board of directors or the president of the mutual  
439 holding company shall call a meeting for members entitled to vote,  
440 pursuant to the articles of incorporation or bylaws of the mutual  
441 holding company, to present and hold a vote on the proposed  
442 amendment. Each such member shall vote by written ballot cast in  
443 person, by mail or by proxy.

444 (2) If a proposed amendment under subdivision (1) of this  
445 subsection would adversely affect the rights of one or more, but not all,

446 classes of members, only the members of each class whose rights  
447 would be adversely affected by the proposed amendment shall vote on  
448 the proposed amendment.

449 (3) Any such amendment shall take effect upon filing with the  
450 commissioner after compliance with and approval as required under  
451 subdivision (1) of this subsection.

452 (c) (1) At any time before the plan amendment becomes effective,  
453 the reorganized insurer may, by a majority vote of its board of  
454 directors, amend or withdraw the plan amendment. For an  
455 amendment to a plan amendment, all references in sections 1 to 14,  
456 inclusive, of this act to a plan amendment shall be deemed to refer to  
457 the plan amendment as amended. The reorganizing insurer shall  
458 submit any such amendment to the commissioner for approval.

459 (2) No amendment shall (A) be deemed to change the adoption date  
460 of the plan amendment, or (B) change the plan of reorganization in a  
461 manner the commissioner determines is prejudicial to the affected  
462 members.

463 Sec. 5. (NEW) (*Effective from passage*) (a) (1) A reorganized insurer  
464 may, either pursuant to the plan of reorganization or upon the prior  
465 approval of the commissioner, on any one or more occasions on or  
466 after the effective date, transfer assets or liabilities, including any one  
467 or more of its subsidiaries, to the mutual holding company or to one or  
468 more persons owned or controlled by the mutual holding company,  
469 except that the liabilities so transferred in either a single instance or in  
470 the aggregate shall not be greater than the assets so transferred. The  
471 commissioner shall approve such a proposed transfer unless the  
472 commissioner finds that the transfer would materially adversely affect  
473 the ability of the reorganized insurer to meet its obligations under its  
474 policies.

475 (2) The provisions of section 38a-136 of the general statutes shall not  
476 apply to any transfer made under this section.

477 (b) A reorganized insurer shall not acquire subsidiaries if the total  
478 adjusted capital, as defined in subsection (d) of section 38a-72 of the  
479 general statutes, of such insurer is less than three hundred per cent of  
480 its authorized control level risk-based capital, as defined in section 38a-  
481 72-1 of the regulations of Connecticut state agencies, as of any calendar  
482 year-end after the reorganization effective date, for as long as such  
483 deficiency continues, without prior notice to and review by the  
484 commissioner.

485 Sec. 6. (NEW) (*Effective from passage*) (a) In the case of a reorganizing  
486 insurer that is a mutual life insurer, upon the effective date the  
487 reorganizing insurer shall, at its option, either:

488 (1) (A) Establish a closed block for policyholder dividend purposes  
489 only, consisting of all participating individual policies of the  
490 reorganizing insurer in force on the effective date and for which the  
491 insurer had an experience-based dividend scale payable in the year in  
492 which the plan of reorganization was adopted. On or before the  
493 effective date, such insurer shall allocate assets to such closed block in  
494 an amount that produces cash flows, together with anticipated  
495 revenues from the closed block business that is sufficient to support  
496 the closed block business, including provision for payment of claims,  
497 expenses and taxes specified in the plan of reorganization and  
498 continuation of dividend scales in effect on the adoption date, if the  
499 experience underlying such scales continues. No policies entering into  
500 force after the effective date shall be included in the closed block; and

501 (B) May provide, with the approval of the commissioner, under its  
502 terms for the establishment of the closed block, for conditions under  
503 which the reorganized insurer may cease to maintain the closed block  
504 and allocation of assets thereto, provided the policies constituting  
505 closed block business shall remain obligations of the reorganized  
506 insurer and dividends on such policies shall be apportioned by the  
507 board of directors of the reorganized insurer in accordance with the  
508 terms of such policies and any applicable provisions of law; or

509 (2) Provide an alternative practice to subdivision (1) of this  
510 subsection that protects the contractual rights of individual  
511 policyholders of the reorganizing insurer with policies in force on the  
512 effective date, if the commissioner determines that such alternative is  
513 substantially as protective of the interests of individual participating  
514 policyholders as the establishment of a closed block pursuant to  
515 subdivision (1) of this section.

516 (b) The equity interest of the policyholders of the reorganized  
517 insurer shall be equal in the aggregate to the value of the entire capital  
518 and surplus of the mutual holding company, excluding any funds  
519 required to be held in segregated accounts by federal law. Such equity  
520 interest shall be the basis for consideration to policyholders in the  
521 event the mutual holding company converts into a domestic stock  
522 corporation as set forth in subparagraph (B) of subdivision (1) of  
523 subsection (b) of section 11 of this act.

524 (c) At the end of the third year following the year of reorganization  
525 and at the end of each third year thereafter or more frequently as  
526 determined by the commissioner, an independent accounting or  
527 actuarial firm shall provide a report to the commissioner, the board of  
528 directors of the mutual holding company and the board of directors of  
529 the reorganized insurer attesting to whether or not the closed block  
530 and related assets, or alternative practice pursuant to subdivision (2) of  
531 subsection (a) of this section, has been administered in accordance  
532 with the plan of reorganization. Such firm shall take into consideration  
533 the dividend payments to policyholders resulting from the closed  
534 block and any other relevant factors. The reorganized insurer shall pay  
535 the expenses incurred in retaining the independent accounting or  
536 actuarial firm. Such report shall be completed and delivered to the  
537 commissioner, the board of directors of the mutual holding company  
538 and the board of directors of the reorganized insurer not later than the  
539 close of business on April first following the end of the period for  
540 which such report is being provided.

541 Sec. 7. (NEW) (*Effective from passage*) (a) (1) The offering of voting

542 stock by a reorganized insurer or intermediate stock holding company  
543 to any person other than the mutual holding company or a wholly  
544 owned subsidiary thereof, which offering is the first to occur after the  
545 effective date of the plan of reorganization, shall be made only in  
546 accordance with such provisions as the plan of reorganization may  
547 contain governing such an initial offering or with the prior approval of  
548 the commissioner after submission of an application by the proposed  
549 issuer. The commissioner shall approve any such application unless  
550 the commissioner finds, (A) in the case of a public offering, that the  
551 offering would not be conducted in a manner generally consistent with  
552 customary practices for initial public offerings to the extent reasonably  
553 comparable, or (B) in the case of any other offering, that the offering  
554 would be prejudicial to the members of the mutual holding company.  
555 Nothing in this subsection shall prohibit the filing of a registration  
556 statement with the Securities and Exchange Commission or the  
557 Secretary of the State prior to such approval.

558 (2) The commissioner may engage the services of Insurance  
559 Department personnel and private consultants to assist the  
560 commissioner in determining whether an application under  
561 subdivision (1) of this subsection meets the requirements of this  
562 section. The proposed issuer submitting such application shall pay all  
563 reasonable costs related to such determination, including the costs  
564 associated with such department personnel.

565 (b) For purposes of this section, any securities of the reorganized  
566 insurer or any intermediate stock holding company that are  
567 convertible into voting stock shall be considered voting stock.

568 (c) All references to a specified percentage of voting stock of any  
569 person means securities having the specified percentage of the voting  
570 power in that person for the election of directors, trustees or  
571 management of that person, other than securities having voting power  
572 only because of the occurrence of a contingency.

573 (d) No stock purchase right shall provide for a purchase of less than

574 fifty shares of the common stock being offered in the public offering.  
575 The price per share shall be equal to the public offering price. In the  
576 event that the exercise of such right exceeds fifty per cent of the  
577 number of shares being offered to the public or such lesser percentage  
578 as may be approved by the commissioner, exercise of such stock  
579 purchase right shall be subject to proration, subject to a minimum of  
580 fifty shares. A stock purchase right shall be subject to any exclusions or  
581 limitations authorized by law applicable to particular classes of  
582 policyholders.

583       Sec. 8. (NEW) (*Effective from passage*) (a) (1) Until six months after the  
584 completion of an initial public offering, private equity placement or the  
585 first issuance of public or private stock or securities convertible into  
586 voting stock of a reorganized insurer or an intermediate stock holding  
587 company, to any person other than the mutual holding company or an  
588 intermediate stock holding company, neither the reorganized insurer  
589 nor an intermediate stock holding company shall award any stock  
590 options or stock grants to persons who are officers or directors of the  
591 mutual holding company, the reorganized insurer or an intermediate  
592 stock holding company, except if a reorganized insurer or its  
593 intermediate stock holding company distributes stock purchase rights  
594 to the policyholders of a reorganized insurer in connection with a  
595 public offering of stock, then officers and directors who are  
596 policyholders of such reorganized insurer shall receive and may  
597 exercise such stock purchase rights on the same basis as all other such  
598 policyholders.

599       (2) Until two years after the end of the six-month period set forth in  
600 subdivision (1) of this subsection, no officer, director or outside  
601 director of the mutual holding company, intermediate stock holding  
602 company and reorganized insurer shall own beneficially, in the  
603 aggregate, more than five per cent of the voting stock of the  
604 intermediate stock holding company or reorganized insurer.

605       (3) After the two-year period set forth in subdivision (2) of this  
606 subsection, no officer or director of the mutual holding company,

607 intermediate stock holding company or reorganized insurer shall own  
608 beneficially, in the aggregate, more than eighteen per cent of the voting  
609 stock of the intermediate stock holding company or reorganized  
610 insurer, except that the commissioner may find, in the event of a  
611 distress situation, that beneficial ownership of more than eighteen per  
612 cent in the aggregate by officers or directors is necessary and  
613 appropriate.

614 (4) No person shall, directly or indirectly, offer to acquire or acquire,  
615 in any manner, beneficial ownership of more than ten per cent of any  
616 class of voting stock of the reorganized insurer, an intermediate stock  
617 holding company or any other institution that owns, directly or  
618 indirectly, a majority of the voting stock of the reorganized insurer,  
619 without the prior approval of the commissioner.

620 (b) (1) If a mutual holding company elects to cause an intermediate  
621 stock holding company or a reorganized insurer to conduct an initial  
622 public offering, initial private equity placement or the first issuance of  
623 public or private stock or securities convertible into voting stock, such  
624 company shall, subject to any limitations under law applicable to  
625 particular classes of policyholders, cause each eligible person to receive  
626 stock purchase rights in connection with such initial offering or  
627 issuance, unless a committee consisting of such company's outside  
628 directors determines by an affirmative vote of two-thirds that such  
629 stock purchase right offering would not be in the best interests of the  
630 members of such company. Such determination shall be subject to  
631 approval by the commissioner.

632 (2) Except in the event of death or disability of such officer or  
633 director, no officer or director of a mutual holding company,  
634 intermediate stock holding company or reorganized insurer who holds  
635 voting stock or securities convertible into voting stock shall sell such  
636 stock or securities for a period of at least one year following the date of  
637 an initial offering or issuance of such stock or securities.

638 (c) (1) Nothing in sections 1 to 14, inclusive, of this act shall prevent

639 a mutual holding company, an intermediate stock holding company or  
640 a reorganized insurer from issuing stock of the intermediate stock  
641 holding company or the reorganized insurer to a trust, qualified under  
642 the Internal Revenue Code of 1986, or any subsequent corresponding  
643 internal revenue code of the United States, as amended from time to  
644 time, and established in connection with an employee stock ownership  
645 plan or other employee benefit plan for employees of the mutual  
646 holding company, intermediate stock holding company or reorganized  
647 insurer. The stock initially issued to such stock ownership or benefit  
648 plan shall not exceed, in the aggregate, five per cent of the stock  
649 initially issued.

650 (2) No individual shall receive more than twelve and one-half per  
651 cent of the stock. No director who is not an employee shall receive  
652 more than two and one-half per cent of the stock individually or more  
653 than fifteen per cent in the aggregate. In no event shall any individual  
654 exceed the ownership limitation set forth in subdivision (3) of  
655 subsection (a) of this section.

656 (d) Nothing in this section shall be deemed to prohibit: (1) The  
657 purchase for cash of voting stock issued by an intermediate stock  
658 holding company or a reorganized insurer by officers, directors,  
659 employees, employee stock ownership plans or employee benefit plans  
660 of a mutual holding company, an intermediate stock holding company  
661 or a reorganizing insurer, in accordance with reasonable classifications  
662 of such individuals and plans and at the same price offered to the  
663 public in any public offering; or (2) the establishment by a mutual  
664 holding company, an intermediate stock holding company or a  
665 reorganized insurer of stock option, incentive or share ownership  
666 plans customary for publicly traded companies, subject to the  
667 limitations set forth in this section.

668 Sec. 9. (NEW) (*Effective from passage*) (a) Two or more mutual  
669 holding companies, at least one of which is a domestic company, may  
670 merge or consolidate under the laws of any state into a mutual holding  
671 company incorporated under the laws of such state. The resulting

672 company may be a continuing company under the name of one or  
673 more of the merged or consolidated companies or a new company. If  
674 the continuing or new company is to be a domestic company: (1) It  
675 shall be subject to the provisions of sections 2 to 14, inclusive, of this  
676 act; (2) its name shall be subject to approval by the commissioner; (3)  
677 the members of any mutual holding company whose existence will  
678 cease upon the effective date of such merger or consolidation shall  
679 become members of the continuing mutual holding company; and (4)  
680 all persons with equity rights in any mutual holding company whose  
681 existence will cease upon the effectiveness of such merger or  
682 consolidation shall have equity rights in the continuing mutual  
683 holding company.

684 (b) (1) Companies merging or consolidating under this section shall  
685 enter into a written agreement for such merger or consolidation  
686 prescribing the terms and conditions of such merger or consolidation.  
687 Such agreement shall be approved by a majority vote of the board of  
688 directors of each domestic company participating in such merger or  
689 consolidation and shall be subject to the written approval of the  
690 commissioner, who shall consider the fairness of the terms and  
691 conditions of the agreement, whether the interests of the members of  
692 each domestic mutual holding company that is a party to the  
693 agreement are protected and whether the proposed merger or  
694 consolidation is in the public interest.

695 (2) If the continuing or new mutual holding company is to be a  
696 domestic company, such agreement shall be (A) executed in duplicate  
697 by the president and secretary of each company under its corporate  
698 seal, (B) accompanied by copies of the resolutions of each company  
699 authorizing the merger or consolidation and the execution of the  
700 agreement attested by the recording officer of each company, and (C)  
701 submitted to the commissioner with the records required under this  
702 subdivision. If it appears to the commissioner that each company has  
703 complied with the requirements of this section, the commissioner may  
704 certify and approve the agreement. The commissioner shall file one of

705 the duplicates of such agreement with the Secretary of the State, who  
706 shall record such agreement and issue a certificate of reincorporation  
707 to the continuing company or the new company with the powers  
708 retained and specified in the agreement. The commissioner shall retain  
709 the other duplicate. No such agreement shall take effect until the  
710 commissioner has filed such agreement with the Secretary of the State.

711 (3) If the continuing or new company is to be a foreign company,  
712 such agreement and such other information as the commissioner may  
713 require shall be filed with the commissioner and shall not be executed  
714 until approved by the commissioner. Upon the commissioner's  
715 approval, the new or continuing company shall file with the  
716 commissioner, in such form as the commissioner may require,  
717 documentary evidence showing the date when the merger or the  
718 consolidation becomes effective. If the commissioner finds that such  
719 agreement has been filed in accordance with this subdivision, the  
720 commissioner shall file with the Secretary of the State a certificate  
721 setting forth the merger or consolidation, including the effective date  
722 of the merger or consolidation. The corporate existence of the domestic  
723 mutual holding company shall cease on said effective date.

724 (4) The companies merging or consolidating shall each call a special  
725 members' meeting for the purpose of presenting and holding a vote on  
726 such agreement. Such companies shall provide notice of such meeting  
727 to members in a manner prescribed by the commissioner. Such  
728 agreement shall be approved by an affirmative vote of two-thirds of  
729 the members of each such company as are present and voting at such  
730 meeting.

731 (c) If the continuing or new company is a domestic company, upon  
732 such merger or consolidation all rights and properties of the several  
733 companies shall accrue to and become the rights and properties of the  
734 continuing or new company, which shall succeed to all the obligations  
735 and liabilities of the merged or consolidated companies in the same  
736 manner as if they had been incurred or contracted by such continuing  
737 or new company.

738 (d) No action or proceeding pending in any court of this state at the  
739 time of the merger or consolidation in which any such domestic  
740 company is or may be a party shall abate or be discontinued by reason  
741 of the merger or the consolidation, but may be prosecuted to final  
742 judgment in the same manner as if the merger or the consolidation had  
743 not taken place. The continuing or new company may be substituted in  
744 place of any such domestic company by order of the court in which the  
745 action or proceeding is pending.

746 (e) Nothing in this section shall authorize the merger or  
747 consolidation of stock companies with mutual holding companies.

748 Sec. 10. (NEW) (*Effective from passage*) (a) A domestic mutual insurer  
749 may reorganize with an existing domestic or foreign mutual holding  
750 company, in which case the plan of reorganization of the domestic  
751 mutual insurer shall provide that (1) the domestic mutual insurer will  
752 become a domestic stock insurer, (2) the members of the domestic  
753 mutual insurer will become members of the mutual holding company,  
754 (3) the members of the reorganizing insurer whose policies were in  
755 force on the effective date shall, as of the effective date, have equity  
756 rights in the mutual holding company, and (4) the mutual holding  
757 company will acquire, directly or through one or more intermediate  
758 stock holding companies, at least fifty-one per cent of the voting stock  
759 of the reorganized insurer.

760 (b) An existing domestic mutual holding company may, with the  
761 approval of the commissioner:

762 (1) Acquire direct or indirect ownership of a converting foreign  
763 mutual insurer that becomes a stock insurer in compliance with the  
764 laws of its state of domicile; and

765 (2) Grant membership interests and equity rights to the members or  
766 policyholders of a foreign mutual insurer that merges with a direct or  
767 indirect domestic or foreign subsidiary of the domestic mutual holding  
768 company. Such subsidiary of a domestic mutual holding company

769 may merge with such a foreign mutual insurer pursuant to section 38a-  
770 153 of the general statutes, as amended by this act.

771 (c) In determining whether to approve such acquisition or grant, the  
772 commissioner may consider the fairness of the terms and conditions of  
773 the transaction, whether the interests of the members of each domestic  
774 mutual holding company that is a party to the transaction are  
775 protected and whether the proposed transaction is in the public  
776 interest.

777 Sec. 11. (NEW) (*Effective from passage*) (a) A domestic mutual holding  
778 company may convert to a domestic stock corporation pursuant to a  
779 plan of conversion.

780 (b) (1) A domestic mutual holding company seeking such  
781 conversion shall propose a plan of conversion that includes the reasons  
782 for the proposed conversion and provisions for:

783 (A) Amending the mutual holding company's articles of  
784 incorporation to convert such company to a domestic stock  
785 corporation;

786 (B) Giving each person holding equity rights in the mutual holding  
787 company appropriate consideration in exchange for such rights. Such  
788 consideration shall be equal, in the aggregate, to the value of the entire  
789 capital and surplus of the mutual holding company, excluding any  
790 funds required to be held in segregated accounts by federal law and  
791 shall be determinable under a fair and reasonable formula approved  
792 by the commissioner.

793 (i) If the plan of conversion provides for the mutual holding  
794 company to continue as a surviving corporation after the conversion,  
795 then consideration to eligible policyholders shall be in the form of  
796 stock, cash or other form of compensation as approved by the  
797 commissioner. Distribution of all the stock of the converting company  
798 to eligible policyholders, or in the case of certain eligible policyholders  
799 other consideration of equivalent value, shall constitute appropriate

800 consideration under this subparagraph.

801 (ii) If the plan of conversion does not provide for the mutual  
802 holding company to continue as a surviving corporation after the  
803 conversion, then consideration payable in such form as permitted  
804 under this section shall be distributed to eligible policyholders;

805 (C) Giving each person holding equity rights a preemptive right to  
806 acquire such person's proportionate part of all the proposed capital  
807 stock of the converted company and to apply, upon the purchase of  
808 such stock, the amount of such person's consideration as determined  
809 under subparagraph (B) of this subdivision.

810 (i) Such plan may provide that (I) such person may not purchase or  
811 receive stock pursuant to this section if such stock has an aggregate  
812 subscription price of two thousand dollars or less, and (II) such  
813 preemptive right shall not apply to such persons who reside in  
814 jurisdictions in which the issuance of stock is impossible, would  
815 involve unreasonable delay or would require the converting company  
816 to incur unreasonable costs, provided any such person shall receive  
817 such person's consideration in cash.

818 (ii) In the case of a plan of conversion in which the appropriate  
819 consideration received by persons under subparagraph (B) of this  
820 subdivision is stock of a corporation in a transaction authorized under  
821 this section, or other consideration as approved by the commissioner,  
822 the plan of conversion shall provide either (I) that no member or  
823 person holding equity rights in the converting company shall have any  
824 preemptive right to acquire any of the proposed capital stock of the  
825 converted company or of the proposed parent or other corporation, or  
826 (II) for preemptive rights on such other terms as approved by the  
827 commissioner;

828 (D) The offering of shares to persons holding equity rights in the  
829 mutual holding company, at a price not greater than that to be offered  
830 to others under such plan of conversion;

831 (E) The payment to each person holding equity rights in the mutual  
832 holding company of consideration, which may consist of cash,  
833 securities, a certificate of contribution, additional insurance under  
834 policies issued by a reorganized insurer or other consideration or any  
835 combination of such forms of consideration;

836 (F) Any proposed fees, commissions or other consideration to be  
837 paid to any person for aiding, promoting or assisting, in any manner,  
838 such conversion; and

839 (G) The effective date of such conversion.

840 (2) A plan of conversion may also include provisions restricting the  
841 ability of any person or persons acting in concert from directly or  
842 indirectly acquiring or offering to acquire the beneficial ownership of  
843 ten per cent or more of any class of voting stock of the converted  
844 company or any entity that directly or indirectly controls such  
845 company.

846 (3) Each person whose name appears in the converting company's  
847 records as a person holding equity rights on both the December thirty-  
848 first immediately preceding the effective date of such conversion and  
849 the date the converting company's board of directors first voted to  
850 convert shall be entitled to participate in the distribution of  
851 consideration and the purchasing of stock.

852 (4) The proposed plan of conversion shall be approved by an  
853 affirmative vote of three-fourths of the board of directors of the  
854 domestic mutual holding company.

855 (5) Upon approval by its board of directors, the domestic mutual  
856 holding company seeking such conversion shall submit the proposed  
857 plan of conversion to the Insurance Commissioner.

858 (c) (1) The commissioner shall hold a public hearing on the reasons  
859 for and purpose of such conversion, the fairness of the terms and  
860 conditions of the proposed plan of conversion and whether such

861 conversion is in the best interest of the domestic mutual holding  
862 company, is fair and equitable to its members and is not detrimental to  
863 the insuring public.

864 (2) The converting company shall mail a notice of the public hearing  
865 to each member at such member's last known mailing address as  
866 shown in the company's records. The notice shall (A) be mailed at least  
867 sixty days prior to the date of the hearing, (B) include the date, time,  
868 place and purpose of the hearing, and (C) be accompanied or preceded  
869 by a true and complete copy of the proposed plan of conversion or a  
870 summary thereof approved by the commissioner and any other  
871 explanatory information or materials the commissioner may require. In  
872 addition, the converting company shall provide notice of the date,  
873 time, place and purpose of the hearing by publication in three  
874 newspapers having general circulation, one of which shall be in the  
875 county in which the principal office of the converting company is  
876 located, and two which shall be in other municipalities within or  
877 without the state and approved by the commissioner. Such notice shall  
878 be published not less than fifteen days and not more than sixty days  
879 prior to the hearing and shall be in a form approved by the  
880 commissioner. Any director, officer, employee or member of the  
881 converting company shall have the right to appear and be heard at the  
882 hearing.

883 (3) (A) The commissioner shall approve or disapprove the proposed  
884 plan of conversion, in writing, not later than sixty days after the  
885 conclusion of the public hearing held under subdivision (1) of this  
886 subsection. The commissioner shall approve the proposed plan of  
887 conversion if the commissioner finds that: (i) The proposed conversion  
888 is in the best interest of the converting company; (ii) the plan is fair and  
889 equitable to the members of the converting company; (iii) the plan will  
890 not substantially lessen competition in any line of insurance business;  
891 (iv) the plan provides for the enhancement of the operations of the  
892 converting company; (v) the plan complies with the provisions of this  
893 section; and (vi) the converting company has not, (I) through a

894 reduction in volume of new business written, cancellations by a  
895 reorganized insurer or any other means, reduced, limited or affected or  
896 sought to reduce, limit or affect, the number or identity of the  
897 converting company's members or persons holding equity rights in  
898 such company that are entitled to participate in such plan, or (II)  
899 otherwise secured or attempted to secure any unfair advantage  
900 through such plan for individuals comprising the management of such  
901 company.

902 (B) If the commissioner disapproves the proposed plan of  
903 conversion, such disapproval shall be in writing and shall set forth the  
904 reasons for such disapproval. Within fifteen days after receipt of such  
905 disapproval, the converting company may request a hearing. The  
906 commissioner shall provide such hearing within fifteen days after such  
907 request.

908 (4) The commissioner may engage the services of Insurance  
909 Department personnel and private consultants to assist the  
910 commissioner in determining whether a plan of conversion meets the  
911 requirements of this section. The domestic mutual holding company  
912 submitting such plan shall pay all reasonable costs related to such  
913 determination, including the costs associated with such department  
914 personnel.

915 (5) Upon approval by the commissioner, the converting company  
916 shall file with the commissioner the approved plan of conversion.

917 (d) (1) Upon approval by the commissioner of the proposed plan of  
918 conversion, the board of directors, the chairperson of the board of  
919 directors or the president of the converting company shall call a  
920 members' meeting to present and hold a vote on the plan of  
921 conversion. Such meeting shall be held not earlier than thirty days  
922 after the date of the public hearing held under subsection (c) of this  
923 section. The plan shall be approved by an affirmative vote of two-  
924 thirds of the members of the converting company.

925 (2) The converting company shall mail a notice of the meeting to  
926 each member at such member's last known mailing address as shown  
927 in the company's records. The notice shall (A) be mailed at least sixty  
928 days prior to the date of the meeting and may be combined with the  
929 public hearing notice required under subsection (c) of this section, (B)  
930 include the date, time, place and purpose of the meeting, and (C) be  
931 accompanied or preceded by a true and complete copy of the plan of  
932 conversion or a summary thereof approved by the commissioner and  
933 any other explanatory information or materials the commissioner may  
934 require.

935 (3) Each member entitled to vote shall vote by written ballot cast in  
936 person, by mail or by proxy.

937 (4) The commissioner shall have the power, to the extent the  
938 commissioner deems necessary to ensure a fair and accurate vote and  
939 consistent with the provisions of this section, to prescribe and  
940 supervise the procedures for such vote. Such powers include, but are  
941 not limited to, the supervision and regulation of (A) the determination  
942 of members entitled to notice of the meeting and to vote on the  
943 proposed plan of conversion, (B) the provision of notice to members of  
944 the meeting and proposed plan of conversion, (C) the receipt, custody,  
945 safeguarding, verification and tabulation of ballots and proxy forms,  
946 and (D) the resolution of disputes arising from such vote.

947 (e) (1) Upon approval by the members of the converting company,  
948 the conversion shall be effective on the date specified in the plan of  
949 conversion.

950 (2) Upon such date, (A) the converting company shall immediately  
951 become a domestic stock corporation and all rights and properties of  
952 the converting company shall accrue to and become, without any deed  
953 or transfer, the rights and properties of the converted company, which  
954 shall succeed to all the obligations and liabilities of the converting  
955 company, and (B) all membership interests and equity rights in the  
956 domestic mutual holding company shall be extinguished.

957 (f) Except as provided in the plan of conversion approved by the  
958 commissioner, no person shall receive any fee, commission or other  
959 consideration, other than such person's regular salary and  
960 compensation, for aiding, promoting or assisting, in any manner, a  
961 conversion under this section. This provision shall not be deemed to  
962 prohibit the payment of reasonable fees and compensation to  
963 attorneys, accountants and other individuals who are directors or  
964 officers of the converting company for services performed in the  
965 independent practice of their professions.

966 (g) Nothing in this section shall be deemed to prohibit the purchase  
967 for cash, by individuals comprising the management or employee  
968 group of a converting company, an intermediate stock holding  
969 company or a reorganized insurer, of shares of stock not taken on a  
970 preemptive offering by persons holding equity rights, in accordance  
971 with reasonable classifications of such individuals and at the same  
972 price offered to such persons holding equity rights.

973 Sec. 12. (NEW) (*Effective from passage*) (a) (1) For a period of ten years  
974 from the effective date of a plan of reorganization under section 2 of  
975 this act, if any proceedings are brought under chapter 704c of the  
976 general statutes or pursuant to such plan of reorganization, naming as  
977 a party a domestic stock insurer created as a result of a reorganization  
978 authorized under sections 2 to 7, inclusive, of this act, the mutual  
979 holding company formed as part of the reorganization shall become a  
980 party to such proceedings.

981 (2) The assets of such mutual holding company, including, but not  
982 limited to, its interest in any intermediate stock holding company  
983 formed pursuant to sections 2 to 7, inclusive, of this act shall be  
984 deemed assets of the estate of the reorganized insurer to the extent  
985 necessary to satisfy claims against the reorganized insurer of persons  
986 who have claims falling within the priorities established in  
987 subdivisions (1) to (4), inclusive, of subsection (a) of section 38a-944 of  
988 the general statutes, except that no mutual holding company's  
989 contribution to the estate of a reorganized insurer pursuant to this

990 subdivision shall exceed the value of assets, net of liabilities, that such  
991 reorganized insurer transferred to the mutual holding company or to  
992 one or more persons owned or controlled by the mutual holding  
993 company pursuant to subsection (a) of section 5 of this act. Claims of  
994 persons in their capacity as members of the mutual holding company  
995 shall have the same priority as members of a mutual insurer  
996 authorized to do the same kinds of business as the reorganized insurer  
997 would have upon the liquidation of such an insurer under section 38a-  
998 944 of the general statutes.

999 (3) A mutual holding company may not dissolve, liquidate or wind  
1000 up and dissolve without the prior written approval of the  
1001 commissioner or the court pursuant to proceedings brought under  
1002 chapter 704c of the general statutes.

1003 (b) Except as provided in subsections (d) and (e) of this section, an  
1004 action shall be commenced:

1005 (1) (A) For an action concerning a plan or a proposed plan of  
1006 reorganization, not later than one year after the plan or proposed plan  
1007 was filed with the commissioner pursuant to subparagraph (C) of  
1008 subdivision (3) of subsection (c) of section 2 of this act or six months  
1009 after the effective date of such plan, whichever is later, or (B) if a plan  
1010 or proposed plan of reorganization was withdrawn, not later than six  
1011 months after the date the plan or proposed plan was withdrawn;

1012 (2) (A) For an action concerning a plan amendment or a proposed  
1013 plan amendment under section 4 of this act, not later than one year  
1014 after the plan amendment or proposed amendment is filed with the  
1015 commissioner pursuant to subdivision (3) of subsection (b) of section 4  
1016 of this act or six months after the effective date of such amendment,  
1017 whichever is later, or (B) if a plan amendment or proposed plan  
1018 amendment was withdrawn, not later than six months after the date  
1019 such amendment was withdrawn;

1020 (3) For an action arising out of a transfer of assets or liabilities

1021 pursuant to section 5 of this act or an offering of voting stock pursuant  
1022 to subsection (a) of section 7 of this act, which transfer or offering was  
1023 not contemplated by the plan of reorganization, not later than one year  
1024 after the date of such transfer or offering;

1025 (4) For an action concerning a plan or proposed plan of conversion  
1026 under section 11 of this act or any acts taken or proposed to be taken  
1027 under section 11 of this act, not later than one year after the plan of  
1028 conversion is filed with the commissioner pursuant to subdivision (5)  
1029 of subsection (c) of section 11 of this act or six months after the  
1030 effective date of such plan, whichever is later.

1031 (c) In any action specified in subsection (b) of this section, upon a  
1032 motion of the mutual holding company, an intermediate stock holding  
1033 company, the reorganizing insurer or the reorganized insurer that  
1034 establishes to the satisfaction of the court that a substantial likelihood  
1035 exists that such action was brought without merit and with an  
1036 intention to delay or harass, the party that brought such action shall be  
1037 required to give adequate security for the damages and reasonable  
1038 expenses, including attorneys' fees, that may be incurred by such  
1039 company and any other defendants in such action or for which such  
1040 company may become liable, as a result of or in connection with such  
1041 action. The mutual holding company, intermediate stock holding  
1042 company, reorganizing insurer or reorganized insurer shall have  
1043 recourse to such security in such amount as the court determines upon  
1044 the termination of such action. The amount of security may from time  
1045 to time be increased or decreased at the discretion of the court upon a  
1046 showing that the security provided is or may become inadequate or  
1047 excessive.

1048 (d) Any action seeking a stay, restraining order, injunction or similar  
1049 remedy to prevent or delay the closing of any transaction under  
1050 sections 2 to 14, inclusive, of this act or of any transaction described in  
1051 a plan of reorganization or a plan of conversion shall be commenced  
1052 not later than thirty days after the approval of the plan of  
1053 reorganization by the commissioner pursuant to subparagraph (A) of

1054 subdivision (3) of subsection (c) of section 2 of this act, the approval of  
1055 the commissioner pursuant to subsection (a) of section 5 of this act or  
1056 subsection (a) of section 7 of this act or approval of the plan of  
1057 conversion by the commissioner pursuant to subparagraph (A) of  
1058 subdivision (3) of subsection (c) of section 11 of this act, as applicable.

1059 (e) Any action or proceeding against the commissioner or any other  
1060 governmental body or officer in connection with any act taken or order  
1061 issued pursuant to sections 2 to 14, inclusive, of this act shall be  
1062 commenced not later than thirty days after the date of the taking of  
1063 such act or the signing of such order.

1064 Sec. 13. (NEW) (*Effective from passage*) All information, documents  
1065 and copies of such information and documents obtained by or  
1066 disclosed to the commissioner or any other person in the course of  
1067 preparing, filing or processing an application to reorganize, merge,  
1068 consolidate or convert pursuant to sections 2 to 14, inclusive, of this  
1069 act, other than information or documents distributed to members or  
1070 filed or submitted as evidence in connection with a public hearing  
1071 under sections 2 to 14, inclusive, of this act shall (1) be confidential by  
1072 law and privileged, (2) not be subject to disclosure under section 1-210  
1073 of the general statutes, (3) not be subject to subpoena, and (4) not be  
1074 subject to discovery or admissible in evidence in any civil action. The  
1075 commissioner shall not make such information, documents or copies  
1076 public without the prior written consent of the insurer to which it  
1077 pertains unless the commissioner, after giving the insurer and its  
1078 subsidiaries and affiliates that would be affected thereby notice and  
1079 opportunity to be heard, determines that the interests of members,  
1080 policyholders, security holders or the public will be served by the  
1081 publication of such information, documents or copies, in which event  
1082 the commissioner may publish all or any part of such information,  
1083 documents or copies in such manner as the commissioner deems  
1084 appropriate. The commissioner may use such information, documents  
1085 and copies in the furtherance of any regulatory or legal action brought  
1086 as part of the commissioner's official duties.

1087       Sec. 14. (NEW) (*Effective from passage*) The commissioner may adopt  
1088 regulations in accordance with the provisions of chapter 54 of the  
1089 general statutes to implement the provisions of sections 2 to 13,  
1090 inclusive, of this act.

1091       Sec. 15. Section 38a-153 of the general statutes is repealed and the  
1092 following is substituted in lieu thereof (*Effective from passage*):

1093       (a) Any domestic insurance company may, with the prior approval  
1094 of the commissioner, merge or consolidate with one or more other  
1095 domestic insurance companies or with one or more foreign or alien  
1096 insurance companies that are either authorized to do an insurance  
1097 business in this state, or are not authorized to do an insurance business  
1098 in this state provided the resulting corporation is a corporation of this  
1099 state and the laws of the other jurisdictions so permit. Prior to  
1100 approving any such merger or consolidation, the commissioner may  
1101 hold a hearing upon the fairness of the terms and conditions of the  
1102 proposed merger or consolidation after such notice as, under the  
1103 circumstances, the commissioner deems appropriate and shall find  
1104 that the interests of the policyholders and the interests of the  
1105 stockholders, if any, are protected. Such merger or consolidation may  
1106 be effected either in accordance with the provisions of the general  
1107 statutes relating to merger or consolidation of corporations organized  
1108 under the general statutes or in accordance with any provisions in the  
1109 charters of the companies merging or consolidating relating to merger  
1110 or consolidation. All expenses in connection with the proceedings shall  
1111 be borne by the resulting corporation.

1112       (b) The domestic or foreign subsidiary of an existing domestic  
1113 mutual holding company, as defined in section 1 of this act, may, with  
1114 the prior approval of the commissioner, merge with a foreign mutual  
1115 insurer in accordance with the provisions of this section.

1116       [(b)] (c) In the event of any merger or consolidation [which] that is  
1117 for the purpose or has the effect of acquiring control of a domestic  
1118 insurance company, the provisions of sections 38a-129 to 38a-140,

1119 inclusive, shall apply.

1120 Sec. 16. (NEW) (*Effective from passage*) As used in this section and  
1121 sections 17 to 21, inclusive, of this act:

1122 (1) "Alien insurer" has the same meaning as provided in section 38a-  
1123 1 of the general statutes;

1124 (2) "Authorized control level risk-based capital" means the number  
1125 determined in accordance with the risk-based capital formula set forth  
1126 in subsection (d) of section 38a-72 of the general statutes and  
1127 regulations adopted thereunder;

1128 (3) "Commissioner" means the Insurance Commissioner;

1129 (4) "Domestic insurer" has the same meaning as provided in section  
1130 38a-1 of the general statutes;

1131 (5) "Domestication" or "domesticate" means the reorganization of a  
1132 United States branch of an alien insurer, in which a domestic insurer  
1133 succeeds to all the business and assets and assumes all the liabilities of  
1134 the United States branch;

1135 (6) "State" has the same meaning as provided in section 38a-1 of the  
1136 general statutes;

1137 (7) "Trusted assets" means the assets in a trust account established  
1138 pursuant to section 18 of this act;

1139 (8) "Trusted surplus" means the aggregate value of the United  
1140 States branch's general state deposits and trusted assets deposited in a  
1141 trust account established pursuant to section 18 of this act plus accrued  
1142 investment income on such deposits and assets where such interest is  
1143 collected for trustees by the state, less the aggregate net amount of all  
1144 of the United States branch's reserves and other liabilities in the United  
1145 States as determined in accordance with section 19 of this act;

1146 (9) "United States" has the same meaning as provided in section 38a-

1147 1 of the general statutes;

1148 (10) "United States branch" means the business unit in this state  
1149 through which an alien insurer transacts the business of insurance in  
1150 the United States.

1151 Sec. 17. (NEW) (*Effective from passage*) Unless otherwise provided, all  
1152 applicable state laws that apply to domestic insurers shall apply to a  
1153 United States branch established in accordance with sections 18 to 21,  
1154 inclusive, of this act.

1155 Sec. 18. (NEW) (*Effective from passage*) (a) An alien insurer may use  
1156 this state as such insurer's state of entry through a United States  
1157 branch to transact the business of insurance in the United States by:

1158 (1) Qualifying its United States branch as an insurer licensed to do  
1159 business in this state in accordance with section 38a-41 of the general  
1160 statutes; and

1161 (2) Establishing a trust account pursuant to a trust agreement,  
1162 approved by the commissioner in accordance with subsection (c) of  
1163 this section, with a qualified United States financial institution, as  
1164 defined in section 38a-87 of the general statutes, with funds in an  
1165 amount not less than the minimum capital and surplus or authorized  
1166 control level risk-based capital, whichever is greater, required to be  
1167 maintained by a domestic insurer licensed to write the same kind of  
1168 insurance. Except as provided in subparagraph (H)(i)(III) of  
1169 subdivision (4) of subsection (c) of this section, such minimum amount  
1170 shall be maintained in such trust account at all times.

1171 (b) Prior to authorizing a United States branch, the commissioner  
1172 shall require the alien insurer to:

1173 (1) Comply with the reporting requirements set forth in section 38a-  
1174 41 of the general statutes;

1175 (2) Submit an English translation, as necessary, of any of the

1176 documents required under section 38a-41 of the general statutes; and

1177 (3) Submit to an examination of its affairs at its principal office in the  
1178 United States, except that the commissioner may accept an  
1179 examination report of the insurance regulatory official of the country  
1180 under which laws such insurer is organized.

1181 (c) (1) The trust agreement required under subdivision (2) of  
1182 subsection (a) of this section shall set forth the terms of such agreement  
1183 in a deed of trust. Such deed and all subsequent amendments to such  
1184 deed shall be authenticated in a form and manner prescribed by the  
1185 commissioner.

1186 (2) No deed of trust or amendment to such deed shall be effective  
1187 unless approved by the commissioner upon a finding that:

1188 (A) Such deed or amendment is sufficient in form and conforms  
1189 with applicable laws;

1190 (B) The trustee or trustees of the trust account are eligible to serve as  
1191 such; and

1192 (C) Such deed or amendment is adequate to protect the interests of  
1193 the beneficiaries of the trust. If at any time, after notice and hearing,  
1194 the commissioner finds that the deed of trust no longer complies with  
1195 the requirements for approval, the commissioner may withdraw such  
1196 approval.

1197 (3) The commissioner may approve modifications of or variations in  
1198 any deed of trust, provided such modifications or variations are not, in  
1199 the commissioner's judgment, prejudicial to the interests of the  
1200 residents of this state or to policyholders or creditors in the United  
1201 States of the United States branch.

1202 (4) The deed of trust shall contain provisions that:

1203 (A) Vest legal title to trusteed assets in the trustee or trustees and

1204 their lawfully appointed successors;

1205 (B) Require all assets deposited in the trust be continuously kept  
1206 within the United States;

1207 (C) Provide for substitution of a new trustee or trustees, subject to  
1208 approval by the commissioner, in the event of a vacancy;

1209 (D) Require the trustee or trustees to continuously maintain a record  
1210 of the trusted assets that is at all times sufficient to identify such  
1211 assets;

1212 (E) Require the trusted assets to consist of cash or investments or  
1213 both and accrued investment income if collectible by the trustee or  
1214 trustees;

1215 (F) Require the trust to be for the exclusive benefit, security and  
1216 protection of the policyholders, or the policyholders and creditors in  
1217 the United States, of the United States branch;

1218 (G) Require the trust to be maintained as long as there is any  
1219 outstanding liability of the alien insurer arising out of such insurer's  
1220 insurance transactions in the United States; and

1221 (H) (i) Provide that no withdrawals of assets, other than income as  
1222 specified in subdivision (5) of this subsection, shall be made or  
1223 permitted by the trustee or trustees without the approval of the  
1224 commissioner, except to (I) make deposits required by law in any state  
1225 for the security or benefit of all policyholders, or policyholders and  
1226 creditors in the United States, of the United States branch, (II)  
1227 substitute other assets as permitted by law and at least equal in value  
1228 and quality to the assets withdrawn, upon the specific written  
1229 direction of the manager of the United States branch when such  
1230 manager has been empowered by and is acting pursuant to specific or  
1231 general written authority previously given to or delegated to such  
1232 manager by the board of directors of such United States branch, or (III)  
1233 notwithstanding the minimum amount required to be maintained

1234 under subdivision (2) of subsection (a) of this section, transfer assets to  
1235 an official liquidator or rehabilitator pursuant to an order of a court of  
1236 competent jurisdiction.

1237 (ii) The approval of the commissioner for a withdrawal of assets  
1238 under this subparagraph shall not be required if the withdrawal is of  
1239 trusted assets deposited in another state and the deed of trust  
1240 requires the written approval of the insurance regulatory official of  
1241 such state for such withdrawal, provided the minimum amount  
1242 required under subdivision (2) of subsection (a) of this section is  
1243 maintained in the trust. The manager of the United States branch shall  
1244 notify the commissioner in writing of the nature and amount of any  
1245 such withdrawal.

1246 (5) The deed of trust may provide that income, earnings, dividends  
1247 or interest accumulations of the trust assets may be paid to the  
1248 manager of the United States branch upon request, provided the  
1249 minimum amount required under subdivision (2) of subsection (a) of  
1250 this section is maintained in the trust.

1251 (d) The commissioner may (1) examine the trusted assets of a  
1252 United States branch at the alien insurer's expense, and (2) require the  
1253 trustee or trustees of a trust account of such United States branch to file  
1254 a statement, in such form as the commissioner prescribes, certifying  
1255 the amounts and assets of the trust account.

1256 (e) The commissioner may revoke the license of an alien insurer  
1257 authorized to transact the business of insurance pursuant to this  
1258 section or liquidate the United States branch if any trustee of a trust  
1259 account of such United States branch violates or refuses to comply  
1260 with any provision of this section.

1261 Sec. 19. (NEW) (*Effective from passage*) (a) Not later than March first,  
1262 annually, for an annual statement, and not later than May fifteenth,  
1263 August fifteenth and November fifteenth, annually, for a quarterly  
1264 statement, each United States branch shall file with the commissioner

1265 and the National Association of Insurance Commissioners:

1266 (1) Annual and quarterly statements of the insurance business  
1267 transacted in the United States, the assets held by or for such United  
1268 States branch in the United States for the protection of policyholders  
1269 and creditors in the United States and the liabilities in the United  
1270 States incurred by such United States branch against such assets. The  
1271 annual statement shall be filed not later than March first. The annual  
1272 and quarterly statements shall not include any information about the  
1273 alien insurer's or United States branch's business, assets or liabilities  
1274 without the United States, and shall be in the same format required of  
1275 a domestic insurer licensed to write the same kind of insurance;

1276 (2) Annual and quarterly statements, in such form as the  
1277 commissioner prescribes, of trusted surplus as of the end of the same  
1278 period covered by a statement filed pursuant to subdivision (1) of this  
1279 subsection. In determining the net amount to be reported in the  
1280 statement of trusted surplus of the United States branch's liabilities in  
1281 the United States, the United States branch shall adjust the total  
1282 liabilities reported in the corresponding statement filed pursuant to  
1283 subdivision (1) of this subsection as follows:

1284 (A) Add back the liabilities used to offset admitted assets reported  
1285 in such corresponding statement; and

1286 (B) Deduct:

1287 (i) Unearned premiums on insurance producers' balances or  
1288 uncollected premiums not more than ninety days past due, not  
1289 exceeding unearned premium reserves carried on such uncollected  
1290 premiums;

1291 (ii) Reinsurance on losses with authorized insurers, less unpaid  
1292 reinsurance premiums;

1293 (iii) Reinsurance recoverables on paid losses from unauthorized  
1294 insurers that are included as assets in such corresponding statement,

1295 but only to the extent a liability for such unauthorized recoverables is  
1296 included in the liabilities report in the statement of trusteed surplus;

1297 (iv) Special state deposits held for the exclusive benefit of  
1298 policyholders, or policyholders and creditors, of such United States  
1299 branch, in any particular state, not exceeding the net liabilities reported  
1300 by such United States branch for that state;

1301 (v) Secured accrued retrospective premiums;

1302 (vi) If such United States branch is transacting life insurance, (I) the  
1303 amount of its policy loans to policyholders in the United States, not  
1304 exceeding the amount of legal reserve required on each such policy,  
1305 and (II) the net amount of uncollected and deferred premiums; and

1306 (vii) Any other nontrusteed asset the commissioner determines  
1307 secures liabilities in a substantially similar manner.

1308 (b) The commissioner may require additional information to be  
1309 provided in the annual or quarterly statements filed pursuant to  
1310 subsection (a) of this section relating to the total business or assets or  
1311 any portion thereof of the alien insurer.

1312 (c) A manager, attorney-in-fact or a duly empowered assistant  
1313 manager of the United States branch shall sign and verify the annual  
1314 statement of insurance business transacted and annual statement of  
1315 trusteed surplus under subsection (a) of this section. The trustee or  
1316 trustees of a trust that hold securities and other property shall certify  
1317 such holdings in the annual statement of trusteed surplus.

1318 (d) Each examination report of a United States branch shall include  
1319 a statement of trusteed surplus as of the date of examination in  
1320 addition to the general statement of the financial condition of the  
1321 United States branch.

1322 Sec. 20. (NEW) (*Effective from passage*) (a) Before issuing or renewing  
1323 a United States branch's license under section 18 of this act, the

1324 commissioner may require satisfactory proof, in the alien insurer's  
1325 charter or by a duly certified resolution of such insurer's board of  
1326 directors or as otherwise required by the commissioner, that such  
1327 insurer and United States branch will not engage in any insurance  
1328 business (1) in violation of sections 17 to 21, inclusive, of this act, or (2)  
1329 that is not authorized by such insurer's charter.

1330 (b) The commissioner shall renew a United States branch's license  
1331 under section 18 of this act if the commissioner is satisfied that neither  
1332 the alien insurer nor the United States branch is in violation of any  
1333 provision of sections 17 to 21, inclusive, of this act and that such  
1334 renewal will not be hazardous or prejudicial to the best interests of the  
1335 residents of this state.

1336 (c) The commissioner shall not authorize a United States branch to  
1337 (1) transact in this state any kind of insurance business or any  
1338 combination of kinds of insurance that are prohibited for domestic  
1339 insurers, or (2) transact the business of insurance in this state if such  
1340 United States branch transacts anywhere in the United States any kind  
1341 of business other than the business of insurance or business necessarily  
1342 or properly incidental to the kind of insurance such United States  
1343 branch seeks to transact in this state.

1344 (d) The commissioner shall not authorize or reauthorize a United  
1345 States branch to transact the business of insurance in this state if such  
1346 United States branch fails to (1) substantially comply with any  
1347 provision of sections 17 to 21, inclusive, of this act that the  
1348 commissioner deems necessary to protect the interests of the  
1349 policyholders of such United States branch, or (2) keep complete and  
1350 accurate records of its insurance transactions. Such records shall be  
1351 made available at the principal office of such United States branch for  
1352 inspection by the commissioner.

1353 (e) The commissioner may commence a proceeding pursuant to  
1354 chapter 704c of the general statutes against a United States branch as  
1355 an insurer whose condition is such that its further transaction of

1356 business will be hazardous to its policyholders, its creditors or the  
1357 public, in the United States, when it appears to the commissioner from  
1358 any annual or quarterly statement required under subsection (a) of  
1359 section 19 of this act or any other report that the funds in the trust  
1360 account of the United States branch of such insurer has been reduced  
1361 below the minimum amount required to be maintained under  
1362 subdivision (2) of subsection (a) of section 18 of this act.

1363       Sec. 21. (NEW) (*Effective from passage*) (a) An alien insurer whose  
1364 United States branch is licensed under section 18 of this act may, with  
1365 the prior written approval of the commissioner, domesticate its United  
1366 States branch in accordance with the provisions of this section.

1367       (b) (1) Such alien insurer shall enter into a domestication agreement  
1368 in writing with a domestic insurer that provides for the domestic  
1369 insurer to succeed to all the business and assets and to assume all the  
1370 liabilities of the United States branch. The agreement shall be  
1371 effectuated, upon approval by the commissioner, by the filing of an  
1372 instrument of transfer and assumption as set forth in subdivision (4) of  
1373 this section.

1374       (2) The alien insurer shall approve any such domestication  
1375 agreement in accordance with the laws of the country under which the  
1376 alien insurer is organized. The president or a vice president of the  
1377 domestic insurer shall execute, the board of directors of the domestic  
1378 insurer shall approve and the secretary of the domestic insurer shall  
1379 certify under corporate seal, any such domestication agreement.

1380       (3) The alien insurer and the domestic insurer shall submit to the  
1381 commissioner for approval their respective copies of the executed  
1382 domestication agreement and certified copies of their corporate  
1383 proceedings approving such agreement. The commissioner shall  
1384 approve such agreement if the commissioner finds that such  
1385 agreement complies with the provisions of this section and that the  
1386 interests of the policyholders of the United States branch and the  
1387 domestic insurer will not be materially adversely affected. The

1388 commissioner shall approve or disapprove such agreement not later  
1389 than sixty days after the later of the two insurers' submissions.

1390 (4) (A) The alien insurer or the domestic insurer shall file with the  
1391 commissioner a certified copy of the instrument of transfer and  
1392 assumption pursuant to which the domestic insurer succeeds to all the  
1393 business and assets and assumes all the liabilities of the United States  
1394 branch. Such instrument shall be in a form satisfactory to the  
1395 commissioner and executed by an authorized representative of the  
1396 alien insurer and the domestic insurer. Upon such filing, the transfer  
1397 shall be deemed effective and all rights, franchises and interests of the  
1398 United States branch in and to every species of property and all  
1399 liabilities of and actions relating to such United States branch shall be  
1400 transferred to and vested in the domestic insurer.

1401 (B) The commissioner shall, contemporaneously with the  
1402 effectuation of the domestication agreement, direct the trustee or  
1403 trustees of the United States branch's trust account to pay or transfer to  
1404 the domestic insurer all trusteed assets, if any, held by such trust.

1405 (C) For purposes of complying with any laws related to the age of  
1406 companies, the domestic insurer shall be deemed to be the age of the  
1407 older of the two insurers that are party to the domestication  
1408 agreement.

1409 (5) All deposits of the United States branch held by the  
1410 commissioner, state officers or state regulatory agencies shall be  
1411 deemed to be held as security for the satisfaction of liabilities to  
1412 policyholders in the United States assumed by the domestic insurer  
1413 from the United States branch. Such deposits shall be deemed assets of  
1414 the domestic insurer and shall be reported as such in annual financial  
1415 statements and other reports the domestic insurer is required to file.  
1416 Upon the ultimate release of any such deposits by the commissioner,  
1417 state officer or state regulatory agency, the cash or securities or both  
1418 constituting such released deposit shall be paid or delivered to the  
1419 domestic insurer as the lawful successor in interest to the United States

1420 branch.

1421 Sec. 22. Subsection (c) of section 38a-72 of the general statutes is  
1422 repealed and the following is substituted in lieu thereof (*Effective from*  
1423 *passage*):

1424 (c) No alien property, marine or casualty insurance company shall  
1425 be licensed to transact business in this state unless it furnishes a  
1426 certificate showing that it has, for the protection of all policyholders, a  
1427 cash deposit with the Treasurer of this state, or with the proper officer  
1428 of some other state, of not less than the minimum capital and surplus  
1429 requirements for similar foreign insurance companies or seven  
1430 hundred and fifty thousand dollars, whichever amount is less; nor  
1431 unless it has a trusteed surplus, as defined in section [38a-74] 16 of this  
1432 act, at least as great as the minimum capital and surplus requirements  
1433 for similar foreign insurance companies.

1434 Sec. 23. Section 38a-317 of the general statutes is repealed and the  
1435 following is substituted in lieu thereof (*Effective from passage*):

1436 An owner of a mobile home shall be a homeowner for purposes of  
1437 sections 38a-72, [to 38a-75, inclusive] as amended by this act, 38a-73,  
1438 38a-285, 38a-305 to 38a-318, inclusive, 38a-328, 38a-663 to 38a-696,  
1439 inclusive, 38a-827 and 38a-894 to 38a-898, inclusive, and homeowners  
1440 policies as regulated under said sections shall be offered on the same  
1441 terms to such an owner as to other homeowners, when such owner of a  
1442 mobile home owns and occupies a mobile dwelling equipped for year-  
1443 round living [which] that is permanently attached to a permanent  
1444 foundation on property owned or leased by such owner of a mobile  
1445 home, is connected to utilities, is assessed as real property on the tax  
1446 list of the town in which it is located and is in conformance with  
1447 applicable state and local laws and ordinances.

1448 Sec. 24. Section 38a-905 of the general statutes is repealed and the  
1449 following is substituted in lieu thereof (*Effective from passage*):

1450 For the purposes of sections 38a-903 to 38a-961, inclusive:

1451 (1) "Alien insurer domiciled in this state" means a United States  
1452 branch.

1453 [(1)] (2) "Ancillary state" means any state other than a domiciliary  
1454 state.

1455 [(2)] (3) "Commissioner" means the Insurance Commissioner.

1456 [(3)] (4) "Commodity contract" means: (A) A contract for the  
1457 purchase or sale of a commodity for future delivery on, or subject to  
1458 the rules of, a board of trade designated as a contract market by the  
1459 Commodity Futures Trading Commission under the Commodity  
1460 Exchange Act (7 USC 1 et seq.) or board of trade outside the United  
1461 States; (B) an agreement that is subject to regulation under Section 19  
1462 of the Commodity Exchange Act (7 USC 1, et seq.) and that is  
1463 commonly known to the commodities trade as a margin account,  
1464 margin contract, leverage account or leverage contract; or (C) an  
1465 agreement or transaction that is subject to regulation under section  
1466 4c(b) of the Commodity Exchange Act (7 USC 1 et seq.) and that is  
1467 commonly known to the commodities trade as a commodity option.

1468 [(4)] (5) "Creditor" [is] means a person having any claim, whether  
1469 matured or unmatured, liquidated or unliquidated, secured or  
1470 unsecured, absolute, fixed or contingent.

1471 [(5)] (6) "Delinquency proceeding" means any proceeding instituted  
1472 against an insurer for the purpose of liquidating, rehabilitating,  
1473 reorganizing or conserving such insurer, and any summary  
1474 proceeding under section 38a-912. "Formal delinquency proceeding"  
1475 means any liquidation or rehabilitation proceeding.

1476 [(6)] (7) "Doing business", "doing insurance business" and the  
1477 "business of insurance", includes any of the following acts, whether  
1478 effected by mail or otherwise: (A) The issuance or delivery of contracts  
1479 of insurance, either to persons resident in or covering a risk located in  
1480 this state; (B) the solicitation of applications for such contracts or other  
1481 negotiations preliminary to the execution of such contracts; (C) the

1482 collection of premiums, membership fees, assessments or other  
1483 consideration for such contracts; (D) the transaction of matters  
1484 subsequent to execution of such contracts and arising out of them; or  
1485 (E) operating under a license or certificate of authority, as an insurer,  
1486 issued by the Insurance Department.

1487 [(7)] (8) "Domiciliary state" means the state in which an insurer is  
1488 incorporated or organized, or, in the case of an alien insurer, its state of  
1489 entry.

1490 [(8)] (9) "Fair consideration" is given for property or obligation: (A)  
1491 When in exchange for such property or obligation, as a fair equivalent  
1492 therefor, and in good faith, property is conveyed or services are  
1493 rendered or an obligation is incurred or an antecedent debt is satisfied;  
1494 or (B) when such property or obligation is received in good faith to  
1495 secure a present advance or antecedent debt in an amount not  
1496 disproportionately small as compared to the value of the property or  
1497 obligation obtained.

1498 [(9)] (10) "Foreign country" has the same meaning [assigned to it] as  
1499 provided in section 38a-1.

1500 [(10)] (11) "Forward contract" means a contract, other than a  
1501 commodity contract, for the purchase, sale or transfer of a commodity,  
1502 as defined in Section 1 of the Commodity Exchange Act (7 USC 1 et  
1503 seq.), or any similar good, article, service, right or interest that is  
1504 presently or in the future becomes the subject of dealing in the forward  
1505 contract trade, or product or by-product thereof, with a maturity date  
1506 more than two days after the date the contract is entered into,  
1507 including, but not limited to, a repurchase transaction, reverse  
1508 repurchase transaction, unallocated hedge transaction, deposit, loan,  
1509 option, allocated transaction or a combination of these or option on  
1510 any of them.

1511 [(11)] (12) "General assets" includes all property, real, personal or  
1512 otherwise, not specifically mortgaged, pledged, deposited or otherwise

1513 encumbered for the security or benefit of specified persons or classes  
1514 of persons. As to specifically encumbered property, "general assets"  
1515 includes all such property or its proceeds in excess of the amount  
1516 necessary to discharge the sum or sums secured thereby. Assets held  
1517 in trust and on deposit for the security or benefit of all policyholders or  
1518 all policyholders and creditors, in more than a single state, shall be  
1519 treated as general assets.

1520 [(12)] (13) "Guaranty association" means the Connecticut Insurance  
1521 Guaranty Association established pursuant to sections 38a-836 to 38a-  
1522 853, inclusive, the Connecticut Life and Health Insurance Guaranty  
1523 Association established pursuant to sections 38a-858 to 38a-875,  
1524 inclusive, and any other similar entity created by the General  
1525 Assembly for the payment of claims of insolvent insurers. "Foreign  
1526 guaranty association" means any similar entities created by the  
1527 legislature of any other state.

1528 [(13)] (14) "Insolvency" and "insolvent" have the [meanings assigned  
1529 to them] same meanings as provided in section 38a-1.

1530 [(14)] (15) "Insurer" means any person who has done, purports to  
1531 do, is doing or is licensed to do an insurance business, and is or has  
1532 been subject to the authority of, or to liquidation, rehabilitation,  
1533 reorganization, supervision or conservation by, any insurance  
1534 commissioner. For purposes of sections 38a-903 to 38a-961, inclusive,  
1535 any other persons included under section 38a-904 shall be deemed to  
1536 be insurers.

1537 [(15)] (16) "Netting agreement" means a contract or agreement,  
1538 including terms and conditions incorporated by reference therein,  
1539 including a master agreement, which master agreement, together with  
1540 all schedules, confirmations, definitions and addenda thereto and  
1541 transactions under any thereof, shall be treated as one netting  
1542 agreement, that (A) documents one or more transactions between the  
1543 parties to the agreement for or involving one or more qualified  
1544 financial contracts and (B) provides for the netting or liquidation of

1545 qualified financial contracts or present or future payment obligations  
1546 or payment entitlements thereunder, including liquidation or closeout  
1547 values relating to such obligations or entitlements, among the parties  
1548 to the netting agreement.

1549 [(16)] (17) "Preferred claim" means any claim with respect to which  
1550 the terms of sections 38a-903 to 38a-961, inclusive, accord priority of  
1551 payment from the general assets of the insurer.

1552 [(17)] (18) "Qualified financial contract" means a commodity  
1553 contract, forward contract, repurchase agreement, securities contract,  
1554 swap agreement and any similar agreement that the commissioner  
1555 determines to be a qualified financial contract for the purposes of this  
1556 chapter.

1557 [(18)] (19) "Receiver" means receiver, liquidator, rehabilitator or  
1558 conservator, as the context requires.

1559 [(19)] (20) "Reciprocal state" means any state other than this state in  
1560 which in substance and effect sections 38a-920, 38a-954, 38a-955 and  
1561 38a-957 to 38a-959, inclusive, are in force and in which provisions are  
1562 in force, requiring that the commissioner or equivalent official be the  
1563 receiver of a delinquent insurer and in which some provision exists for  
1564 the avoidance of fraudulent conveyances and preferential transfers.

1565 [(20)] (21) "Repurchase agreement" and "reverse repurchase  
1566 agreement" mean an agreement, including related terms, that provides  
1567 for the transfer of certificates of deposit, eligible bankers' acceptances,  
1568 or securities that are direct obligations of, or that are fully guaranteed  
1569 as to principal and interest by, the United States or an agency of the  
1570 United States against the transfer of funds by the transferee of the  
1571 certificates of deposit, eligible bankers' acceptances or securities with a  
1572 simultaneous agreement by the transferee to transfer to the transferor  
1573 certificates of deposit, eligible bankers' acceptances or securities as  
1574 described in this subdivision, at a date certain not later than one year  
1575 after the transfers or on demand, against the transfer of funds. For the

1576 purposes of this subdivision, the items that may be subject to an  
1577 agreement include mortgage-related securities, a mortgage loan, and  
1578 an interest in a mortgage loan, and shall not include any participation  
1579 in a commercial mortgage loan, unless the commissioner determines to  
1580 include the participation within the meaning of the term.

1581 [(21)] (22) "Secured claim" means any claim secured by an asset that  
1582 is not a general asset. "Secured claim" also includes claims which have  
1583 become liens upon specific assets by reason of judicial process prior to  
1584 four months before the commencement of delinquency proceedings.  
1585 "Secured claim" does not include a special deposit claim or a claim  
1586 arising from a constructive or resulting trust.

1587 [(22)] (23) "Securities contract" means a contract for the purchase,  
1588 sale or loan of a security, including an option for the repurchase or sale  
1589 of a security, certificate of deposit, or group or index of securities,  
1590 including an interest therein or based on the value thereof, or an  
1591 option entered into on a national securities exchange relating to  
1592 foreign currencies, or the guarantee of a settlement of cash or securities  
1593 by or to a securities clearing agency. For the purposes of this  
1594 subdivision, "security" includes a mortgage loan, mortgage-related  
1595 securities, and an interest in any mortgage loan or mortgage-related  
1596 security.

1597 [(23)] (24) "Special deposit claim" means any claim secured by a  
1598 deposit made pursuant to a state statute for the security or benefit of a  
1599 limited class or classes of persons, but does not include any claim  
1600 secured by general assets.

1601 [(24)] "State" means any state, district or territory of the United  
1602 States.]

1603 (25) "State" has the same meaning as provided in section 38a-1.

1604 [(25)] (26) "Swap agreement" means an agreement, including the  
1605 terms and conditions incorporated by reference in an agreement, that  
1606 is a rate swap agreement, basis swap, commodity swap, forward rate

1607 agreement, interest rate future, interest rate option, forward foreign  
1608 exchange agreement, spot foreign exchange agreement, rate cap  
1609 agreement, rate floor agreement, rate collar agreement, currency swap  
1610 agreement, cross-currency rate swap agreement, currency future, or  
1611 currency option or any other similar agreement, and includes any  
1612 combination of agreements and an option to enter into an agreement.

1613 [(26)] (27) "Transfer" includes the sale and every other and different  
1614 mode, direct or indirect, of disposing of or of parting with property or  
1615 with an interest therein, or with the possession thereof or of fixing a  
1616 lien upon property or upon an interest therein, absolutely or  
1617 conditionally, voluntarily, by or without judicial proceedings. The  
1618 retention of a security title to property delivered to a debtor shall be  
1619 deemed a transfer suffered by the debtor.

1620 (28) "United States branch" has the same meaning as provided in  
1621 section 16 of this act.

1622 Sec. 25. Section 38a-914 of the general statutes is repealed and the  
1623 following is substituted in lieu thereof (*Effective from passage*):

1624 The commissioner may apply by petition to the Superior Court for  
1625 an order authorizing [him] the commissioner to rehabilitate a domestic  
1626 insurer or an alien insurer domiciled in this state on any one or more of  
1627 the following grounds:

1628 [(a)] (1) The insurer is in such condition that the further transaction  
1629 of business would be hazardous, financially, to its policyholders,  
1630 creditors or the public.

1631 [(b)] (2) There is reasonable cause to believe that there has been  
1632 embezzlement from the insurer, wrongful sequestration or diversion of  
1633 the insurer's assets, forgery or fraud affecting the insurer, or other  
1634 illegal conduct in, by, or with respect to the insurer that if established  
1635 would endanger assets in an amount threatening the solvency of the  
1636 insurer.

1637        [(c)] (3) The insurer has failed to remove any person who in fact has  
1638 executive authority in the insurer, whether an officer, manager, general  
1639 agent, employee, or other person, if the person has been found after  
1640 notice and hearing by the commissioner to be dishonest or  
1641 untrustworthy in a way affecting the insurer's business.

1642        [(d)] (4) Control of the insurer, whether by stock ownership or  
1643 otherwise, and whether direct or indirect, is in a person or persons  
1644 found after notice and hearing to be dishonest or untrustworthy.

1645        [(e)] (5) Any person who in fact has executive authority in the  
1646 insurer, whether an officer, manager, general agent, director or trustee,  
1647 employee or other person has refused to be examined under oath by  
1648 the commissioner concerning its affairs, whether in this state or  
1649 elsewhere, and after reasonable notice of the fact the insurer has failed  
1650 promptly and effectively to terminate the employment and status of  
1651 the person and all [his] such person's influence on management.

1652        [(f)] (6) After demand by the commissioner pursuant to section 38a-  
1653 14 or [pursuant to] sections 38a-903 to 38a-961, inclusive, the insurer  
1654 has failed to promptly make available for examination any of its own  
1655 property, books, accounts, documents or other records, or those of any  
1656 subsidiary or related company within the control of the insurer, or  
1657 those of any person having executive authority in the insurer so far as  
1658 they pertain to the insurer.

1659        [(g)] (7) Without first obtaining the written consent of the  
1660 commissioner, (A) the insurer has transferred or attempted to transfer,  
1661 in a manner contrary to section 38a-136, substantially its entire  
1662 property or business, or has entered into any transaction the effect of  
1663 which is to merge, consolidate or reinsure substantially its entire  
1664 property or business in or with the property or business of any other  
1665 person, or (B) the United States branch has transferred or attempted to  
1666 transfer, in a manner contrary to section 18 of this act, substantially its  
1667 entire property or business, or has entered into any transaction the  
1668 effect of which is to merge, consolidate or reinsure substantially its

1669 entire property or business in or with the property or business of any  
1670 other person.

1671 [(h)] (8) The insurer or its property has been or is the subject of an  
1672 application for the appointment of a receiver, trustee, custodian,  
1673 conservator or sequestrator or similar fiduciary of the insurer or its  
1674 property [otherwise] other than as authorized under the insurance  
1675 laws of this state, and such appointment has been made or is  
1676 imminent, and such appointment might oust the courts of this state of  
1677 jurisdiction or might prejudice orderly delinquency proceedings under  
1678 sections 38a-903 to 38a-961, inclusive.

1679 [(i)] (9) Within the previous four years the insurer has wilfully  
1680 violated its charter or articles of incorporation, its bylaws, any  
1681 insurance laws of this state or any valid order of the commissioner.

1682 [(j)] (10) The insurer has failed to pay within sixty days after due  
1683 date any obligation to any state or any subdivision thereof or any  
1684 judgment entered in any state, if the court in which such judgment was  
1685 entered had jurisdiction over such subject matter, except that such  
1686 nonpayment shall not be a ground until sixty days after any good faith  
1687 effort by the insurer to contest the obligation has been terminated,  
1688 whether it is before the commissioner or in the courts, or the insurer  
1689 has systematically attempted to compromise or renegotiate previously  
1690 agreed settlements with its creditors on the ground that it is financially  
1691 unable to pay its obligations in full.

1692 [(k)] (11) The insurer has failed to file its annual report or other  
1693 financial report required by statute within the time allowed by law  
1694 and, after written demand by the commissioner, has failed to give an  
1695 adequate explanation immediately.

1696 [(l)] (12) The board of directors or the holders of a majority of the  
1697 shares entitled to vote, or a majority of those individuals entitled to the  
1698 control of those entities specified in section 38a-904, request or consent  
1699 to rehabilitation under sections 38a-903 to 38a-961, inclusive.

1700 Sec. 26. Sections 38a-74 and 38a-75 of the general statutes are  
 1701 repealed. (*Effective from passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>from passage</i>	New section
Sec. 8	<i>from passage</i>	New section
Sec. 9	<i>from passage</i>	New section
Sec. 10	<i>from passage</i>	New section
Sec. 11	<i>from passage</i>	New section
Sec. 12	<i>from passage</i>	New section
Sec. 13	<i>from passage</i>	New section
Sec. 14	<i>from passage</i>	New section
Sec. 15	<i>from passage</i>	38a-153
Sec. 16	<i>from passage</i>	New section
Sec. 17	<i>from passage</i>	New section
Sec. 18	<i>from passage</i>	New section
Sec. 19	<i>from passage</i>	New section
Sec. 20	<i>from passage</i>	New section
Sec. 21	<i>from passage</i>	New section
Sec. 22	<i>from passage</i>	38a-72(c)
Sec. 23	<i>from passage</i>	38a-317
Sec. 24	<i>from passage</i>	38a-905
Sec. 25	<i>from passage</i>	38a-914
Sec. 26	<i>from passage</i>	Repealer section

**INS**      *Joint Favorable Subst.*