304.37-505 Reorganization of domestic mutual insurance company by forming mutual insurance holding company -- Hearing -- Approval.

(1) A domestic mutual insurance company, upon approval of the commissioner, may reorganize by forming an insurance holding company based upon a mutual plan and continuing the corporate existence of the reorganizing insurance company as a stock insurance company. The commissioner, after a public hearing conducted in accordance with KRS Chapter 13B, if satisfied that the interests of the policyholders are properly protected and that the plan of reorganization is fair and equitable to the policyholders, may approve the proposed plan of reorganization and may require as a condition of approval modification of the proposed plan of reorganization as the commissioner finds necessary for the protection of the policyholders' interests. A reorganization under this section is subject to KRS 304.37-120(1), (2), (3), (6), and (7). The commissioner shall retain jurisdiction over a mutual insurance holding company organized under this section to assure that policyholder interests are protected.

(2) All of the initial shares of the capital stock of the reorganized insurance company shall be issued to the mutual insurance holding company. The membership interests of the policyholders of the reorganized insurance company shall become membership interests in the mutual insurance holding company. Policyholders of the reorganized insurance company shall be members of the mutual insurance holding company in accordance with the articles of incorporation and bylaws of the mutual insurance holding company. The mutual insurance holding company shall at all times own a majority of the voting shares of the capital stock of the reorganized insurance company.

(3) A domestic mutual insurance company, upon the approval of the commissioner, may reorganize by merging its policyholders' membership interests into a mutual insurance holding company formed under this section and continuing the corporate existence of the reorganizing insurance company as a stock insurance company subsidiary of the mutual insurance holding company. The commissioner, after a public hearing conducted in accordance with KRS Chapter 13B, if satisfied that the interests of the policyholders are properly protected and that the merger is fair and equitable to the policyholders, may approve the proposed merger and may require as a condition of approval modification of the proposed merger as the commissioner finds necessary for the protection of the policyholders' interests. A merger under this section is subject to KRS 304.37-120(1), (2), (3), (6), and (7). The commissioner shall retain jurisdiction over a mutual insurance holding company organized under this section to assure that policyholder interests are protected.

(4) A merger of policyholders' membership interests in a mutual insurance company into a mutual insurance holding company shall be deemed to be a merger of the insurance companies under Subtitle 37 of KRS Chapter 304.

Effective: July 15, 2010

History: Amended 2010 Ky. Acts ch. 24, sec. 1487, effective July 15, 2010. -- Created 1998 Ky. Acts ch. 546, sec. 2, effective July 15, 1998.

Legislative Research Commission Note (5/7/99). Under KRS 7.136(1)(h), the phrases "the interest of policyholders" and "plan or reorganization" in the second sentence of subsection (1) of this statute have been changed to "the interests of policyholders" and "plan of reorganization" to correct manifest clerical or

typographical errors.