

1984

Session Law 84-037

Florida Senate & House of Representatives

Follow this and additional works at: <https://ir.law.fsu.edu/staff-analysis>



Part of the Legislation Commons

Recommended Citation

House of Representatives, Florida Senate &, "Session Law 84-037" (1984). *Staff Analysis*. 485.
<https://ir.law.fsu.edu/staff-analysis/485>

This Article is brought to you for free and open access by the Florida Legislative Documents at Scholarship Repository. It has been accepted for inclusion in Staff Analysis by an authorized administrator of Scholarship Repository. For more information, please contact efarrell@law.fsu.edu.

LEGISLATIVE SUPPLEMENT "B" - SESSION LAW ABSTRACT

Sess. Law # 84-37	Sec. #	LOF cite
Prime Bill #	Comp./Sim. Bills 11	
JLHC Hist. Cites	Senate 122-4	Comms. of Ref. Senate ... House Com. (SHE Property)
	House 155	

COMMITTEE RECORDS

H/S	Committee	Year	Record Series: Folder title, etc.	Loc. Cite	✓
H	Commerce	1784	Bill file - HB 544	19/1307	✓
"	"	"	" " SE 353	19/1309	✓
"	"	"	Minutes (sub 11-14)	19/1311	NE
"	"	"	...	"	IC
S	Commerce	1784	Bill ... SE 353	18/1401	✓
<input type="checkbox"/> continued on reverse					

Senate/House Journals

Page #	?	Date	Page #	?	Date

Committee/Floor Tapes

H/S	c/f	Committee/subcommittee name	Date	#	Location Cite

Other Documentation

Record Series Title, folder title, etc.	Location Cite

REVISED: May 31, 1984

BILL NO. CS/SB 353

COPY

DATE: March 1, 1984

Page 1

reproduced by
FLORIDA STATE ARCHIVES
DEPARTMENT OF STATE
R A GRAY BUILDING
Tallahassee, FL 32399-0250
Series 18 Carton 1401

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

	<u>ANALYST</u>	<u>STAFF DIRECTOR</u>	<u>REFERENCE</u>	<u>ACTION</u>
1.	<u>Stahl</u>	<u>Martin</u>	1. <u>COM</u>	<u>FAV./CS</u>
2.	<u> </u>	<u> </u>	2. <u> </u>	<u> </u>
3.	<u> </u>	<u> </u>	3. <u> </u>	<u> </u>

SUBJECT:

Insurance

BILL NO. AND SPONSOR:

CS/SB 353 by
Commerce Committee, Senator Thomas,
and Senator W. D. Childers
Signed by Governor - (ch. 84-37)

I. SUMMARY:

A. Present Situation:

The Florida Insurance Code prohibits any person from acquiring 5 percent or more of the voting securities of any domestic stock insurance company unless the Department of Insurance approves the transaction, s. 628.461, F. S. A person seeking to acquire 5 percent or more of a domestic company's stock must give the Department and the domestic insurer at least 60 days notice prior to the proposed tender offer or date of acquisition. The notice must include background information of the principals involved, the source and amount of the funds to be used in the offer, the plans, if any, of whether the offeror intends to liquidate or sell the assets of the insurer, and other information pertaining to the number of shares involved in the proposed transaction. The Department is required to approve the transaction if it determines that the acquisition will not jeopardize the financial stability of the insurer nor prejudice the interests of existing policyholders and stockholders. The overall purpose of the section is to ensure the safety of policyholders and stockholders from injury caused by a domestic insurer's takeover by outside third-parties. The Department's authority to enforce the statute is not enumerated in the section, but the statute does provide that "Any acquisition of any security contrary to the provisions of this section shall be void." The domestic insurer may petition the circuit court to enjoin or otherwise enforce the provisions of the statute. The Department is not given express authority to do the same.

B. Effect of Proposed Changes:

The bill strengthens and broadens the Department's ability to enforce the provisions of this section. The Department may disapprove any acquisition by a person who: 1) willfully violates the section; 2) fails to divest stock acquired in violation of this section; or 3) acquires stock in violation of this section and then, after notice of the violation, acquires additional stock.

The bill gives the Department express authority to revoke the certificate of authority of any domestic stock insurer: 1) the control of which is acquired in violation of this section; 2) which is controlled, directly or indirectly, by any person who obtained control in violation of the section; or, 3) which is controlled, directly or indirectly, by a person, who, directly

or indirectly, controls any person who acquires control of the domestic stock insurer in violation of this section. This last provision is aimed at preventing persons from acting in concert to circumvent the statute's prohibition against an individual acquiring 5 percent or more of the domestic insurer's stock, (for example, 3 people who agree to act in concert to each acquire 4.9% of a company's outstanding stock).

The bill provides for a hearing, upon notice to the Department, to determine whether or not a person or affiliated persons have acquired five percent or more of the outstanding securities of a domestic stock insurer. Pending the outcome of the hearing, the Department must issue an order prohibiting such persons from acquiring further securities. If the Department determines that any person has acquired securities in violation of this section, the Department may order such person to divest themselves of the securities.

II. ECONOMIC IMPACT AND FISCAL NOTE:

A. Public:

The bill does not have a direct economic impact upon policyholders or stockholders of domestic insurers. However, since the bill indirectly protects the financial interest of both policy and stockholders from prejudicial takeovers by third-parties, there may be some financial benefit to policy and stockholders.

B. Government:

No substantial impact.

III. COMMENTS:

IV. AMENDMENTS:

None.

COPY

reproduced by
FLORIDA STATE ARCHIVES
DEPARTMENT OF STATE
P. A. GRAY BUILDING
Tallahassee, FL 32399-0250
Series 18 Carton 1401

1 A bill to be entitled
 2 An act relating to insurance; amending s.
 3 628.461, F.S., prohibiting acquisition by
 4 certain persons of controlling stock in certain
 5 companies; providing for disapproval of
 6 acquisitions made in violation of the section
 7 under certain circumstances, providing for the
 8 suspension or revocation of certificates of
 9 authority of domestic insurance companies when
 10 control of such insurer was acquired through
 11 unlawful stock acquisition, providing for
 12 notice and hearing and the issuance of orders,
 13 providing severability; providing an effective
 14 date

15
16 Be It Enacted by the Legislature of the State of Florida:

17
18 Section 1. Section 628.461, Florida Statutes, is
19 amended to read:

20 628.461 Acquisition of controlling stock --

21 (1) No person shall, individually or in conjunction
 22 with any affiliated person of such person, acquire directly or
 23 indirectly 5 percent or more of the outstanding voting
 24 securities of a domestic stock insurance company or of a
 25 controlling company or make a tender offer or exchange offer
 26 for 5 percent or more of the outstanding voting securities of
 27 a domestic stock insurance company or of a controlling
 28 company, enter into any agreement to exchange securities for 5
 29 percent or more of the outstanding voting securities of a
 30 domestic stock insurance company or of a controlling company,
 31 or otherwise seek to acquire 5 percent or more of the

1 outstanding voting securities of a domestic stock insurance
2 company or of a controlling company, unless.

3 (a) Such person or affiliated person of such person
4 has filed with the department and sent to such insurer and
5 controlling company a statement as specified in subsection (3)
6 at least 60 days prior to the time any form of tender offer or
7 exchange offer is to be furnished to securityholders, or at
8 least 60 days prior to the proposed date of the acquisition of
9 such securities if no such tender offer or exchange offer is
10 involved; and

11 (b) The department has approved the proposed offer or
12 acquisition prior to the time any form of tender offer or
13 exchange offer is made to securityholders, or prior to the
14 acquisition of such securities if no such tender offer or
15 exchange offer is involved, and such approval is in effect.

16 (2) This section does not apply to any acquisition of
17 voting securities of a domestic stock insurer or of a
18 controlling company by any person who, on July 1, 1976, is the
19 owner of a majority of such voting securities or who, on or
20 after July 1, 1976, becomes the owner of a majority of such
21 voting securities with the approval of the department pursuant
22 to this section. It does apply, however, whenever any
23 domestic stock insurance company or controlling company makes
24 a tender offer or exchange offer, enters into an agreement to
25 exchange securities for 5 percent or more of the voting stock,
26 or otherwise seeks to acquire 5 percent or more of the
27 outstanding voting securities of any stock insurance company
28 or controlling company.

29 (3) The statement to be filed with the department and
30 furnished to the insurer and controlling company shall contain
31 the following information and any such additional information

1 as the department may deem necessary to determine the
2 character, experience, ability, and other qualifications of
3 such person or affiliated person of such person for the
4 protection of the policyholders and shareholders of such
5 insurer and the public:

6 (a) The identity of, and the background information
7 specified in subsection (4) on, each natural person by whom,
8 or on whose behalf, the acquisition is to be made, and if the
9 acquisition is to be made by, or on behalf of, a corporation,
10 association, or trust, as to such corporation, association, or
11 trust and as to any person who controls either directly or
12 indirectly such corporation, association, or trust, the
13 identity of, and the background information specified in
14 subsection (4) on, each director, officer, trustee, or other
15 natural person performing duties similar to that of a
16 director, officer, or trustee for the corporation,
17 association, or trust;

18 (b) The source and amount of the funds or other
19 consideration used, or to be used, in making the acquisition,

20 (c) Any plans or proposals which such persons may have
21 made to liquidate such insurer, to sell any of its assets or
22 merge or consolidate it with any person, or to make any other
23 major change in its business or corporate structure or
24 management; and any plans or proposals which such persons may
25 have made to liquidate any controlling company of such
26 insurer, to sell any of its assets or merge or consolidate it
27 with any person, or to make any other major change in its
28 business or corporate structure or management;

29 (d) The number of shares or other securities ~~of such~~
30 ~~security~~ which such person or any affiliated person of such
31 person proposes to acquire and the terms of the proposed

1 acquisition and the manner in which such securities are to be
2 acquired offer or exchange, as the case may be; and

3 (e) Information as to any contracts, arrangements, or
4 understandings with any party with respect to any securities
5 of such insurer or controlling company, including, but not
6 limited to, information relating to the transfer of any of the
7 securities, option arrangements, puts or calls, or the giving
8 or withholding of proxies, naming the party with whom such
9 contract, arrangements, or understandings have been entered
10 into and giving the details thereof.

11 (4)(a) The information as to the background and
12 identity of each person, which information is required to be
13 furnished pursuant to paragraph (3)(a), shall include:

14 1. Such person's occupations, positions of employment,
15 and offices held during the past 10 years.

16 2. The principal business and address of any business,
17 corporation, or other organization in which each such office
18 was held, or in which such occupation or position of
19 employment was carried on.

20 3 Whether such person was, at any time during such
21 10-year period, convicted of any crime other than a traffic
22 violation.

23 4. Whether such person has been, during such 10-year
24 period, the subject of any proceeding for the revocation of
25 any license and, if so, the nature of such proceeding and the
26 disposition thereof.

27 5. Whether, during such 10-year period, such person
28 has been the subject of any proceeding under the federal
29 Bankruptcy Act or whether, during such 10-year period, any
30 corporation, partnership, firm, trust, or association in which
31 such person was a director, officer, trustee, partner, or

1 other official has been subject to any such proceeding, either
2 during the time in which such person was a director, officer,
3 trustee, partner, or other official, or within 12 months
4 thereafter.

5 6. Whether, during such 10-year period, such person
6 has been enjoined, either temporarily or permanently, by a
7 court of competent jurisdiction from violating any federal or
8 state law regulating the business of insurance, securities, or
9 banking, or from carrying out any particular practice or
10 practices in the course of the business of insurance,
11 securities, or banking, together with details as to any such
12 event.

13 (b) Any corporation, association, or trust filing the
14 statement required by this section shall give all required
15 information as is within the knowledge of the ~~its~~ directors,
16 trustees, officers, or others performing functions similar to
17 that of a director, officer, or trustee of the corporation,
18 association, or trust making the filing and of any person
19 controlling either directly or indirectly such corporation,
20 association, or trust. A copy of the statement and any
21 amendments thereto shall be sent by registered mail to the
22 insurer at its principal office within the state and to any
23 controlling company at its principal office. If any material
24 change occurs in the facts set forth in the statement filed
25 with the department and sent to such insurer or controlling
26 company pursuant to this section, an amendment setting forth
27 such changes shall be filed immediately with the department
28 and sent immediately to such insurer and controlling company.

29 (5) The acquisition of voting securities shall be
30 deemed approved unless the department, within 60 days after
31 the statement required by subsection (1) has been filed, calls

1 a public hearing to consider the matter. The department shall
2 call and hold such public hearing, if requested in writing to
3 do so by the insurer or controlling company within such 60-day
4 period, and, if not so requested, may call and hold such
5 public hearing in its discretion. If the domestic stock
6 insurer and controlling company file an instrument in writing
7 with the department waiving their right to request a public
8 hearing, the department may, in its discretion, by order
9 shorten the 60-day period and approve the acquisition.

10 (6) The department may disapprove any acquisition
11 subject to the provisions of this section by any person or any
12 affiliated person of such person who:

13 (a) Willfully violates this section;

14 (b) In violation of an order of the department, issued
15 pursuant to subsection (14), fails to divest himself of any
16 stock obtained in violation of this section or fails to divest
17 himself of any direct or indirect control thereof, within 25
18 days after such order; or

19 (c) In violation of an order issued by the department
20 pursuant to subsection (14), acquires additional stock of the
21 domestic insurance company or controlling company, or direct
22 or indirect control thereof, without complying with this
23 section.

24 ~~(7)~~(6) The person or persons filing the statement
25 required by subsection (1) shall have the burden of proof
26 The department shall approve any such acquisition if it finds,
27 on the basis of the filed statement if there is no public
28 hearing, or on the basis of the record made at a public
29 hearing, that:

30 (a) Upon completion of the acquisition, the domestic
31 stock insurer would be able to satisfy the requirements for

1 the issuance of a license to write the line or lines of
2 insurance for which it is presently licensed;

3 (b) The financial condition of the acquiring person or
4 persons will not jeopardize the financial stability of the
5 insurer or prejudice the interests of its policyholders and
6 will not prejudice the interests of any remaining shareholders
7 who are unaffiliated with the acquiring person;

8 (c) Any plans or proposals which the acquiring person
9 has, or acquiring persons have, made to liquidate the insurer,
10 to sell its assets or to merge or consolidate it with any
11 person, or to make any other major change in its business or
12 corporate structure or management; or to liquidate any
13 controlling company, to sell its assets or to merge or
14 consolidate it with any person, or to make any major change in
15 its business or corporate structure or management which would
16 have an effect upon the insurer, are fair and free of
17 prejudice to the policyholders and shareholders of the
18 domestic stock insurer;

19 (d) The competence, experience, and integrity of those
20 persons who would control directly or indirectly the operation
21 of the domestic stock insurer indicate that the acquisition is
22 in the best interest of the policyholders and shareholders of
23 such insurer, and in the public interest; and

24 (e) The natural persons whose backgrounds are required
25 to be furnished pursuant to this section have such backgrounds
26 as to indicate that it is in the best interests of the
27 policyholders and shareholders of the domestic stock insurer,
28 and in the public interest, to permit such persons to exercise
29 control over such domestic stock insurer.

30 (8)~~(7)~~ No vote by the stockholder of record, or by any
31 other person, of any security acquired in contravention of the

1 provisions of this section shall be valid. Any acquisition of
2 any security contrary to the provisions of this section shall
3 be void. The circuit court for the county in which the
4 principal office of such domestic stock insurer is located
5 may, without limiting the generality of its authority, upon
6 the petition of the domestic stock insurer or controlling
7 company, order the issuance or entry of an injunction or other
8 order to enforce the provisions of this section. There shall
9 be a private right of action in favor of the domestic stock
10 insurer or controlling company to enforce the provisions of
11 this section. No demand upon the department to perform its
12 functions shall be a prerequisite to any suit by the domestic
13 stock insurer or controlling company against any other person,
14 and in no case shall the department be deemed to be a
15 necessary party to any action by such domestic stock insurer
16 or controlling company to enforce the provisions of this
17 section. Any person who makes or proposes any acquisition
18 requiring the filing of a statement pursuant to this section,
19 or who files such a statement, shall be deemed to have thereby
20 designated the Insurance Commissioner and Treasurer or his
21 assistant or deputy or another person in charge of his office
22 as such person's agent for service of process under this
23 section, and shall thereby be deemed to have submitted himself
24 to the administrative jurisdiction of the department and the
25 jurisdiction of the circuit court.

26 (9)~~(8)~~ No approval of the department under this
27 section shall constitute a recommendation by the department of
28 any acquisition, tender offer, or exchange offer. It is
29 unlawful for any person to represent that any such approval
30 constitutes any such recommendation. Any person who violates
31 the provisions of this subsection is guilty of a felony of the

1 third degree, punishable as provided in s 775.082, s.
2 775.083, or s. 775 084 The statute of limitations for
3 prosecution of offenses committed under this subsection is 5
4 years.

5 (10) ~~(9)~~ The department is authorized to adopt, amend,
6 or repeal rules and regulations necessary to implement the
7 provisions of this section, pursuant to chapter 120.

8 (11) ~~(10)~~ For the purposes of this section, the term
9 "controlling company" means any corporation, trust, or
10 association owning, directly or indirectly, 25 percent or more
11 of the voting securities of one or more domestic stock
12 insurance companies.

13 (12) For the purpose of this section, "affiliated
14 person" of another person means:

15 (a) The spouse of such other person,

16 (b) The parents of such other person and their lineal
17 descendants and the parents of such other person's spouse and
18 their lineal descendants;

19 (c) Any person directly or indirectly owning,
20 controlling, or holding with power to vote, 5 percent or more
21 of the outstanding voting securities of such other person;

22 (d) Any person 5 percent or more of whose outstanding
23 voting securities are directly or indirectly owned,
24 controlled, or held with power to vote by such other person;

25 (e) Any person or group of persons directly or
26 indirectly controlling, controlled by, or under common control
27 with such other person,

28 (f) Any officer, director, partner, copartner, or
29 employee of such other person;

30

31

1 (g) If such other person is an investment company, any
2 investment advisor thereof or any member of an advisory board
3 thereof.

4 (h) If such other person is an unincorporated
5 investment company not having a board of directors, the
6 depositor thereof; or

7 (i) Any person who has entered into an agreement,
8 written or unwritten, to act in concert with such person in
9 acquiring or limiting the disposition of securities of a
10 domestic stock insurer or controlling company.

11 (13)(a) The department shall suspend or revoke the
12 certificate of authority of any insurer or controlling
13 company:

14 1. The control of which is acquired in violation of
15 this section,

16 2. That is controlled, directly or indirectly, by any
17 person or any affiliated person of such person who, in
18 violation of this section, obtained control of a domestic
19 stock insurer or controlling company, or

20 3. That is controlled, directly or indirectly, by any
21 person who, directly or indirectly, controls any person who,
22 in violation of this section, acquires control of a domestic
23 stock insurer or controlling company.

24 (b) If any insurer is subject to suspension or
25 revocation pursuant to paragraph (a), it shall be deemed to be
26 in such condition or to be using, or to have been subject to,
27 such methods or practices in the conduct of its business as to
28 render its further transaction of insurance presently or
29 prospectively hazardous to its policyholders, creditors,
30 stockholders, or the public.

31

1 (14) Upon notification to the department by the
2 domestic stock insurance company or a controlling company that
3 any person or any affiliated person of such person has
4 acquired 5 percent or more of the outstanding voting
5 securities of such domestic stock insurance company or
6 controlling company, the department shall order that such
7 person and any affiliated person of such person cease
8 acquisition of any further securities of such domestic stock
9 insurance company or controlling company; provided, however,
10 that the person or any affiliated person of such person may
11 request a hearing which shall be convened within 7 days after
12 such order for the sole purpose of determining whether such
13 person, individually or in connection with any affiliated
14 person of such person, has acquired 5 percent or more of the
15 outstanding voting securities of a domestic stock insurance
16 company or controlling company. Upon failure of the person or
17 affiliated person of such person to request a hearing within 7
18 days or upon a determination at a hearing convened pursuant to
19 this subsection that such person or affiliated person has
20 acquired voting securities of a domestic stock insurer or
21 controlling company in violation of this section, the
22 department may order such person and affiliated person to
23 divest themselves of any such acquired voting securities.

24 Section 2. If any provision of this act or the
25 application thereof to any person or circumstance is held
26 invalid, the invalidity shall not affect other provisions or
27 applications of the act which can be given effect without the
28 invalid provision or application, and to this end the
29 provisions of this act are declared severable

30 Section 3. This act shall take effect upon becoming a
31 law.

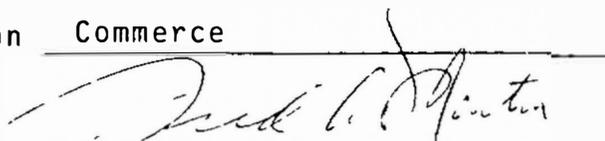
STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
COMMITTEE SUBSTITUTE FOR SENATE BILL 353

COPY

reproduced by
FLORIDA STATE ARCHIVES
DEPARTMENT OF STATE
R. A. GRAY BUILDING
Tallahassee, FL 32399-0250
Series 18 Carton 1401

The bill expands and clarifies the authority of the Department of Insurance to examine and approve acquisitions or tender offers involving 5 percent or more of the voting securities of domestic stock insurers. The bill provides for notice and hearing prior to the department's approval or disapproval of a given acquisition or tender offer.

Committee on Commerce


~~Chairman or~~ Staff Director

REVISED: _____

BILL NO. CS/SB 353

DATE: March 1, 1984

Page 1



SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

reproduced by
FLORIDA STATE ARCHIVE
DEPARTMENT OF STATE
R A GRAY BUILDING
Tallahassee, FL 32399 021

	<u>ANALYST</u>	<u>STAFF DIRECTOR</u>	<u>REFERENCE</u>	<u>ACTION</u>
1.	<u>Stahl</u> <i>AS</i>	<u>Martin</u> <i>AS</i>	1. <u>COM</u>	<u>FAV./CS</u>
2.	_____	_____	2. _____	_____
3.	_____	_____	3. _____	_____

Series 18 Carton 140

SUBJECT:

Insurance

BILL NO. AND SPONSOR:

CS/SB 353 by Commerce
and Senator Thomas &
Senator W. D. Childers

I. SUMMARY:

A. Present Situation:

The Florida Insurance Code prohibits any person from acquiring 5 percent or more of the voting securities of any domestic stock insurance company unless the Department of Insurance approves the transaction, s. 628.461, F. S. A person seeking to acquire 5 percent or more of a domestic company's stock must give the Department and the domestic insurer at least 60 days notice prior to the proposed tender offer or date of acquisition. The notice must include background information of the principals involved, the source and amount of the funds to be used in the offer, the plans, if any, of whether the offeror intends to liquidate or sell the assets of the insurer, and other information pertaining to the number of shares involved in the proposed transaction. The Department is required to approve the transaction if it determines that the acquisition will not jeopardize the financial stability of the insurer nor prejudice the interests of existing policyholders and stockholders. The overall purpose of the section is to ensure the safety of policyholders and stockholders from injury caused by a domestic insurer's takeover by outside third-parties. The Department's authority to enforce the statute is not enumerated in the section, but the statute does provide that "Any acquisition of any security contrary to the provisions of this section shall be void." The domestic insurer may petition the circuit court to enjoin or otherwise enforce the provisions of the statute. The Department is not given express authority to do the same.

B. Effect of Proposed Changes:

The bill strengthens and broadens the Department's ability to enforce the provisions of this section. The Department may disapprove any acquisition by a person who: 1) willfully violates the section; 2) fails to divest stock acquired in violation of this section; or 3) acquires stock in violation of this section and then, after notice of the violation, acquires additional stock.

The bill gives the Department express authority to revoke the certificate of authority of any domestic stock insurer: 1) the control of which is acquired in violation of this section; 2) which is controlled, directly or indirectly, by any person who obtained control in violation of the section; or, 3) which is controlled, directly or indirectly, by a person, who, directly or indirectly, controls any person who acquires control of the domestic stock insurer in violation of this section. This last

provision is aimed at preventing persons from acting in concert to circumvent the statute's prohibition against an individual acquiring 5 percent or more of the domestic insurer's stock, (for example, 3 people who agree to act in concert to each acquire 4.9% of a company's outstanding stock).

The bill provides for a hearing, upon notice to the Department, to determine whether or not a person or affiliated persons have acquired five percent or more of the outstanding securities of a domestic stock insurer. Pending the outcome of the hearing, the Department must issue an order prohibiting such persons from acquiring further securities. If the Department determines that any person has acquired securities in violation of this section, the Department may order such person to divest themselves of the securities.

II. ECONOMIC IMPACT AND FISCAL NOTE:

A. Public:

The bill does not have a direct economic impact upon policyholders or stockholders of domestic insurers. However, since the bill indirectly protects the financial interest of both policy and stockholders from prejudicial takeovers by third-parties, there may be some financial benefit to policy and stockholders.

B. Government:

No substantial impact.

III. COMMENTS:

IV. AMENDMENTS:

None.

ORIGINAL FILED

310-764-84

CS for SB 363

COPY

reproduced by
FLORIDA STATE ARCHIVES
DEPARTMENT OF STATE
R. A. GRAY BUILDING
Tallahassee, FL 32399-0250
Series 18 Carton 1401

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

A bill to be entitled
An act relating to insurance; amending s
628.461, F.S.; prohibiting acquisition by
certain persons of controlling stock in certain
companies; providing for disapproval of
acquisitions made in violation of the section
under certain circumstances; providing for the
suspension or revocation of certificates of
authority of domestic insurance companies when
control of such insurer was acquired through
unlawful stock acquisition, providing for
severability; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 628 461, Florida Statutes, is
amended to read:

628.461 Acquisition of controlling stock.--

(1) No person or any affiliated person of such person
shall acquire directly or indirectly 5 percent or more of the
outstanding voting securities of a domestic stock insurance
company or of a controlling company or make a tender offer or
exchange offer for 5 percent or more of the outstanding voting
securities of a domestic stock insurance company or of a
controlling company, enter into any agreement to exchange
securities for 5 percent or more of the outstanding voting
securities of a domestic stock insurance company or of a
controlling company, or otherwise seek to acquire 5 percent or
more of the outstanding voting securities of a domestic stock
insurance company or of a controlling company, unless:

1 (a) Such person or affiliated person of such person
2 has filed with the department and sent to such insurer and
3 controlling company a statement as specified in subsection (3)
4 at least 60 days prior to the time any form of tender offer or
5 exchange offer is to be furnished to securityholders, or at
6 least 60 days prior to the proposed date of the acquisition of
7 such securities if no such tender offer or exchange offer is
8 involved; and

9 (b) The department has approved the proposed offer or
10 acquisition prior to the time any form of tender offer or
11 exchange offer is made to securityholders, or prior to the
12 acquisition of such securities if no such tender offer or
13 exchange offer is involved, and such approval is in effect.

14 (2) This section does not apply to any acquisition of
15 voting securities of a domestic stock insurer or of a
16 controlling company by any person who, on July 1, 1976, is the
17 owner of a majority of such voting securities or who, on or
18 after July 1, 1976, becomes the owner of a majority of such
19 voting securities with the approval of the department pursuant
20 to this section. It does apply, however, whenever any
21 domestic stock insurance company or controlling company makes
22 a tender offer or exchange offer, enters into an agreement to
23 exchange securities for 5 percent or more of the voting stock,
24 or otherwise seeks to acquire 5 percent or more of the
25 outstanding voting securities of any stock insurance company
26 or controlling company.

27 (3) The statement to be filed with the department and
28 furnished to the insurer and controlling company shall contain
29 the following information and any such additional information
30 as the department may deem necessary to determine the
31 character, experience, ability, and other qualifications of

1 | such person or affiliated person of such person for the
2 | protection of the policyholders and shareholders of such
3 | insurer and the public:

4 | (a) The identity of, and the background information
5 | specified in subsection (4) on, each natural person by whom,
6 | or on whose behalf, the acquisition is to be made, and if the
7 | acquisition is to be made by, or on behalf of, a corporation,
8 | association, or trust, as to such corporation, association, or
9 | trust and as to any person who controls either directly or
10 | indirectly such corporation, association, or trust, the
11 | identity of, and the background information specified in
12 | subsection (4) on, each director, officer, trustee, or other
13 | natural person performing duties similar to that of a
14 | director, officer, or trustee for the corporation,
15 | association, or trust;

16 | (b) The source and amount of the funds or other
17 | consideration used, or to be used, in making the acquisition;

18 | (c) Any plans or proposals which such persons may have
19 | made to liquidate such insurer, to sell any of its assets or
20 | merge or consolidate it with any person, or to make any other
21 | major change in its business or corporate structure or
22 | management; and any plans or proposals which such persons may
23 | have made to liquidate any controlling company of such
24 | insurer, to sell any of its assets or merge or consolidate it
25 | with any person, or to make any other major change in its
26 | business or corporate structure or management;

27 | (d) The number of shares or other securities of such
28 | ~~security~~ which such person or any affiliated person of such
29 | person proposes to acquire and the terms of the proposed
30 | acquisition and the manner in which such securities are to be
31 | acquired offer or exchange, as the case may be; and

1 (e) Information as to any contracts, arrangements, or
2 understandings with any party with respect to any securities
3 of such insurer or controlling company, including, but not
4 limited to, information relating to the transfer of any of the
5 securities, option arrangements, puts or calls, or the giving
6 or withholding of proxies, naming the party with whom such
7 contract, arrangements, or understandings have been entered
8 into and giving the details thereof.

9 (4)(a) The information as to the background and
10 identity of each person, which information is required to be
11 furnished pursuant to paragraph (3)(a), shall include:

12 1. Such person's occupations, positions of employment,
13 and offices held during the past 10 years.

14 2. The principal business and address of any business,
15 corporation, or other organization in which each such office
16 was held, or in which such occupation or position of
17 employment was carried on.

18 3. Whether such person was, at any time during such
19 10-year period, convicted of any crime other than a traffic
20 violation.

21 4. Whether such person has been, during such 10-year
22 period, the subject of any proceeding for the revocation of
23 any license and, if so, the nature of such proceeding and the
24 disposition thereof.

25 5. Whether, during such 10-year period, such person
26 has been the subject of any proceeding under the federal
27 Bankruptcy Act or whether, during such 10-year period, any
28 corporation, partnership, firm, trust, or association in which
29 such person was a director, officer, trustee, partner, or
30 other official has been subject to any such proceeding, either
31 during the time in which such person was a director, officer,

1 trustee, partner, or other official, or within 12 months
2 thereafter.

3 6. Whether, during such 10-year period, such person
4 has been enjoined, either temporarily or permanently, by a
5 court of competent jurisdiction from violating any federal or
6 state law regulating the business of insurance, securities, or
7 banking, or from carrying out any particular practice or
8 practices in the course of the business of insurance,
9 securities, or banking, together with details as to any such
10 event.

11 (b) Any corporation, association, or trust filing the
12 statement required by this section shall give all required
13 information as is within the knowledge of the ~~the~~ directors,
14 trustees, officers, or others performing functions similar to
15 that of a director, officer, or trustee of the corporation,
16 association, or trust making the filing and of any person
17 controlling either directly or indirectly such corporation,
18 association, or trust. A copy of the statement and any
19 amendments thereto shall be sent by registered mail to the
20 insurer at its principal office within the state and to any
21 controlling company at its principal office. If any material
22 change occurs in the facts set forth in the statement filed
23 with the department and sent to such insurer or controlling
24 company pursuant to this section, an amendment setting forth
25 such changes shall be filed immediately with the department
26 and sent immediately to such insurer and controlling company.

27 (5) The acquisition of voting securities shall be
28 deemed approved unless the department, within 60 days after
29 the statement required by subsection (1) has been filed, calls
30 a public hearing to consider the matter. The department shall
31 call and hold such public hearing, if requested in writing to

1 do so by the insurer or controlling company within such 60-day
2 period, and, if not so requested, may call and hold such
3 public hearing in its discretion. If the domestic stock
4 insurer and controlling company file an instrument in writing
5 with the department waiving their right to request a public
6 hearing, the department may, in its discretion, by order
7 shorten the 60-day period and approve the acquisition.

8 (6) The department shall disapprove any acquisition
9 subject to the provisions of this section by any person or any
10 affiliated person of such person who:

11 (a) Willfully violates this section, or

12 (b) Upon notification to such person from the
13 department that such person has obtained stock in violation of
14 this section, fails to divest himself of such stock and any
15 direct or indirect control thereof within 30 days of such
16 notification; or

17 (c) Acquires stock in violation of this section and
18 after notification as provided in paragraph (b) acquires
19 additional stock of the domestic stock insurer or controlling
20 company, or direct or indirect control thereof, without
21 complying with this section.

22 ~~(7)~~(6) The person or persons filing the statement
23 required by subsection (1) shall have the burden of proof.
24 The department shall approve any such acquisition if it finds,
25 on the basis of the filed statement if there is no public
26 hearing, or on the basis of the record made at a public
27 hearing, that:

28 (a) Upon completion of the acquisition, the domestic
29 stock insurer would be able to satisfy the requirements for
30 the issuance of a license to write the line or lines of
31 insurance for which it is presently licensed;

1 (b) The financial condition of the acquiring person or
2 persons will not jeopardize the financial stability of the
3 insurer or prejudice the interests of its policyholders and
4 will not prejudice the interests of any remaining shareholders
5 who are unaffiliated with the acquiring person;

6 (c) Any plans or proposals which the acquiring person
7 has, or acquiring persons have, made to liquidate the insurer,
8 to sell its assets or to merge or consolidate it with any
9 person, or to make any other major change in its business or
10 corporate structure or management; or to liquidate any
11 controlling company, to sell its assets or to merge or
12 consolidate it with any person, or to make any major change in
13 its business or corporate structure or management which would
14 have an effect upon the insurer, are fair and free of
15 prejudice to the policyholders and shareholders of the
16 domestic stock insurer;

17 (d) The competence, experience, and integrity of those
18 persons who would control directly or indirectly the operation
19 of the domestic stock insurer indicate that the acquisition is
20 in the best interest of the policyholders and shareholders of
21 such insurer, and in the public interest; and

22 (e) The natural persons whose backgrounds are required
23 to be furnished pursuant to this section have such backgrounds
24 as to indicate that it is in the best interests of the
25 policyholders and shareholders of the domestic stock insurer,
26 and in the public interest, to permit such persons to exercise
27 control over such domestic stock insurer.

28 (B) (7) No vote by the stockholder of record, or by any
29 other person, of any security acquired in contravention of the
30 provisions of this section shall be valid. Any acquisition of
31 any security contrary to the provisions of this section shall

1 be void. The circuit court for the county in which the
2 principal office of such domestic stock insurer is located
3 may, without limiting the generality of its authority, upon
4 the petition of the domestic stock insurer or controlling
5 company, order the issuance or entry of an injunction or other
6 order to enforce the provisions of this section. There shall
7 be a private right of action in favor of the domestic stock
8 insurer or controlling company to enforce the provisions of
9 this section. No demand upon the department to perform its
10 functions shall be a prerequisite to any suit by the domestic
11 stock insurer or controlling company against any other person,
12 and in no case shall the department be deemed to be a
13 necessary party to any action by such domestic stock insurer
14 or controlling company to enforce the provisions of this
15 section. Any person who makes or proposes any acquisition
16 requiring the filing of a statement pursuant to this section,
17 or who files such a statement, shall be deemed to have thereby
18 designated the Insurance Commissioner and Treasurer or his
19 assistant or deputy or another person in charge of his office
20 as such person's agent for service of process under this
21 section, and shall thereby be deemed to have submitted himself
22 to the administrative jurisdiction of the department and the
23 jurisdiction of the circuit court.

24 (9) ~~(8)~~ No approval of the department under this
25 section shall constitute a recommendation by the department of
26 any acquisition, tender offer, or exchange offer. It is
27 unlawful for any person to represent that any such approval
28 constitutes any such recommendation. Any person who violates
29 the provisions of this subsection is guilty of a felony of the
30 third degree, punishable as provided in s. 775.082, s.
31 775.083, or s. 775.084 The statute of limitations for

1 prosecution of offenses committed under this subsection is 5
2 years.

3 ~~(10)~~ ~~(9)~~ The department is authorized to adopt, amend,
4 or repeal rules and regulations necessary to implement the
5 provisions of this section, pursuant to chapter 120.

6 ~~(11)~~ ~~(10)~~ For the purposes of this section, the term
7 "controlling company" means any corporation, trust, or
8 association owning, directly or indirectly, 25 percent or more
9 of the voting securities of one or more domestic stock
10 insurance companies.

11 ~~(12)~~ For the purpose of this section, "affiliated
12 person" of another person means:

13 (a) The spouse of such other person;

14 (b) The parents of such other person and their lineal
15 descendants and the parents of such other person's spouse and
16 their lineal descendants,

17 (c) Any person directly or indirectly owning,
18 controlling, or holding with power to vote, 5 percent or more
19 of the outstanding voting securities of such other person;

20 (d) Any person 5 percent or more of whose outstanding
21 voting securities are directly or indirectly owned,
22 controlled, or held with power to vote by such other person;

23 (e) Any person directly or indirectly controlling,
24 controlled by, or under common control with such other person;

25 (f) Any officer, director, partner, copartner, or
26 employee of such other person;

27 (g) If such other person is an investment company, any
28 investment advisor thereof or any member of an advisory board
29 thereof;
30
31

1 (h) If such other person is an unincorporated
2 investment company not having a board of directors, the
3 depositor thereof; and

4 (1) Any person who has entered into an agreement,
5 written or unwritten, to act in concert with such person in
6 acquiring or limiting the disposition of securities of a
7 domestic stock insurer or controlling company.

8 (13)(a) The department shall suspend or revoke the
9 certificate of authority of any insurer or controlling
10 company:

11 1. The control of which is acquired in violation of
12 this section;

13 2. That is controlled, directly or indirectly, by any
14 person or any affiliated person of such person who, in
15 violation of this section, obtained control of a domestic
16 stock insurer or controlling company, or

17 3 That is controlled, directly or indirectly, by any
18 person who, directly or indirectly, controls any person who,
19 in violation of this section, acquires control of a domestic
20 stock insurer or controlling company.

21 (b) If any insurer is subject to suspension or
22 revocation pursuant to paragraph (a), it shall be deemed to be
23 in such condition or to be using, or to have been subject to,
24 such methods or practices in the conduct of its business as to
25 render its further transaction of insurance presently or
26 prospectively hazardous to its policyholders, creditors,
27 stockholders, or the public.

28 Section 2. If any provision of this act or the
29 application thereof to any person or circumstance is held
30 invalid, the invalidity shall not affect other provisions or
31 applications of the act which can be given effect without the

1 | invalid provision or application, and to this end the
2 | provisions of this act are declared severable.

3 | Section 3. This act shall take effect upon becoming a
4 | law.

5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

reproduced by
FLORIDA STATE ARCHIVES
DEPARTMENT OF STATE
R A GRAY BUILDING
Tallahassee, FL 32399 0250
See HB
Series 18 Carton 1401

2-662-84

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

A bill to be entitled

An act relating to insurance; amending s
628 461, F S , providing for disapproval of
acquisitions made in violation of the section
under certain circumstances; providing for
revocation of certificates of authority of
domestic insurance companies when control of
such insurer was acquired through unlawful
stock acquisition, providing an effective date.

Be It Enacted by the Legislature of the State of Florida.

Section 1. Section 628 461, Florida Statutes, is
amended to read:

628.461 Acquisition of controlling stock.--

(1) No person shall make a tender offer or exchange
offer for 5 percent or more of the outstanding voting
securities of a domestic stock insurance company or of a
controlling company, enter into any agreement to exchange
securities for 5 percent or more of the outstanding voting
securities of a domestic stock insurance company or of a
controlling company, or otherwise seek to acquire 5 percent or
more of the outstanding voting securities of a domestic stock
insurance company or of a controlling company, unless

(a) Such person has filed with the department and sent
to such insurer and controlling company a statement as
specified in subsection (3) at least 60 days prior to the time
any form of tender offer or exchange offer is to be furnished
to securityholders, or at least 60 days prior to the proposed
date of the acquisition of such securities if no such tender
offer or exchange offer is involved; and

1 (b) The department has approved the proposed offer or
2 acquisition prior to the time any form of tender offer or
3 exchange offer is made to securityholders, or prior to the
4 acquisition of such securities if no such tender offer or
5 exchange offer is involved, and such approval is in effect.

6 (2) This section does not apply to any acquisition of
7 voting securities of a domestic stock insurer or of a
8 controlling company by any person who, on July 1, 1976, is the
9 owner of a majority of such voting securities or who, on or
10 after July 1, 1976, becomes the owner of a majority of such
11 voting securities with the approval of the department pursuant
12 to this section. It does apply, however, whenever any
13 domestic stock insurance company or controlling company makes
14 a tender offer or exchange offer, enters into an agreement to
15 exchange securities for 5 percent or more of the voting stock,
16 or otherwise seeks to acquire 5 percent or more of the
17 outstanding voting securities of any stock insurance company
18 or controlling company.

19 (3) The statement to be filed with the department and
20 furnished to the insurer and controlling company shall contain
21 the following information and any such additional information
22 as the department may deem necessary to determine the
23 character, experience, ability, and other qualifications of
24 such person for the protection of the policyholders and
25 shareholders of such insurer and the public:

26 (a) The identity of, and the background information
27 specified in subsection (4) on, each natural person by whom,
28 or on whose behalf, the acquisition is to be made, and if the
29 acquisition is to be made by, or on behalf of, a corporation,
30 association, or trust, the identity of, and the background
31 information specified in subsection (4) on, each director,

1 officer, trustee, or other natural person performing duties
2 similar to that of a director, officer, or trustee for the
3 corporation, association, or trust;

4 (b) The source and amount of the funds or other
5 consideration used, or to be used, in making the acquisition,

6 (c) Any plans or proposals which such persons may have
7 made to liquidate such insurer, to sell its assets or merge or
8 consolidate it with any person, or to make any other major
9 change in its business or corporate structure or management,
10 and any plans or proposals which such persons may have made to
11 liquidate any controlling company of such insurer, to sell its
12 assets or merge or consolidate it with any person, or to make
13 any other major change in its business or corporate structure
14 or management;

15 (d) The number of shares of such security which such
16 person proposes to acquire and the terms of the offer or
17 exchange, as the case may be, and

18 (e) Information as to any contracts, arrangements, or
19 understandings with any party with respect to any securities
20 of such insurer or controlling company, including, but not
21 limited to, information relating to the transfer of any of the
22 securities, option arrangements, puts or calls, or the giving
23 or withholding of proxies, naming the party with whom such
24 contract, arrangements, or understandings have been entered
25 into and giving the details thereof

26 (4)(a) The information as to the background and
27 identity of each person, which information is required to be
28 furnished pursuant to paragraph (3)(a), shall include:

29 1. Such person's occupations, positions of employment,
30 and offices held during the past 10 years.
31

1 2. The principal business and address of any business,
2 corporation, or other organization in which each such office
3 was held, or in which such occupation or position of
4 employment was carried on.

5 3. Whether such person was, at any time during such
6 10-year period, convicted of any crime other than a traffic
7 violation.

8 4. Whether such person has been, during such 10-year
9 period, the subject of any proceeding for the revocation of
10 any license and, if so, the nature of such proceeding and the
11 disposition thereof.

12 5. Whether, during such 10-year period, such person
13 has been the subject of any proceeding under the federal
14 Bankruptcy Act or whether, during such 10-year period, any
15 corporation, partnership, firm, trust, or association in which
16 such person was a director, officer, trustee, partner, or
17 other official has been subject to any such proceeding, either
18 during the time in which such person was a director, officer,
19 trustee, partner, or other official, or within 12 months
20 thereafter.

21 6. Whether, during such 10-year period, such person
22 has been enjoined, either temporarily or permanently, by a
23 court of competent jurisdiction from violating any federal or
24 state law regulating the business of insurance, securities, or
25 banking, or from carrying out any particular practice or
26 practices in the course of the business of insurance,
27 securities, or banking, together with details as to any such
28 event.

29 (b) Any corporation, association, or trust filing the
30 statement required by this section shall give all required
31 information as is within the knowledge of its directors,

1 trustees, officers, or others performing functions similar to
2 that of a director, officer, or trustee. A copy of the
3 statement and any amendments thereto shall be sent by
4 registered mail to the insurer at its principal office within
5 the state and to any controlling company at its principal
6 office. If any material change occurs in the facts set forth
7 in the statement filed with the department and sent to such
8 insurer or controlling company pursuant to this section, an
9 amendment setting forth such changes shall be filed
10 immediately with the department and sent immediately to such
11 insurer and controlling company.

12 (5) The acquisition of voting securities shall be
13 deemed approved unless the department, within 60 days after
14 the statement required by subsection (1) has been filed, calls
15 a public hearing to consider the matter. The department shall
16 call and hold such public hearing if requested in writing to
17 do so by the insurer or controlling company within such 60-day
18 period and, if not so requested, may call and hold such public
19 hearing in its discretion. If the domestic stock insurer and
20 controlling company file an instrument in writing with the
21 department waiving their right to request a public hearing,
22 the department may, in its discretion, by order shorten the
23 60-day period and approve the acquisition.

24 (6) The department shall disapprove any acquisition
25 subject to the provisions of this section by any person who

26 (a) Willfully violates this section, or

27 (b) Upon notification to such person from the domestic
28 stock insurer, controlling company, or the department that
29 such person has obtained stock in violation of this section,
30 fails to divest itself of such stock and any direct or
31

1 indirect control thereof within 30 days of such notification;

2 or

3 (c) Acquires stock in violation of this section and
4 after notification as provided in paragraph (b) acquires
5 additional stock of the domestic stock insurer or controlling
6 company, or direct or indirect control thereof, without
7 complying with this section

8 ~~(7)(6)~~ The person or persons filing the statement
9 required by subsection (1) shall have the burden of proof.
10 The department shall approve any such acquisition if it finds,
11 on the basis of the filed statement if there is no public
12 hearing, or on the basis of the record made at a public
13 hearing, that.

14 (a) Upon completion of the acquisition, the domestic
15 stock insurer would be able to satisfy the requirements for
16 the issuance of a license to write the line or lines of
17 insurance for which it is presently licensed,

18 (b) The financial condition of the acquiring person
19 will not jeopardize the financial stability of the insurer or
20 prejudice the interests of its policyholders and will not
21 prejudice the interests of any remaining shareholders who are
22 unaffiliated with the acquiring person;

23 (c) Any plans or proposals which the acquiring person
24 has made to liquidate the insurer, to sell its assets or to
25 merge or consolidate it with any person, or to make any other
26 major change in its business or corporate structure or
27 management; or to liquidate any controlling company, to sell
28 its assets or to merge or consolidate it with any person, or
29 to make any major change in its business or corporate
30 structure or management which would have an effect upon the
31

1 insurer, are fair and free of prejudice to the policyholders
2 and shareholders of the domestic stock insurer;

3 (d) The competence, experience, and integrity of those
4 persons who would control the operation of the domestic stock
5 insurer indicate that the acquisition is in the best interest
6 of the policyholders and shareholders of such insurer, and in
7 the public interest, and

8 (e) The natural persons whose backgrounds are required
9 to be furnished pursuant to this section have such backgrounds
10 as to indicate that it is in the best interests of the
11 policyholders and shareholders of the domestic stock insurer,
12 and in the public interest, to permit such persons to exercise
13 control over such domestic stock insurer.

14 (8)~~(7)~~ No vote by the stockholder of record, or by any
15 other person, of any security acquired in contravention of the
16 provisions of this section shall be valid. Any acquisition of
17 any security contrary to the provisions of this section shall
18 be void. The circuit court for the county in which the
19 principal office of such domestic stock insurer is located
20 may, without limiting the generality of its authority, upon
21 the petition of the domestic stock insurer or controlling
22 company, order the issuance or entry of an injunction or other
23 order to enforce the provisions of this section. There shall
24 be a private right of action in favor of the domestic stock
25 insurer or controlling company to enforce the provisions of
26 this section. No demand upon the department to perform its
27 functions shall be a prerequisite to any suit by the domestic
28 stock insurer or controlling company against any other person,
29 and in no case shall the department be deemed to be a
30 necessary party to any action by such domestic stock insurer
31 or controlling company to enforce the provisions of this

1 section. Any person who makes or proposes any acquisition
 2 requiring the filing of a statement pursuant to this section,
 3 or who files such a statement, shall be deemed to have thereby
 4 designated the Insurance Commissioner and Treasurer or his
 5 assistant or deputy or another person in charge of his office
 6 as such person's agent for service of process under this
 7 section, and shall thereby be deemed to have submitted himself
 8 to the administrative jurisdiction of the department and the
 9 jurisdiction of the circuit court.

10 ~~(9)~~(8) No approval of the department under this
 11 section shall constitute a recommendation by the department of
 12 any acquisition, tender offer, or exchange offer. It is
 13 unlawful for any person to represent that any such approval
 14 constitutes any such recommendation. Any person who violates
 15 the provisions of this subsection is guilty of a felony of the
 16 third degree, punishable as provided in s. 775.082, s.
 17 775 083, or s. 775 084. The statute of limitations for
 18 prosecution of offenses committed under this subsection is 5
 19 years.

20 ~~(10)~~(9) The department is authorized to adopt, amend,
 21 or repeal rules and regulations necessary to implement the
 22 provisions of this section, pursuant to chapter 120.

23 ~~(11)~~(10) For the purposes of this section, the term
 24 "controlling company" means any corporation, trust, or
 25 association owning 25 percent or more of the voting securities
 26 of one or more domestic stock insurance companies.

27 (12)(a) The department shall revoke the certificate of
 28 authority of any insurer or controlling company,

29 1. The control of which is acquired in violation of
 30 this section;

31

1 ~~2. That is controlled, directly or indirectly, by any~~
2 ~~person who, in violation of this section, obtained control of~~
3 ~~a domestic stock insurer or controlling company; or~~

4 ~~3. That is controlled, directly or indirectly, by any~~
5 ~~person who, directly or indirectly, controls any person who,~~
6 ~~in violation of this section, acquires control of a domestic~~
7 ~~stock insurer or controlling company.~~

8 ~~(b) If any insurer is subject to revocation pursuant~~
9 ~~to paragraph (a), it shall be deemed to be in such condition~~
10 ~~or to be using, or to have been subject to, such methods or~~
11 ~~practices in the conduct of its business as to render its~~
12 ~~further transaction of insurance presently or prospectively~~
13 ~~hazardous to its policyholders, creditors, stockholders, or~~
14 ~~the public.~~

15 Section 2 This act shall take effect upon a becoming
16 law.

17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

HOUSE SUMMARY

With respect to acquisitions of the controlling stock of a domestic stock insurance company, provides for disapproval by the Department of Insurance of same, when made in violation of the law. Also provides for revocation of the certificate of authority of any insurer or controlling company when control of such insurer was acquired through unlawful stock acquisition.

Bill Analysis

COPY



reproduced by
FLORIDA STATE ARCHIVES
DEPARTMENT OF STATE
R. A. GRAY BUILDING
Tallahassee, FL 32399-0250
Series 17 Carton 1309

Florida House of Representatives

H. Lee Moffitt, Speaker Steve Pajcic, Speaker pro tempore
Committee on Commerce

Samuel P. Bell, III
Chairman

Dexter W. Lehtinen
Vice Chairman

STAFF SUMMARY AND ANALYSIS

CS/SB 353 by Commerce, et al. DATE: April 6, 1984
relating to acquisition of REVISED: _____
domestic insurers REVISED: _____
Other Committees of Reference: IDENTICAL*/SIMILAR BILLS:
None HB 544
EFFECTIVE DATE: _____
Upon becoming law

I. SUMMARY AND PURPOSE

This bill applies the prohibitions of s. 628.461, relating to the acquisition of 5% or more of the securities of a domestic insurance company, to affiliated persons who are jointly acquiring such securities. The bill also provides express authority to the Department of Insurance to disapprove acquisitions that violate the provisions of this section. Authority is also provided to the department for the revocation of the certificate of authority of a domestic insurance company when control of such insurer has been acquired through unlawful stock acquisition. Expedited procedures are authorized.

II. CURRENT LAW AND EFFECT OF CHANGES

A. CURRENT LAW

Section 628.461, F.S., prohibits persons from acquiring 5 percent or more of the voting securities of a Florida stock company unless the Department of Insurance approves the acquisition. At least sixty days notice must be given to the department prior to the time any form of tender offer or exchange offer is to be furnished to security holders. The notice statement must also be sent to the insurer and controlling company. The notice must contain information relating to the background of the principals involved, the source of funds to be used, any plans to make any major change in the business or corporate structure of the insurer, the number of shares proposed to be acquired, and information related to any agreements affecting the securities.

The basic standard for department approval of a 5% acquisition is whether or not the acquisition will jeopardize the financial stability of the insurer or prejudice the interests of

the policyholders or stockholders, considering the financial condition of the acquiring person, plans to restructure the insurer, the competence, experience and integrity of persons controlling the insurer, and the backgrounds of the principals involved.

The present statute does not specifically address the situation of two or more persons acting in concert to acquire more than 5% of the voting securities of a domestic insurer, but who individually acquire less than 5% of the securities. It is unclear whether the present statute would apply to such acquisitions by affiliated persons.

There are presently no specific provisions detailing the department's method of enforcing the provisions of s. 628.461 in the event a person acquires securities of a domestic insurer in violation of the provisions of this section. The section does provide, "Any acquisition of any security contrary to the provisions of this section shall be void." In addition, the section specifically authorizes a domestic stock insurer or controlling company to petition a circuit court to seek an injunction or other order to enforce the section's provisions, whether or not the department has acted on the matter in any way. The authority of the department to similarly petition a circuit court to enforce this section is not expressly provided but, would appear to be clearly implied.

B. EFFECT OF PROPOSED CHANGES

The bill specifically applies the provisions of s. 628.461, F.S., to affiliated persons, as defined. Thus, the statute would provide that when two or more affiliated persons together acquire 5% or more of the outstanding voting securities of a domestic insurer, department approval of the acquisition would be required. "Affiliated person" is defined in new subsection (12), which takes into account the familial relationship of the persons, control of voting securities of the persons, common control of the persons, employment relationships, and other factors. A catch-all definition is provided in paragraph (12)(i) which includes within the definition persons who have entered into an agreement, written or unwritten, to act in concert in acquiring or limiting the disposition of securities of a domestic stock insurer or controlling company.

The bill also provides specific authority to the Department of Insurance to disapprove any acquisition subject to the provisions of s. 628.461 by any person who (1) willfully violates the section; (2) fails to divest itself of stock and direct or indirect control of a domestic insurer within 25 days after an order by the department to do so; or (3) acquires stock in violation of this section and after notification of such violation acquires additional stock of the domestic insurer or controlling company, or direct or indirect control thereof without complying with this section.

The bill also authorizes the department to suspend or revoke the certificate of authority of any insurer or controlling company (1) the control of which is acquired in violation of this section; (2) that is controlled, directly or indirectly, by any person who obtained control of a domestic insurer or controlling company in violation of this section; or (3) that is controlled, directly or indirectly, by any person who, directly or indirectly, controls any person who, in violation of this section, acquires control of a domestic stock insurer or controlling company.

The bill also states that an insurer subject to revocation as described above shall be deemed to be using such methods or

practices as to render its further transaction of insurance hazardous to its policyholders, creditors, stockholders, or the public. This provision may clarify that the department can use the emergency summary revocation procedure authorized in s. 120.60(7) for violations of this section.

The bill also creates new subsection (14) which provides for an expedited hearing upon issuance by the department of an order to any person who violates this section to cease further acquisition of any securities of a domestic stock insurer.

III. ECONOMIC IMPACT CONSIDERATIONS

A. PRIVATE SECTOR CONSIDERATIONS

By applying the provisions of s. 628.461 to affiliated persons and by augmenting the powers of the Department of Insurance to enforce the provisions of this section, persons may be less likely to unlawfully obtain 5% or more of the stock of domestic stock insurers. The intent of the section is to protect the interests of policyholders and shareholders of domestic insurers and to the extent the bill is effective, such policyholders and shareholders will be benefited.

B. PUBLIC SECTOR CONSIDERATIONS

No substantial effect.

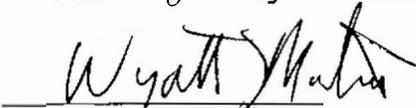
IV. COMMENTS

V. AMENDMENTS

Prepared by:


Brian Deffenbaugh

Staff Director:


Wyatt T. Martin

1

(MUST BE TYPED ON FORM H-29 OR H-39 BEFORE PRESENTATION)

Representative 9 / The Committee on _____

Simple Copy
COPY

reproduced by
FLORIDA STATE ARCHIVES
DEPARTMENT OF STATE
R A GRAY BUILDING
Tallahassee, FL 32399-0250
Series 11 Carton 1307

HB 544

SB

offer the following amendment

On page 1, line 13 ~~xxx~~ through
page 9, line 16 strike:
everything after the enacting clause and insert:

1	Section 1. Section 628.461, Florida Statutes, is	1.2
2	amended to read:	1.3
3	628.461 Acquisition of controlling stock.--	1.5
4	(1) No person shall <u>individually, or in conjunction</u>	1.5
5	<u>with any affiliated person of such person, acquire directly or</u>	1.5/1
6	<u>indirectly 5 percent or more of the outstanding voting</u>	1.5/3
7	<u>securities of a domestic stock insurance company or of a</u>	
8	<u>controlling company or make a tender offer or exchange offer</u>	1.5/4
9	for 5 percent or more of the outstanding voting securities of	1.5/6
10	a domestic stock insurance company or of a controlling	1.5/7
11	company, enter into any agreement to exchange securities for 5	1.5/8
12	percent or more of the outstanding voting securities of a	
13	domestic stock insurance company or of a controlling company,	1.5/9
14	or otherwise seek to acquire 5 percent or more of the	1.5/10
15	outstanding voting securities of a domestic stock insurance	
16	company or of a controlling company, unless:	1.5/11
17	(a) Such person <u>or affiliated person of such person</u>	1.16
18	has filed with the department and sent to such insurer and	1.18
19	controlling company a statement as specified in subsection (3)	
20	at least 60 days prior to the time any form of tender offer or	1.19
21	exchange offer is to be furnished to securityholders, or at	1.20
22	least 60 days prior to the proposed date of the acquisition of	1.21
23	such securities if no such tender offer or exchange offer is	1.22
24	involved; and	
25	(b) The department has approved the proposed offer or	1.23
26	acquisition prior to the time any form of tender offer or	
27	exchange offer is made to securityholders, or prior to the	1.24
28	acquisition of such securities if no such tender offer or	1.25
29	exchange offer is involved, and such approval is in effect.	1.26
30	(2) This section does not apply to any acquisition of	1.26
31	voting securities of a domestic stock insurer or of a	1.27

*2/20/11
6-54*

1	owner of a majority of such voting securities or who, on or	
2	after July 1, 1976, becomes the owner of a majority of such	1.30
3	voting securities with the approval of the department pursuant	1.31
4	to this section. It does apply, however, whenever any	1.33
5	domestic stock insurance company or controlling company makes	1.34
6	a tender offer or exchange offer, enters into an agreement to	1.35
7	exchange securities for 5 percent or more of the voting stock,	1.37
8	or otherwise seeks to acquire 5 percent or more of the	1.38
9	outstanding voting securities of any stock insurance company	1.40
10	or controlling company.	
11	(3) The statement to be filed with the department and	1.41
12	furnished to the insurer and controlling company shall contain	1.42
13	the following information and any such additional information	
14	as the department may deem necessary to determine the	1.43
15	character, experience, ability, and other qualifications of	1.44
16	such person <u>or affiliated person of such person</u> for the	1.45
17	protection of the policyholders and shareholders of such	1.47
18	insurer and the public:	
19	(a) The identity of, and the background information	1.48
20	specified in subsection (4) on, each natural person by whom,	1.49
21	or on whose behalf, the acquisition is to be made, and if the	1.50
22	acquisition is to be made by, or on behalf of, a corporation,	
23	association, or trust, <u>as to such corporation, association, or</u>	1.51
24	<u>trust and as to any person who controls either directly or</u>	1.52
25	<u>indirectly such corporation, association, or trust,</u> the	
26	identity of, and the background information specified in	1.53
27	subsection (4) on, each director, officer, trustee, or other	1.55
28	natural person performing duties similar to that of a	1.56
29	director, officer, or trustee for the corporation,	
30	association, or trust;	1.57
31		

1	(b) The source and amount of the funds or other	1.57
2	consideration used, or to be used, in making the acquisition;	1.58
3	(c) Any plans or proposals which such persons may have	1.59
4	made to liquidate such insurer, to sell <u>any of</u> its assets or	1.61
5	merge or consolidate it with any person, or to make any other	
6	major change in its business or corporate structure or	1.62
7	management; and any plans or proposals which such persons may	1.63
8	have made to liquidate any controlling company of such	
9	insurer, to sell <u>any of</u> its assets or merge or consolidate it	1.64
10	with any person, or to make any other major change in its	1.65
11	business or corporate structure or management;	
12	(d) The number of shares <u>or other securities</u> of such	1.66
13	security which such person <u>or any affiliated person of such</u>	1.68
14	<u>person</u> proposes to acquire and the terms of the <u>proposed</u>	
15	<u>acquisition and the manner in which such securities are to be</u>	
16	<u>acquired</u> offer-or-exchange, as the case may be; and	1.70
17	(e) Information as to any contracts, arrangements, or	1.72
18	understandings with any party with respect to any securities	1.73
19	of such insurer or controlling company, including, but not	1.74
20	limited to, information relating to the transfer of any of the	1.75
21	securities, option arrangements, puts or calls, or the giving	1.76
22	or withholding of proxies, naming the party with whom such	
23	contract, arrangements, or understandings have been entered	1.77
24	into and giving the details thereof.	1.78
25	(4)(a) The information as to the background and	1.79
26	identity of each person, which information is required to be	1.80
27	furnished pursuant to paragraph (3)(a), shall include:	1.81
28	1. Such person's occupations, positions of employment,	1.82
29	and offices held during the past 10 years.	1.83
30	2. The principal business and address of any business,	2.2
31	corporation, or other organization in which each such office	

1	was held, or in which such occupation or position of	2.3
2	employment was carried on.	2.4
3	3. Whether such person was, at any time during such	2.5
4	10-year period, convicted of any crime other than a traffic	2.7
5	violation.	
6	4. Whether such person has been, during such 10-year	2.10
7	period, the subject of any proceeding for the revocation of	
8	any license and, if so, the nature of such proceeding and the	2.11
9	disposition thereof.	
10	5. Whether, during such 10-year period, such person	2.12
11	has been the subject of any proceeding under the federal	2.14
12	Bankruptcy Act or whether, during such 10-year period, any	2.15
13	corporation, partnership, firm, trust, or association in which	2.16
14	such person was a director, officer, trustee, partner, or	2.17
15	other official has been subject to any such proceeding, either	
16	during the time in which such person was a director, officer,	2.18
17	trustee, partner, or other official, or within 12 months	2.20
18	thereafter.	
19	6. Whether, during such 10-year period, such person	2.23
20	has been enjoined, either temporarily or permanently, by a	2.24
21	court of competent jurisdiction from violating any federal or	2.25
22	state law regulating the business of insurance, securities, or	
23	banking, or from carrying out any particular practice or	2.26
24	practices in the course of the business of insurance,	2.27
25	securities, or banking, together with details as to any such	2.28
26	event.	
27	(b) Any corporation, association, or trust filing the	2.30
28	statement required by this section shall give all required	2.32
29	information as is within the knowledge of <u>the</u> its directors,	2.33
30	trustees, officers, or others performing functions similar to	2.35
31	that of a director, officer, or trustee <u>of the corporation,</u>	

1	<u>association, or trust making the filing and of any person</u>	2.36
2	<u>controlling either directly or indirectly such corporation,</u>	
3	<u>association, or trust.</u> A copy of the statement and any	2.38
4	amendments thereto shall be sent by registered mail to the	2.39
5	insurer at its principal office within the state and to any	2.40
6	controlling company at its principal office. If any material	2.41
7	change occurs in the facts set forth in the statement filed	
8	with the department and sent to such insurer or controlling	2.42
9	company pursuant to this section, an amendment setting forth	2.43
10	such changes shall be filed immediately with the department	2.44
11	and sent immediately to such insurer and controlling company.	
12	(5) The acquisition of voting securities shall be	2.45
13	deemed approved unless the department, within 60 days after	2.46
14	the statement required by subsection (1) has been filed, calls	2.47
15	a public hearing to consider the matter. The department shall	2.49
16	call and hold such public hearing, if requested in writing to	
17	do so by the insurer or controlling company within such 60-day	2.50
18	period, and, if not so requested, may call and hold such	2.51
19	public hearing in its discretion. If the domestic stock	2.53
20	insurer and controlling company file an instrument in writing	
21	with the department waiving their right to request a public	2.54
22	hearing, the department may, in its discretion, by order	2.55
23	shorten the 60-day period and approve the acquisition.	2.56
24	<u>(6) The department may disapprove any acquisition</u>	1:1us
25	<u>subject to the provisions of this section by any person and</u>	2.58
26	<u>any affiliated persons of such person who:</u>	2.59
27	<u>(a) Willfully violate this section;</u>	1:1us
28	<u>(b) In violation of an order of the department, issued</u>	2.60
29	<u>pursuant to subsection (14), failed to divest themselves of</u>	
30	<u>any stock obtained in violation of this section or failed to</u>	2.61
31		

1	<u>divest themselves of any direct or indirect control thereof,</u>	2.62
2	<u>within 25 days of such order; or</u>	
3	(c) <u>In violation of an order issued by the department</u>	2.63
4	<u>pursuant to subsection (14) acquire additional stock of the</u>	
5	<u>domestic insurance company or controlling company, or direct</u>	2.64
6	<u>or indirect control thereof, without complying with this</u>	2.65
7	<u>section.</u>	
8	(7) (6) The person or persons filing the statement	2.66
9	required by subsection (1) shall have the burden of proof.	2.67
10	The department shall approve any such acquisition if it finds,	2.69
11	on the basis of the filed statement if there is no public	
12	hearing, or on the basis of the record made at a public	2.70
13	hearing, that:	
14	(a) Upon completion of the acquisition, the domestic	2.72
15	stock insurer would be able to satisfy the requirements for	2.73
16	the issuance of a license to write the line or lines of	
17	insurance for which it is presently licensed;	2.74
18	(b) The financial condition of the acquiring person <u>or</u>	2.76
19	<u>persons</u> will not jeopardize the financial stability of the	
20	insurer or prejudice the interests of its policyholders and	2.78
21	will not prejudice the interests of any remaining shareholders	2.79
22	who are unaffiliated with the acquiring person;	2.80
23	(c) Any plans or proposals which the acquiring person	2.81
24	<u>has, or acquiring persons have, made to liquidate the insurer,</u>	2.84
25	to sell its assets or to merge or consolidate it with any	3.1
26	person, or to make any other major change in its business or	
27	corporate structure or management; or to liquidate any	3.2
28	controlling company, to sell its assets or to merge or	3.3
29	consolidate it with any person, or to make any major change in	
30	its business or corporate structure or management which would	3.4
31	have an effect upon the insurer, are fair and free of	3.5

1	prejudice to the policyholders and shareholders of the	3.6
2	domestic stock insurer;	
3	(d) The competence, experience, and integrity of those	3.8
4	persons who would control <u>directly or indirectly</u> the operation	
5	of the domestic stock insurer indicate that the acquisition is	3.10
6	in the best interest of the policyholders and shareholders of	3.11
7	such insurer, and in the public interest; and	
8	(e) The natural persons whose backgrounds are required	3.13
9	to be furnished pursuant to this section have such backgrounds	3.14
10	as to indicate that it is in the best interests of the	3.15
11	policyholders and shareholders of the domestic stock insurer,	
12	and in the public interest, to permit such persons to exercise	3.17
13	control over such domestic stock insurer.	3.18
14	(8) (7) No vote by the stockholder of record, or by any	3.20
15	other person, of any security acquired in contravention of the	3.21
16	provisions of this section shall be valid. Any acquisition of	3.23
17	any security contrary to the provisions of this section shall	3.24
18	be void. The circuit court for the county in which the	3.26
19	principal office of such domestic stock insurer is located	
20	may, without limiting the generality of its authority, upon	3.27
21	the petition of the domestic stock insurer or controlling	3.28
22	company, order the issuance or entry of an injunction or other	3.29
23	order to enforce the provisions of this section. There shall	3.30
24	be a private right of action in favor of the domestic stock	3.31
25	insurer or controlling company to enforce the provisions of	3.33
26	this section. No demand upon the department to perform its	3.35
27	functions shall be a prerequisite to any suit by the domestic	
28	stock insurer or controlling company against any other person,	3.36
29	and in no case shall the department be deemed to be a	3.37
30	necessary party to any action by such domestic stock insurer	3.38
31	or controlling company to enforce the provisions of this	

1	section. Any person who makes or proposes any acquisition	3.39
2	requiring the filing of a statement pursuant to this section,	3.40
3	or who files such a statement, shall be deemed to have thereby	3.41
4	designated the Insurance Commissioner and Treasurer or his	3.42
5	assistant or deputy or another person in charge of his office	
6	as such person's agent for service of process under this	3.43
7	section, and shall thereby be deemed to have submitted himself	3.44
8	to the administrative jurisdiction of the department and the	3.45
9	jurisdiction of the circuit court.	
10	<u>(9)</u> (8) No approval of the department under this	3.48
11	section shall constitute a recommendation by the department of	
12	any acquisition, tender offer, or exchange offer. It is	3.50
13	unlawful for any person to represent that any such approval	3.51
14	constitutes any such recommendation. Any person who violates	3.52
15	the provisions of this subsection is guilty of a felony of the	3.53
16	third degree, punishable as provided in s. 775.082, s.	
17	775.083, or s. 775.084. The statute of limitations for	3.55
18	prosecution of offenses committed under this subsection is 5	3.56
19	years.	
20	<u>(10)</u> (9) The department is authorized to adopt, amend,	3.59
21	or repeal rules and regulations necessary to implement the	
22	provisions of this section, pursuant to chapter 120.	3.61
23	<u>(11)</u> (10) For the purposes of this section, the term	3.64
24	"controlling company" means any corporation, trust, or	
25	association <u>owning, directly or indirectly,</u> 25 percent or more	3.65
26	of the voting securities of one or more domestic stock	3.66
27	insurance companies.	3.67
28	<u>(12)</u> For the purpose of this section, " <u>affiliated</u>	1:lus
29	<u>person</u> " of another person means:	3.69
30	<u>(a) The spouse of such other person;</u>	3.71
31		

<u>(b) The parents of such other person and their lineal descendants and the parents of such other person's spouse and their lineal descendants;</u>	1:1us 3.74 3.75
<u>(c) Any person directly or indirectly owning, controlling, or holding with power to vote, 5 percent or more of the outstanding voting securities of such other person;</u>	1:1us 3.77 3.78
<u>(d) Any person 5 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote by such other person;</u>	1:1us 3.81 3.82
<u>(e) Any person directly or indirectly controlling, controlled by, or under common control with such other person;</u>	1:1us 3.84
<u>(f) Any officer, director, partner, copartner, or employee of such other person;</u>	1:1us 4.2
<u>(g) If such other person is an investment company, any investment advisor thereof or any member of an advisory board thereof;</u>	4.4 4.5
<u>(h) If such other person is an unincorporated investment company not having a board of directors, the depositor thereof; or</u>	1:1us 4.7
<u>(i) Any person who has entered into an agreement, written or unwritten, to act in concert with such person in acquiring or limiting the disposition of securities of a domestic stock insurer or controlling company.</u>	4.10 4.11
<u>(13)(a) The department shall suspend or revoke the certificate of authority of any insurer or controlling company:</u>	1:1us 4.13
<u>1. The control of which is acquired in violation of this section;</u>	4.15
<u>2. That is controlled, directly or indirectly, by any person or any affiliated person of such person who, in</u>	1:1us 1:1us

<u>violation of this section, obtained control of a domestic</u>	4.19
<u>stock insurer or controlling company; or</u>	4.20
<u>3. That is controlled, directly or indirectly, by any</u>	4.22
<u>person who, directly or indirectly, controls any person who,</u>	4.24
<u>in violation of this section, acquires control of a domestic</u>	
<u>stock insurer or controlling company.</u>	4.25
<u>(b) If any insurer is subject to suspension or</u>	1:lus
<u>revocation pursuant to paragraph (a), it shall be deemed to be</u>	4.28
<u>in such condition or to be using, or to have been subject to,</u>	4.29
<u>such methods or practices in the conduct of its business as to</u>	4.30
<u>render its further transaction of insurance presently or</u>	4.31
<u>prospectively hazardous to its policyholders, creditors,</u>	4.32
<u>stockholders, or the public.</u>	
<u>(14) Upon notification to the department by the</u>	1:lus
<u>domestic stock insurance company or a controlling company that</u>	4.34
<u>any person and any affiliated persons of such person have</u>	
<u>acquired 5 percent or more of the outstanding voting</u>	4.35
<u>securities of such domestic stock insurance company or</u>	
<u>controlling company, the department shall order that such</u>	4.36
<u>person and any affiliated persons of such person cease</u>	4.37
<u>acquisition of any further securities of such domestic stock</u>	
<u>insurance company or controlling company. Provided, however,</u>	4.39
<u>that the person or any affiliated persons of such person may</u>	
<u>request a hearing which shall be convened within seven days of</u>	4.40
<u>such order for the sole purpose of determining whether such</u>	4.41
<u>person individually, or in connection with any affiliated</u>	
<u>person of such person, has acquired 5 percent or more of the</u>	4.42
<u>outstanding voting securities of a domestic stock insurance</u>	
<u>company or controlling company. Upon failure of the person or</u>	4.44
<u>affiliated persons of such person to request a hearing within</u>	
<u>seven days or upon a determination at a hearing convened</u>	4.45

544 amend

pursuant to this subsection that such person or affiliated 4.46
persons have acquired voting securities of a domestic stock
insurer or controlling company in violation of this section, 4.47
the department may order such person and affiliated persons to 4.48
divest themselves of any such acquired voting securities.

Section 2. If any provision of this act or the 4.48
application thereof to any person or circumstance is held 4.49
invalid, the invalidity shall not affect other provisions or
applications of the act which can be given effect without the 4.50
invalid provision or application, and to this end the
provisions of this act are declared severable. 4.51

Section 3. This act shall take effect upon becoming a 4.52
law.

*attached
w/...*

(2)

(MUST BE TYPED ON FORM II-29 OR II-39 BEFORE PRESENTATION)

Representative The Committee on Simon M. Ewing

COPY

reproduced by HB 544

FLORIDA STATE ARCHIVES
DEPARTMENT OF STATE
R. A. GRAY BUILDING
Tallahassee, FL 32399-0250

offered the following ^{title} amendment

On page 1, line s 1-9, strike

Series 19 Carton 1307

all of said lines and insert:

1	A bill to be entitled	1:btc
2	An act relating to insurance; amending s.	1.4
3	628.461, F.S.; prohibiting acquisition by	1.5
4	certain persons of controlling stock in certain	1.6
5	companies; providing for disapproval of	1.7
6	acquisitions made in violation of the section	1.9
7	under certain circumstances; providing for the	1.10
8	suspension or revocation of certificates of	
9	authority of domestic insurance companies when	
10	control of such insurer was acquired through	
11	unlawful stock acquisition; providing for	
12	severability; providing an effective date.	

adopted
3/6/84

Bill Number

Bill Analysis



COPY

reproduced by
FLORIDA STATE ARCHIVES
DEPARTMENT OF STATE
R A PA. BUILDING
Tallahassee, FL 32399 0-50

Florida House of Representatives

H. Lee Moffitt, Speaker Steve Pajcic, Speaker pro tempore
Committee on Commerce

Samuel P. Bell, III
Chairman
Dexter W. Lehtinen
Vice Chairman

STAFF SUMMARY AND ANALYSIS

HB 544 by Martinez
relating to acquisition of
domestic insurers

DATE: February 24, 1984

REVISED: _____

REVISED: _____

Other Committees of Reference:
None

IDENTICAL*/SIMILAR BILLS:

SB 353

EFFECTIVE DATE: _____

Upon becoming law

I. SUMMARY AND PURPOSE

This bill provides express authority to the Department of Insurance to disapprove acquisitions of voting securities of domestic insurance companies where such acquisitions violate the provisions of s. 628.461. Authority is also provided to the department for the revocation of certificates of authority of a domestic insurance company when control of such insurer has been acquired through unlawful stock acquisition.

II. CURRENT LAW AND EFFECT OF CHANGES

A. CURRENT LAW

Section 628.461, F.S., prohibits persons from acquiring 5 percent or more of the voting securities of a Florida stock company unless the Department of Insurance approves the acquisition. At least sixty days notice must be given to the department prior to the time any form of tender offer or exchange offer is to be furnished to security holders. The notice statement must also be sent to the insurer and controlling company. The notice must contain information relating to the background of the principals involved, the source of funds to be used, any plans to make any major change in the business or corporate structure of the insurer, the number of shares proposed to be acquired, and information related to any agreements affecting the securities. The basic standard for department approval of a 5% acquisition is whether or not the acquisition will jeopardize the financial stability of the insurer or prejudice the interests of the policyholders or stockholders, considering the financial condition of the acquiring person, plans to restructure the insurer, the competence, experience and integrity of persons controlling the insurer, and the backgrounds of the principals involved.

There are presently no specific provisions detailing the department's method of enforcing the provisions of s. 628.461 in the event a person acquires securities of a domestic insurer in violation of the provisions of this section. The section does provide, "Any acquisition of any security contrary to the provisions of this section shall be void." In addition, the section specifically authorizes a domestic stock insurer or controlling company to petition a circuit court to seek an injunction or other order to enforce the section's provisions, whether or not the department has acted on the matter in any way. The authority of the department to similarly petition a circuit court to enforce this section is not expressly provided but, would appear to be clearly implied.

B. EFFECT OF PROPOSED CHANGES

The bill provides specific authority to the Department of Insurance to disapprove any acquisition subject to the provisions of s. 628.461 by any person who (1) willfully violates the section; (2) fails to divest itself of stock and direct or indirect control of a domestic insurer within 30 days after notification from the domestic insurer, controlling company, or the department that such person has obtained stock in violation of this section; or (3) acquires stock in violation of this section and after notification of such violation acquires additional stock of the domestic insurer or controlling company, or direct or indirect control thereof without complying with this section.

The bill also authorizes the department to evoke the certificate of authority of any insurer or controlling company (1) the control of which is acquired in violation of this section; (2) that is controlled, directly or indirectly, by any person who obtained control of a domestic insurer or controlling company in violation of this section; or (3) that is controlled, directly or indirectly, by any person who, directly or indirectly, controls any person who, in violation of this section, acquires control of a domestic stock insurer or controlling company.

These grounds for disapproving acquisitions and revoking a certificate of authority appear to expand the application of the section in general. This provision allows the department to revoke a certificate of insurance if a person illegally acquires control of a domestic stock insurer, directly or indirectly. The concept of indirect control is apparently an attempt to address the problem of affiliated persons circumventing the statute's requirements by individually acquiring less than 5 percent of the securities of a domestic insurer.

The bill also states that an insurer subject to revocation as described above shall be deemed to be using such methods or practices as to render its further transaction of insurance hazardous to its policyholders, creditors, stockholders, or the public. This provision may clarify that the department can use the emergency summary revocation procedure authorized in s. 120.60(7) for violations of this section.

III. ECONOMIC IMPACT CONSIDERATIONS

A. PRIVATE SECTOR CONSIDERATIONS

By augmenting the powers of the Department of Insurance to enforce the provisions of this section, persons may be less likely to illegally obtain 5% or more of the stock of domestic stock insurers. The intent of the section is to protect the interests of policyholders and shareholders of domestic insurers

B. PUBLIC SECTOR CONSIDERATIONS

No substantial effect.

IV. COMMENTS

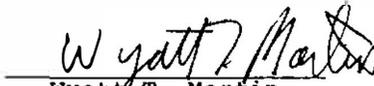
Staff understands that a primary intent of this bill is to address the problem of affiliated persons circumventing the requirements of s. 628.461 by individually purchasing less than 5% of the securities of a domestic stock insurer. By specifically applying the section's prohibitions to affiliated persons, and defining such affiliated persons, the bill would more directly accomplish this purpose.

V. AMENDMENTS

Prepared by:


Brian Deffenbaugh

Staff Director:


Wyatt T. Martin

AMENDMENT TO HB 544
(ACQUISITION OF DOMESTIC INSURERS)

The primary change between this amendment and the original bill is the application of the prohibitions of s. 628.461 to affiliated persons. By applying the prohibitions to affiliated persons, the amendment attempts to prevent circumvention of the statute by groups of persons acting in concert who individually may be obtaining less than 5% of the securities of a domestic insurer, but collectively are obtaining greater than 5%. The definition of "affiliated persons" is on page 8 of the amendment, and the key provision is paragraph (i) on page 9 which includes within the definition "any person who has entered into an agreement, written or unwritten, to act in concert with such person in acquiring or limiting the disposition of securities of a domestic stock insurer or controlling company."

The amendment also adds a new subsection (14) on page 10 in order to provide for an expedited hearing upon issuance by the department of an order to any person who violates this section to cease acquisition of any further securities of an domestic stock insurer.

COPY
reproduced by
FLORIDA STATE ARCHIVES
DEPARTMENT OF STATE
R. A. GRAY BUILDING
Tallahassee, FL 32399-0250
Series 17 Carton 1207

140 Sub
3-6-84

The proposed Amendments to Senate Bill 353 and House Bill 544 are designed to address some of the concerns that the Department

COPY

of Insurance had expressed as to their ability to enforce the present Statute. Primarily, the Amendments are designed to

clarify legislative intent and to tighten up any ambiguities which may exist with present language.

reproduced by
FLORIDA STATE ARCHIVES
DEPARTMENT OF STATE
R. A. ...
Tallahassee, FL 32304-0250
Series 19 Ca ton 1307

One of the more substantive changes which would be effected by the language in the Amendments is the addition of the term affiliated persons. Through this addition, the Amendment would prohibit a group of persons from acting in concert to avoid the application of the disclosure requirements. Thus, where at present, a group of people acting together, each owning 4.9 percent of the stock, may not have to seek approval of their acquisitions, if the Amendments are adopted, once those persons had obtained 5 percent of the stock in the aggregate, they would be subject to the provisions of this Statute.

The Amendment also seeks to clarify the meaning of the word controlling company. Presently, the Statute refers to a controlling company as one which owns 25 percent of the shares of a domestic insurer. It is unclear whether a company which owns a company which owns 25 percent of the stock would therefore be determined to be a controlling company under the Statute. Through the Amendments, controlling company would be determined to include not only the corporation which actually holds the stocks, but also the up-line company which controls the stock-holding entity.

A new subsection (14) has been added for the purpose of providing some due process rights which were not clearly provided in the Bill as originally drafted. Subsection (14) would provide for a method for a person who is believed by the Department to be in violation of this section to obtain an immediate hearing to show that it has not acquired stock which make it subject to the provisions of this act.

HE 01-4

Swann and Haddock
Professional Association
Attorneys and Counsellors at Law

SILVIA MORELL ALDERMAN
EDMUND T BAXA, JR
PAUL H BOWEN
JEANELLE G BRONSON
PAUL F BRYAN
DWIGHT I GOOL
GRACE ANNE GLAVIN
EDWARD E HADDOCK, JR
ALLAN J KATZ
CHRISTOPHER K KAY
FRANK C KRUPPENBACHER
EDWARD L KUTTER
THOMAS F LANG
PETER G LATHAM
PATRICIA RETHWILL MUELLER
RICHARD R SWANN
THOMAS R TEDCASTLE
MARTIN B UNGER
DAVID A WEBSTER
JAMES G WILLARD

IN ORLANDO.
SUITE 1100
135 WEST CENTRAL BOULEVARD
POST OFFICE BOX 640
ORLANDO, FLORIDA 32802-0640
(305) 425-3939

IN TALLAHASSEE
SUITE 880
BARNETT BANK BUILDING
315 SOUTH CALHOUN STREET
TALLAHASSEE, FLORIDA 32301
(904) 224-9634

REPLY TO TALLAHASSEE

May 15, 1984

OF COUNSEL:
PERVIE P SWANN
PATRICK F MARONEY

COPY

reproduced by
FLORIDA STAFF ARCHIVES
DEPARTMENT OF
F

Tallah. 11 1307

Mr. Wyatt Martin
Staff Director
Florida House of Representatives
Commerce Committee
323 The Capitol
Tallahassee, Florida 32301

Dear Wyatt:

This is just a short note to thank you for all your help with my initial efforts at lobbying. I apologize for all the emergencies we seem to have created with the St. Regis legislation, and for all the changes we necessitated in your staff analysis as we continually restructured the Bill. Somehow, however, watching your staff in action, I get the impression that handling matters on an emergency basis has become a routine matter for all of you.

Once again, thank you for your assistance. Please let me know if there is anything I can do for you.

Sincerely,

Tom
Thomas R. Tedcastle
Swann and Haddock

TRT:vg

By Representative Martinez

This public document was promulgated at an average cost of 16 cents per single page for the information of members of the Legislature and the public

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

A bill to be entitled
 An act relating to insurance; amending s.
 628.461, F.S., providing for disapproval of
 acquisitions made in violation of the section
 under certain circumstances; providing for
 revocation of certificates of authority of
 domestic insurance companies when control of
 such insurer was acquired through unlawful
 stock acquisition; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 628.461, Florida Statutes, is
 amended to read:

~~628.461~~ Acquisition of controlling stock.--

(1) No person shall make a tender offer or exchange
 offer for 5 percent or more of the outstanding voting
 securities of a domestic stock insurance company or of a
 controlling company, enter into any agreement to exchange
 securities for 5 percent or more of the outstanding voting
 securities of a domestic stock insurance company or of a
 controlling company, or otherwise seek to acquire 5 percent or
 more of the outstanding voting securities of a domestic stock
 insurance company or of a controlling company, unless:

(a) Such person has filed with the department and sent
 to such insurer and controlling company a statement as
 specified in subsection (3) at least 60 days prior to the time
 any form of tender offer or exchange offer is to be furnished
 to securityholders, or at least 60 days prior to the proposed
 date of the acquisition of such securities if no such tender
 offer or exchange offer is involved; and

1	(b) The department has approved the proposed offer or	1.25
2	acquisition prior to the time any form of tender offer or	
3	exchange offer is made to securityholders, or prior to the	1.26
4	acquisition of such securities if no such tender offer or	1.27
5	exchange offer is involved, and such approval is in effect.	1.28
6	(2) This section does not apply to any acquisition of	1.28
7	voting securities of a domestic stock insurer or of a	1.29
8	controlling company by any person who, on July 1, 1976, is the	1.31
9	owner of a majority of such voting securities or who, on or	
10	after July 1, 1976, becomes the owner of a majority of such	1.32
11	voting securities with the approval of the department pursuant	1.33
12	to this section. It does apply, however, whenever any	1.35
13	domestic stock insurance company or controlling company makes	1.36
14	a tender offer or exchange offer, enters into an agreement to	1.37
15	exchange securities for 5 percent or more of the voting stock,	1.39
16	or otherwise seeks to acquire 5 percent or more of the	1.40
17	outstanding voting securities of any stock insurance company	1.42
18	or controlling company.	
19	(3) The statement to be filed with the department and	1.43
20	furnished to the insurer and controlling company shall contain	1.44
21	the following information and any such additional information	
22	as the department may deem necessary to determine the	1.45
23	character, experience, ability, and other qualifications of	1.46
24	such person for the protection of the policyholders and	1.47
25	shareholders of such insurer and the public:	
26	(a) The identity of, and the background information	1.48
27	specified in subsection (4) on, each natural person by whom,	1.49
28	or on whose behalf, the acquisition is to be made, and if the	1.50
29	acquisition is to be made by, or on behalf of, a corporation,	
30	association, or trust, the identity of, and the background	1.51
31	information specified in subsection (4) on, each director,	1.53

1	officer, trustee, or other natural person performing duties	
2	similar to that of a director, officer, or trustee for the	1.54
3	corporation, association, or trust;	1.55
4	(b) The source and amount of the funds or other	1.55
5	consideration used, or to be used, in making the acquisition;	1.56
6	(c) Any plans or proposals which such persons may have	1.57
7	made to liquidate such insurer, to sell its assets or merge or	1.58
8	consolidate it with any person, or to make any other major	
9	change in its business or corporate structure or management;	1.59
10	and any plans or proposals which such persons may have made to	1.60
11	liquidate any controlling company of such insurer, to sell its	1.61
12	assets or merge or consolidate it with any person, or to make	1.62
13	any other major change in its business or corporate structure	
14	or management;	
15	(d) The number of shares of such security which such	1.63
16	person proposes to acquire and the terms of the offer or	1.64
17	exchange, as the case may be; and	1.65
18	(e) Information as to any contracts, arrangements, or	1.66
19	understandings with any party with respect to any securities	1.67
20	of such insurer or controlling company, including, but not	1.68
21	limited to, information relating to the transfer of any of the	1.69
22	securities, option arrangements, puts or calls, or the giving	1.70
23	or withholding of proxies, naming the party with whom such	
24	contract, arrangements, or understandings have been entered	1.71
25	into and giving the details thereof.	1.72
26	(4) (a) The information as to the background and	1.72
27	identity of each person, which information is required to be	1.73
28	furnished pursuant to paragraph (3) (a), shall include:	1.74
29	1. Such person's occupations, positions of employment,	1.74
30	and offices held during the past 10 years.	1.75
31		

1	2. The principal business and address of any business,	1.77
2	corporation, or other organization in which each such office	
3	was held, or in which such occupation or position of	1.78
4	employment was carried on.	1.79
5	3. Whether such person was, at any time during such	1.79
6	10-year period, convicted of any crime other than a traffic	1.81
7	violation.	
8	4. Whether such person has been, during such 10-year	1.83
9	period, the subject of any proceeding for the revocation of	
10	any license and, if so, the nature of such proceeding and the	1.84
11	disposition thereof.	
12	5. Whether, during such 10-year period, such person	2.1
13	has been the subject of any proceeding under the federal	2.3
14	Bankruptcy Act or whether, during such 10-year period, any	2.4
15	corporation, partnership, firm, trust, or association in which	2.5
16	such person was a director, officer, trustee, partner, or	2.6
17	other official has been subject to any such proceeding, either	
18	during the time in which such person was a director, officer,	2.7
19	trustee, partner, or other official, or within 12 months	2.9
20	thereafter.	
21	6. Whether, during such 10-year period, such person	2.11
22	has been enjoined, either temporarily or permanently, by a	2.12
23	court of competent jurisdiction from violating any federal or	2.13
24	state law regulating the business of insurance, securities, or	
25	banking, or from carrying out any particular practice or	2.14
26	practices in the course of the business of insurance,	2.15
27	securities, or banking, together with details as to any such	2.16
28	event.	
29	(b) Any corporation, association, or trust filing the	2.17
30	statement required by this section shall give all required	2.19
31	information as is within the knowledge of its directors,	2.20

1 trustees, officers, or others performing functions similar to 2.21
2 that of a director, officer, or trustee. A copy of the 2.22
3 statement and any amendments thereto shall be sent by 2.23
4 registered mail to the insurer at its principal office within 2.24
5 the state and to any controlling company at its principal
6 office. If any material change occurs in the facts set forth 2.25
7 in the statement filed with the department and sent to such 2.26
8 insurer or controlling company pursuant to this section, an 2.27
9 amendment setting forth such changes shall be filed
10 immediately with the department and sent immediately to such 2.28
11 insurer and controlling company.

12 (5) The acquisition of voting securities shall be 2.29
13 deemed approved unless the department, within 60 days after 2.30
14 the statement required by subsection (1) has been filed, calls 2.31
15 a public hearing to consider the matter. The department shall 2.33
16 call and hold such public hearing if requested in writing to
17 do so by the insurer or controlling company within such 60-day 2.34
18 period and, if not so requested, may call and hold such public 2.35
19 hearing in its discretion. If the domestic stock insurer and 2.37
20 controlling company file an instrument in writing with the 2.38
21 department waiving their right to request a public hearing,
22 the department may, in its discretion, by order shorten the 2.39
23 60-day period and approve the acquisition. 2.40

24 (6) The department shall disapprove any acquisition 1:lus
25 subject to the provisions of this section by any person who: 2.42
26 (a) Willfully violates this section; or 1:lus
27 (b) Upon notification to such person from the domestic 2.43
28 stock insurer, controlling company, or the department that 2.44
29 such person has obtained stock in violation of this section,
30 fails to divest itself of such stock and any direct or 2.45

1	<u>indirect control thereof within 30 days of such notification;</u>	2.46
2	<u>or</u>	
3	<u>(c) Acquires stock in violation of this section and</u>	1:1us
4	<u>after notification as provided in paragraph (b) acquires</u>	2.48
5	<u>additional stock of the domestic stock insurer or controlling</u>	2.49
6	<u>company, or direct or indirect control thereof, without</u>	
7	<u>complying with this section.</u>	2.50
8	(7) (6) The person or persons filing the statement	2.51
9	required by subsection (1) shall have the burden of proof.	2.52
10	The department shall approve any such acquisition if it finds,	2.54
11	on the basis of the filed statement if there is no public	
12	hearing, or on the basis of the record made at a public	2.55
13	hearing, that:	
14	(a) Upon completion of the acquisition, the domestic	2.56
15	stock insurer would be able to satisfy the requirements for	2.57
16	the issuance of a license to write the line or lines of	
17	insurance for which it is presently licensed;	2.58
18	(b) The financial condition of the acquiring person	2.59
19	will not jeopardize the financial stability of the insurer or	2.60
20	prejudice the interests of its policyholders and will not	
21	prejudice the interests of any remaining shareholders who are	2.61
22	unaffiliated with the acquiring person;	2.62
23	(c) Any plans or proposals which the acquiring person	2.62
24	has made to liquidate the insurer, to sell its assets or to	2.64
25	merge or consolidate it with any person, or to make any other	2.65
26	major change in its business or corporate structure or	2.66
27	management; or to liquidate any controlling company, to sell	
28	its assets or to merge or consolidate it with any person, or	2.67
29	to make any major change in its business or corporate	2.68
30	structure or management which would have an effect upon the	2.69
31		

1 insurer, are fair and free of prejudice to the policyholders
2 and shareholders of the domestic stock insurer; 2.7

3 (d) The competence, experience, and integrity of those 2.7
4 persons who would control the operation of the domestic stock
5 insurer indicate that the acquisition is in the best interest 2.7
6 of the policyholders and shareholders of such insurer, and in 2.7
7 the public interest; and

8 (e) The natural persons whose backgrounds are required 2.7
9 to be furnished pursuant to this section have such backgrounds 2.7
10 as to indicate that it is in the best interests of the 2.7
11 policyholders and shareholders of the domestic stock insurer,
12 and in the public interest, to permit such persons to exercise 2.7
13 control over such domestic stock insurer. 2.75

14 ~~(8)(7)~~ No vote by the stockholder of record, or by any 2.8
15 other person, of any security acquired in contravention of the 2.8
16 provisions of this section shall be valid. Any acquisition of 2.8
17 any security contrary to the provisions of this section shall 2.8
18 be void. The circuit court for the county in which the 3.2
19 principal office of such domestic stock insurer is located
20 may, without limiting the generality of its authority, upon 3.3
21 the petition of the domestic stock insurer or controlling 3.4
22 company, order the issuance or entry of an injunction or other 3.5
23 order to enforce the provisions of this section. There shall 3.6
24 be a private right of action in favor of the domestic stock 3.7
25 insurer or controlling company to enforce the provisions of 3.9
26 this section. No demand upon the department to perform its 3.1
27 functions shall be a prerequisite to any suit by the domestic
28 stock insurer or controlling company against any other person, 3.1
29 and in no case shall the department be deemed to be a 3.1
30 necessary party to any action by such domestic stock insurer 3.1
31 or controlling company to enforce the provisions of this

1	section. Any person who makes or proposes any acquisition	3.15
2	requiring the filing of a statement pursuant to this section,	3.16
3	or who files such a statement, shall be deemed to have thereby	3.17
4	designated the Insurance Commissioner and Treasurer or his	3.18
5	assistant or deputy or another person in charge of his office	
6	as such person's agent for service of process under this	3.19
7	section, and shall thereby be deemed to have submitted himself	3.20
8	to the administrative jurisdiction of the department and the	3.21
9	jurisdiction of the circuit court.	
10	<u>(9) + 8</u> No approval of the department under this	3.23
11	section shall constitute a recommendation by the department of	
12	any acquisition, tender offer, or exchange offer. It is	3.25
13	unlawful for any person to represent that any such approval	3.26
14	constitutes any such recommendation. Any person who violates	3.27
15	the provisions of this subsection is guilty of a felony of the	3.28
16	third degree, punishable as provided in s. 775.082, s.	
17	775.083, or s. 775.084. The statute of limitations for	3.30
18	prosecution of offenses committed under this subsection is 5	3.31
19	years.	
20	<u>(10) + 9</u> The department is authorized to adopt, amend,	3.33
21	or repeal rules and regulations necessary to implement the	
22	provisions of this section, pursuant to chapter 120.	3.35
23	<u>(11) + 10</u> For the purposes of this section, the term	3.37
24	"controlling company" means any corporation, trust, or	
25	association owning 25 percent or more of the voting securities	3.38
26	of one or more domestic stock insurance companies.	3.39
27	<u>(12) (a) The department shall revoke the certificate of</u>	1:1:15
28	<u>authority of any insurer or controlling company;</u>	3.41
29	<u>1. The control of which is acquired in violation of</u>	3.42
30	<u>this section;</u>	3.43

1 | 2. That is controlled, directly or indirectly, by any | 1.1
2 | person who, in violation of this section, obtained control of | 3.4
3 | a domestic stock insurer or controlling company; or

4 | 3. That is controlled, directly or indirectly, by any | 3.46
5 | person who, directly or indirectly, controls any person who, | 3.48
6 | in violation of this section, acquires control of a domestic
7 | stock insurer or controlling company. | 3.49

8 | (b) If any insurer is subject to revocation pursuant | 1.1u
9 | to paragraph (a), it shall be deemed to be in such condition | 3.50
10 | or to be using, or to have been subject to, such methods or | 3.51
11 | practices in the conduct of its business as to render its | 3.53
12 | further transaction of insurance presently or prospectively
13 | hazardous to its policyholders, creditors, stockholders, or | 3.54
14 | the public.

15 | Section 2. This act shall take effect upon becoming a | 3.55
16 | law.

17 | *****
18 |

19 | HOUSE SUMMARY

20 | With respect to acquisitions of the controlling stock of
21 | a domestic stock insurance company, provides for
22 | disapproval by the Department of Insurance of same, when
23 | made in violation of the law. Also provides for
24 | revocation of the certificate of authority of any insurer
25 | or controlling company when control of such insurer was
26 | acquired through unlawful stock acquisition.
27 |
28 |
29 |
30 |
31 |