

Senate Engrossed

FILED

MICHELE REAGAN
SECRETARY OF STATE

State of Arizona
Senate
Fifty-third Legislature
First Regular Session
2017

CHAPTER 9

SENATE BILL 1081

AN ACT

AMENDING TITLE 20, CHAPTER 2, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 8.1; AMENDING TITLE 20, CHAPTER 4, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-713.01; RELATING TO THE TRANSACTION OF INSURANCE BUSINESS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 20, chapter 2, Arizona Revised Statutes, is
3 amended by adding article 8.1, to read:

4 ARTICLE 8.1. MUTUAL HOLDING COMPANY REORGANIZATION

5 20-482. Definitions

6 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

7 1. "BOARD" MEANS THE BOARD OF DIRECTORS OF A CONVERTING MUTUAL
8 INSURER.

9 2. "CONVERSION" MEANS A PROCESS BY WHICH A DOMESTIC MUTUAL INSURER
10 IS CONVERTED TO A DOMESTIC STOCK INSURER AS PART OF A REORGANIZATION.

11 3. "CONVERTED STOCK INSURER" MEANS A DOMESTIC STOCK INSURER INTO
12 WHICH A DOMESTIC MUTUAL INSURER IS CONVERTED AS PART OF A REORGANIZATION.

13 4. "CONVERTING MUTUAL INSURER" MEANS A DOMESTIC MUTUAL INSURER THAT
14 IS CONVERTING TO A DOMESTIC STOCK INSURER AS PART OF A REORGANIZATION.

15 5. "EFFECTIVE DATE" MEANS, WITH RESPECT TO A PLAN, THE DATE ON
16 WHICH THE PLAN OR A PART OF THE PLAN BECOMES EFFECTIVE AS SET FORTH IN AN
17 ORDER OF THE DIRECTOR.

18 6. "ELIGIBLE MEMBER" MEANS A MEMBER OF THE CONVERTING MUTUAL
19 INSURER WHOSE INSURANCE POLICY IS IN FORCE AS OF THE DATE ON WHICH THE
20 BOARD ADOPTS THE PLAN OF REORGANIZATION OR ON SOME OTHER DATE THAT THE
21 PLAN SPECIFIES AS THE RECORD DATE AND THAT THE DIRECTOR APPROVES.

22 7. "INTERMEDIATE STOCK HOLDING COMPANY" MEANS A CORPORATION THAT
23 SATISFIES ALL OF THE FOLLOWING:

24 (a) THE CORPORATION WAS INCORPORATED UNDER TITLE 10.

25 (b) A MUTUAL HOLDING COMPANY HOLDS DIRECTLY OR INDIRECTLY AT LEAST
26 A MAJORITY OF THE CORPORATION'S VOTING STOCK.

27 (c) THE CORPORATION HOLDS DIRECTLY OR INDIRECTLY AT LEAST A
28 MAJORITY OF THE VOTING STOCK OF A CONVERTED STOCK INSURER.

29 8. "MEMBER" MEANS:

30 (a) WITH RESPECT TO A DOMESTIC MUTUAL INSURER, A MEMBER AS
31 DESCRIBED IN SECTION 20-715.

32 (b) WITH RESPECT TO A MUTUAL HOLDING COMPANY, ANY HOLDER OF ONE OR
33 MORE POLICIES OF INSURANCE, OTHER THAN A POLICY OF REINSURANCE, ISSUED BY
34 THE CONVERTED STOCK INSURER RESULTING FROM A REORGANIZATION INVOLVING THE
35 ORGANIZATION OF A MUTUAL HOLDING COMPANY AND, IF PERMITTED UNDER THE
36 ARTICLES OF INCORPORATION OR BYLAWS OF THE MUTUAL HOLDING COMPANY, MAY
37 INCLUDE ANY HOLDER OF ONE OR MORE POLICIES OF INSURANCE, OTHER THAN A
38 POLICY OF REINSURANCE, ISSUED BY ANY OTHER INSURER THAT IS A DIRECT OR
39 INDIRECT SUBSIDIARY OR AFFILIATE OF THE MUTUAL HOLDING COMPANY.

40 9. "MEMBERSHIP INTEREST" MEANS:

41 (a) WITH RESPECT TO A CONVERTING MUTUAL INSURER, INTEREST AS SET
42 FORTH IN SECTION 20-716.

43 (b) WITH RESPECT TO A MUTUAL HOLDING COMPANY ON AND AFTER THE
44 EFFECTIVE DATE OF THE PLAN, ANY RIGHT THAT A MEMBER OF THE MUTUAL HOLDING
45 COMPANY MAY HOLD BY VIRTUE OF MEMBERSHIP IN THE MUTUAL HOLDING COMPANY

1 ARISING UNDER THE ARTICLES OF INCORPORATION AND BYLAWS OF THE MUTUAL
2 HOLDING COMPANY, INCLUDING THE RIGHT TO VOTE FOR THE BOARD.

3 10. "MUTUAL HOLDING COMPANY" MEANS A CORPORATION THAT IS FORMED AND
4 EXISTING UNDER THE LAWS OF THIS STATE AND PURSUANT TO THE REORGANIZATION
5 OF A MUTUAL INSURANCE COMPANY.

6 11. "PLAN" MEANS A PLAN OF REORGANIZATION.

7 12. "REORGANIZATION" MEANS A PROCESS BY WHICH A DOMESTIC MUTUAL
8 INSURER IS CONVERTED TO A DOMESTIC STOCK INSURER AND A MUTUAL HOLDING
9 COMPANY IS ORGANIZED.

10 13. "VOTING STOCK":

11 (a) MEANS STOCK OF ANY CLASS OR ANY PERCENTAGE OWNERSHIP INTEREST
12 HAVING VOTING POWER FOR THE ELECTION OF DIRECTORS, TRUSTEES OR MANAGEMENT.

13 (b) INCLUDES STOCK HAVING VOTING POWER ONLY BY REASON OF THE
14 HAPPENING OF A CONTINGENCY.

15 20-482.01. Effect of reorganization

16 A. ON THE EFFECTIVE DATE OF A PLAN OF REORGANIZATION, ALL OF THE
17 FOLLOWING OCCUR:

18 1. THE CONVERTING MUTUAL INSURER BECOMES A CONVERTED STOCK INSURER.
19 THE AMENDED OR RESTATED ARTICLES OF INCORPORATION AND BYLAWS OF THE
20 CONVERTING MUTUAL INSURER SHALL BE FILED WITH THE DIRECTOR AS PART OF THE
21 PLAN AND SHALL BECOME EFFECTIVE ON THE EFFECTIVE DATE OF THE CONVERSION.
22 THE DIRECTOR SHALL AMEND THE CERTIFICATE OF AUTHORITY OF THE CONVERTING
23 MUTUAL INSURER ON THE EFFECTIVE DATE OF THE CONVERSION.

24 2. ALL MEMBERSHIP INTERESTS AND RIGHTS IN SURPLUS OF THE CONVERTING
25 MUTUAL INSURER ARE EXTINGUISHED AND THE MEMBERS OF THE CONVERTING MUTUAL
26 INSURER BECOME MEMBERS OF THE MUTUAL HOLDING COMPANY IN ACCORDANCE WITH
27 THIS ARTICLE AND THE ARTICLES OF INCORPORATION AND BYLAWS OF THE MUTUAL
28 HOLDING COMPANY.

29 3. ANY OWNER OF ONE OR MORE POLICIES OF INSURANCE, OTHER THAN A
30 POLICY OF REINSURANCE, ISSUED BY THE CONVERTED STOCK INSURER AFTER THE
31 EFFECTIVE DATE OF THE CONVERSION AND, IF PERMITTED UNDER THE ARTICLES OF
32 INCORPORATION OR BYLAWS OF THE MUTUAL HOLDING COMPANY, ANY HOLDER OF ONE
33 OR MORE POLICIES OF INSURANCE, OTHER THAN A POLICY OF REINSURANCE, ISSUED
34 BY ANY OTHER INSURER THAT IS A DIRECT OR INDIRECT SUBSIDIARY OR AFFILIATE
35 OF THE MUTUAL HOLDING COMPANY AFTER THE EFFECTIVE DATE OF THE
36 REORGANIZATION BECOMES A MEMBER OF THE MUTUAL HOLDING COMPANY.

37 4. THE MUTUAL HOLDING COMPANY OR, IF CREATED, AN INTERMEDIATE STOCK
38 HOLDING COMPANY ACQUIRES AND SHALL RETAIN ALL SHARES OF THE VOTING STOCK
39 OF THE CONVERTED STOCK INSURER.

40 5. THE MUTUAL HOLDING COMPANY ACQUIRES AND SHALL RETAIN ALL SHARES
41 OF THE VOTING STOCK OF ANY INTERMEDIATE STOCK HOLDING COMPANY.

42 6. A CONVERTED STOCK INSURER CONTINUES THE CORPORATE EXISTENCE OF
43 THE CONVERTING MUTUAL INSURER. EXCEPT AS PROVIDED IN THE PLAN, THE
44 CONVERSION DOES NOT ANNUL, MODIFY OR CHANGE ANY EXISTING LICENSE OR OTHER
45 AUTHORITY OR ANY OF THE EXISTING CIVIL ACTIONS, RIGHTS, CONTRACTS OR

1 LIABILITIES OF THE CONVERTING MUTUAL INSURER. THE CONVERTED STOCK INSURER
2 RETAINS ALL PROPERTY, DEBTS AND CHOSES IN ACTION AND EVERY OTHER INTEREST
3 BELONGING TO THE CONVERTING MUTUAL INSURER BEFORE THE CONVERSION WITHOUT
4 FURTHER ACTION NEEDED. ON AND AFTER THE EFFECTIVE DATE OF THE CONVERSION,
5 THE CONVERTED STOCK INSURER MAY EXERCISE ALL RIGHTS AND POWERS CONFERRED
6 AND SHALL PERFORM ALL DUTIES IMPOSED BY LAW ON INSURERS WRITING THE
7 CLASSES OF INSURANCE WRITTEN BY THE CONVERTED STOCK INSURER, SHALL RETAIN
8 THE RIGHTS AND CONTRACTS OF THE CONVERTING MUTUAL INSURER EXISTING
9 IMMEDIATELY BEFORE THE CONVERSION AND SHALL BE SUBJECT TO ALL OBLIGATIONS
10 AND LIABILITIES OF THE CONVERTING MUTUAL INSURER EXISTING IMMEDIATELY
11 BEFORE THE CONVERSION, SUBJECT TO THE TERMS OF THE PLAN.

12 B. ANY INTERMEDIATE STOCK HOLDING COMPANY CREATED AT THE TIME OF
13 REORGANIZATION TO HOLD THE STOCK OF THE CONVERTING MUTUAL INSURER SHALL BE
14 INCORPORATED UNDER TITLE 10 AND MAY ENGAGE IN ANY BUSINESS OR ACTIVITY
15 PERMITTED BY TITLE 10.

16 C. THE CONVERTED STOCK INSURER AND ANY INTERMEDIATE STOCK HOLDING
17 COMPANY MAY ISSUE TO THIRD PARTIES DEBT SECURITIES, STOCK OTHER THAN
18 VOTING STOCK AND VOTING STOCK IF ALL OF THE FOLLOWING APPLY:

19 1. NO SHARES OF STOCK REPRESENTING A MAJORITY OF THE VOTING POWER
20 OF ALL ISSUED AND OUTSTANDING VOTING STOCK OF EITHER THE CONVERTED STOCK
21 INSURER OR THE INTERMEDIATE STOCK HOLDING COMPANY, IF ANY, ARE ISSUED TO
22 THIRD PARTIES.

23 2. A MAJORITY OF THE VOTING STOCK OF THE CONVERTED STOCK INSURANCE
24 COMPANY IS AT ALL TIMES OWNED BY THE MUTUAL HOLDING COMPANY OR BY THE
25 INTERMEDIATE STOCK HOLDING COMPANY, A MAJORITY OF WHOSE VOTING STOCK IS
26 HELD BY THE MUTUAL HOLDING COMPANY, AND SUCH MAJORITY INTEREST IN THE
27 CONVERTED STOCK INSURANCE COMPANY AND ANY INTERMEDIATE STOCK HOLDING
28 COMPANY IS NOT CONVEYED, TRANSFERRED, ASSIGNED, PLEDGED, SUBJECTED TO A
29 SECURITY INTEREST OR LIEN, PLACED IN A VOTING TRUST, ENCUMBERED OR
30 OTHERWISE HYPOTHECATED OR ALIENATED BY THE MUTUAL HOLDING COMPANY OR BY
31 THE INTERMEDIATE STOCK HOLDING COMPANY. ANY CONVEYANCE, TRANSFER,
32 ASSIGNMENT, PLEDGE, SECURITY INTEREST, LIEN, PLACEMENT IN A VOTING TRUST,
33 ENCUMBRANCE OR HYPOTHECATION OR ALIENATION OF, IN OR ON A MAJORITY OF THE
34 VOTING SHARES OF THE CONVERTED STOCK INSURER OR THE INTERMEDIATE STOCK
35 HOLDING COMPANY IN VIOLATION OF THIS PARAGRAPH IS VOID IN INVERSE
36 CHRONOLOGICAL ORDER AS TO THE SHARES NECESSARY TO CONSTITUTE A MAJORITY OF
37 SUCH VOTING STOCK.

38 D. UNLESS OTHERWISE SPECIFIED IN THE PLAN, THE DIRECTORS AND
39 OFFICERS OF THE CONVERTING MUTUAL INSURER SHALL SERVE AS DIRECTORS AND
40 OFFICERS OF THE MUTUAL HOLDING COMPANY, ANY INTERMEDIATE STOCK HOLDING
41 COMPANY AND THE CONVERTED STOCK INSURER UNTIL NEW DIRECTORS AND OFFICERS
42 ARE ELECTED.

43 20-482.02. Required filings; approval by director and members

44 A. A DOMESTIC MUTUAL INSURER MAY ENGAGE IN A CONVERSION AS PART OF
45 A REORGANIZATION AS A MUTUAL HOLDING COMPANY, ONLY IF THE BOARD PASSES A

1 RESOLUTION THAT THE REORGANIZATION IS FAIR AND EQUITABLE TO THE
2 POLICYHOLDERS AND ADOPTS A PLAN THAT MEETS THE REQUIREMENTS OF THIS
3 ARTICLE.

4 B. AFTER THE BOARD HAS ADOPTED A PLAN AND BEFORE THE BOARD SEEKS
5 APPROVAL OF THE PLAN BY THE ELIGIBLE MEMBERS OF THE CONVERTING MUTUAL
6 INSURER, THE CONVERTING MUTUAL INSURER SHALL FILE THE FOLLOWING DOCUMENTS
7 WITH THE DIRECTOR:

8 1. THE PLAN OF REORGANIZATION.

9 2. THE FORM OF NOTICE OF THE MEETING AT WHICH THE ELIGIBLE MEMBERS
10 VOTE ON THE PLAN.

11 3. THE FORM OF ANY PROXIES TO BE SOLICITED FROM THE ELIGIBLE
12 MEMBERS. PROXIES MUST OFFER THE ELIGIBLE MEMBERS THE OPTION OF VOTING IN
13 FAVOR OF OR VOTING AGAINST THE PLAN OR ABSTAINING FROM VOTING.

14 4. INFORMATION REQUIRED BY THE CONVERTING MUTUAL INSURER'S BYLAWS.

15 5. OTHER INFORMATION OR DOCUMENTATION REQUIRED BY THE DIRECTOR.

16 C. THE DIRECTOR SHALL APPROVE OR DISAPPROVE A PLAN AND OTHER
17 DOCUMENTS SUBMITTED UNDER SUBSECTION B OF THIS SECTION AS PRESCRIBED IN
18 SECTION 20-482.04. THE DIRECTOR MUST APPROVE OR DISAPPROVE THE PLAN
19 WITHIN SIXTY DAYS AFTER THE DIRECTOR RECEIVES A COMPLETED FILING OF THE
20 PLAN AND ALL INFORMATION REQUESTED BY THE DIRECTOR OR WITHIN SIXTY DAYS
21 AFTER THE COMPLETION OF A HEARING ON THE PLAN, WHICHEVER DATE IS LATER.

22 D. AT ANY TIME BEFORE THE DIRECTOR APPROVES A PLAN, THE BOARD MAY
23 AMEND OR WITHDRAW THE PLAN.

24 E. AFTER THE DIRECTOR APPROVES A PLAN, THE ELIGIBLE MEMBERS OF THE
25 CONVERTING MUTUAL INSURER MUST APPROVE THE PLAN. APPROVAL BY THE ELIGIBLE
26 MEMBERS IS SUBJECT TO THE FOLLOWING REQUIREMENTS:

27 1. ALL ELIGIBLE MEMBERS MUST BE GIVEN NOTICE OF THE PLAN AND OF
28 THEIR OPPORTUNITY TO VOTE ON THE PLAN. A COPY OF THE PLAN OR A SUMMARY OF
29 THE PLAN MUST ACCOMPANY THE NOTICE. THE NOTICE SHALL BE MAILED TO THE
30 LAST KNOWN ADDRESS OF EACH ELIGIBLE MEMBER, AS SHOWN ON THE RECORDS OF THE
31 CONVERTING MUTUAL INSURER, WITHIN FORTY-FIVE DAYS AFTER THE DIRECTOR
32 APPROVES THE PLAN. THE MEETING OF THE ELIGIBLE MEMBERS AT WHICH A VOTE ON
33 THE PLAN WILL OCCUR SHALL BE SET FOR A DATE THAT IS NOT EARLIER THAN THE
34 THIRTIETH DAY AFTER THE DATE ON WHICH THE MUTUAL INSURER MAILED THE NOTICE
35 OF THE MEETING. IF THE CONVERTING MUTUAL INSURER COMPLIES SUBSTANTIALLY
36 AND IN GOOD FAITH WITH THE NOTICE REQUIREMENTS OF THIS PARAGRAPH, THE
37 CONVERTING MUTUAL INSURER'S FAILURE TO GIVE ANY MEMBER OR MEMBERS ANY
38 REQUIRED NOTICE DOES NOT IMPAIR THE VALIDITY OF ANY ACTION TAKEN UNDER
39 THIS SECTION.

40 2. THE VOTE REQUIRED FOR APPROVAL MUST BE CONDUCTED IN ACCORDANCE
41 WITH THE CONVERTING MUTUAL INSURER'S BYLAWS, EXCEPT AS FOLLOWS:

42 (a) ONLY ELIGIBLE MEMBERS MAY VOTE ON THE PLAN.

43 (b) AN ELIGIBLE MEMBER MAY VOTE IN PERSON OR BY PROXY AT THE
44 MEETING AT WHICH THE PLAN IS VOTED ON.

1 (c) THE PLAN IS APPROVED BY THE ELIGIBLE MEMBERS ON THE AFFIRMATIVE
2 VOTE OF TWO-THIRDS OR MORE OF THE ELIGIBLE MEMBERS VOTING ON THE PLAN,
3 UNLESS THE BYLAWS REQUIRE A GREATER NUMBER OF AFFIRMATIVE VOTES. THE
4 CONVERTING MUTUAL INSURER SHALL FILE WITH THE DIRECTOR A CERTIFICATION
5 THAT THE PLAN OF REORGANIZATION HAS BEEN DULY ADOPTED BY A VOTE OF AT
6 LEAST TWO-THIRDS OF THE ELIGIBLE MEMBERS.

7 F. THE PLAN SHALL BE CARRIED OUT IN ACCORDANCE WITH ITS TERMS ON
8 THE EFFECTIVE DATE OF THE REORGANIZATION.

9 G. EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, ALL INFORMATION
10 AND DOCUMENTS OBTAINED BY OR DISCLOSED TO THE DIRECTOR OR ANY OTHER PERSON
11 IN THE COURSE OF PREPARING, FILING AND PROCESSING AN APPLICATION TO
12 REORGANIZE, OTHER THAN INFORMATION AND DOCUMENTS DISTRIBUTED TO
13 POLICYHOLDERS OR FILED AND SUBMITTED AS EVIDENCE IN CONNECTION WITH A
14 PUBLIC HEARING HELD PURSUANT TO SECTION 20-482.04, ARE CONFIDENTIAL AND
15 NOT SUBJECT TO SUBPOENA AND MUST NOT BE MADE PUBLIC EXCEPT TO INSURANCE
16 DEPARTMENTS OF OTHER STATES, WITH THE PRIOR WRITTEN CONSENT OF THE INSURER
17 TO WHICH SUCH INFORMATION AND DOCUMENTS PERTAIN.

18 20-482.03. Required plan contents

19 A PLAN OF REORGANIZATION OF A DOMESTIC MUTUAL INSURER SHALL INCLUDE
20 ALL OF THE FOLLOWING:

- 21 1. A STATEMENT OF THE REASONS FOR THE PROPOSED ACTION.
- 22 2. A DESCRIPTION OF HOW THE PLAN WILL BE CARRIED OUT, INCLUDING ANY
23 TRANSACTION INCLUDED WITHIN THE PLAN AND A DESCRIPTION OF ANY MUTUAL
24 HOLDING COMPANY, INTERMEDIATE STOCK HOLDING COMPANY OR OTHER CORPORATION
25 ORGANIZED PURSUANT TO THE PLAN.
- 26 3. A DESCRIPTION OF ALL SIGNIFICANT TERMS OF THE REORGANIZATION.
- 27 4. NEW OR REVISED INTERCOMPANY AGREEMENTS.
- 28 5. A DESCRIPTION OF THE OVERALL EFFECT OF THE PLAN ON POLICIES
29 ISSUED BY THE CONVERTING MUTUAL INSURER. THE DESCRIPTION MUST SHOW THAT
30 POLICYHOLDER INTERESTS COLLECTIVELY ARE PROPERLY PRESERVED AND PROTECTED
31 AND THAT THE PLAN IS FAIR AND EQUITABLE TO THE POLICYHOLDERS.
- 32 6. THE RECORD DATE FOR DETERMINING WHETHER A MEMBER OF THE
33 CONVERTING MUTUAL INSURER IS AN ELIGIBLE MEMBER.
- 34 7. THE PROPOSED EFFECTIVE DATE OF THE REORGANIZATION OR THE MANNER
35 IN WHICH THE PROPOSED EFFECTIVE DATE OF THE REORGANIZATION IS ESTABLISHED.
- 36 8. THE PROPOSED AMENDMENTS TO OR RESTATEMENT OF THE ARTICLES OF
37 INCORPORATION AND BYLAWS OF THE CONVERTING MUTUAL INSURER AND THE PROPOSED
38 ARTICLES OF INCORPORATION AND BYLAWS OF ANY MUTUAL HOLDING COMPANY,
39 INTERMEDIATE STOCK HOLDING COMPANY OR OTHER CORPORATION ORGANIZED PURSUANT
40 TO THE PLAN.
- 41 9. A DESCRIPTION OF ANY PLANS FOR THE INITIAL SALE OF VOTING STOCK
42 TO THIRD PARTIES BY THE CONVERTED STOCK INSURER OR ANY INTERMEDIATE
43 STOCKHOLDING COMPANY, OR A STATEMENT THAT THE CONVERTED STOCK INSURER OR
44 INTERMEDIATE STOCK HOLDING COMPANY HAS NO CURRENT PLANS FOR THE SALE OF
45 VOTING STOCK.

1 C. AN APPROVAL OF A PLAN BY THE DIRECTOR EXPIRES IF THE PLAN IS NOT
2 CARRIED OUT WITHIN ONE YEAR AFTER THE DATE OF THE APPROVAL, UNLESS THE
3 DIRECTOR EXTENDS THE TIME PERIOD FOR GOOD CAUSE ON WRITTEN APPLICATION FOR
4 SUCH EXTENSION.

5 D. THE DIRECTOR MAY RETAIN, AT THE EXPENSE OF THE CONVERTING MUTUAL
6 INSURER, QUALIFIED EXPERTS NOT OTHERWISE A PART OF THE STAFF OF THE
7 DEPARTMENT TO ASSIST IN REVIEWING THE PLAN AND SUPPLEMENTAL DOCUMENTS.

8 E. THE DIRECTOR MAY HOLD A HEARING AS PRESCRIBED IN SECTION 20-161
9 FOR THE PURPOSES OF RECEIVING COMMENTS ON WHETHER A PLAN SHOULD BE
10 APPROVED AND ON ANY OTHER MATTER RELATING TO THE REORGANIZATION. THE
11 HEARING, IF HELD, SHALL BE HELD WITHIN SIXTY DAYS AFTER THE DIRECTOR
12 RECEIVES A COMPLETED FILING OF THE PLAN AND ALL INFORMATION REQUIRED BY
13 THE DIRECTOR.

14 20-482.05. Status of mutual holding company as corporation;
15 status of insurer; rights and obligations of
16 members; voting; articles of incorporation

17 A. A MUTUAL HOLDING COMPANY IS NOT AN INSURER FOR THE PURPOSES OF
18 THIS TITLE, EXCEPT THAT SECTIONS 20-704, 20-713, 20-713.01, 20-714,
19 20-716, 20-723, 20-730, 20-733 AND 20-735 APPLY TO A MUTUAL HOLDING
20 COMPANY AS IF THE MUTUAL HOLDING COMPANY WERE A DOMESTIC MUTUAL INSURER.

21 B. A MUTUAL HOLDING COMPANY MAY NOT DISSOLVE OR LIQUIDATE WITHOUT
22 APPROVAL BY THE DIRECTOR OR UNLESS REQUIRED BY JUDICIAL ORDER. THE
23 DIRECTOR RETAINS JURISDICTION OVER A MUTUAL HOLDING COMPANY, ANY
24 INTERMEDIATE STOCK HOLDING COMPANY AND ANY SUBSIDIARY OF AN INTERMEDIATE
25 STOCK HOLDING COMPANY AS PROVIDED IN THIS SECTION AND SECTION 20-481.20.

26 C. THE MEMBERS OF A MUTUAL HOLDING COMPANY HAVE THE RIGHTS AND
27 OBLIGATIONS SET FORTH IN THIS SECTION AND IN THE ARTICLES OF INCORPORATION
28 AND BYLAWS OF THE MUTUAL HOLDING COMPANY. A MEMBER OF A MUTUAL HOLDING
29 COMPANY MAY NOT TRANSFER MEMBERSHIP IN THE MUTUAL HOLDING COMPANY OR ANY
30 RIGHT ARISING FROM SUCH MEMBERSHIP. SUCH LIMITATION ON THE TRANSFER OF
31 MEMBERSHIP OR RIGHTS ARISING FROM MEMBERSHIP DOES NOT RESTRICT THE
32 ASSIGNMENT OF A POLICY THAT IS OTHERWISE PERMISSIBLE. A MEMBER OF A
33 MUTUAL HOLDING COMPANY IS NOT PERSONALLY LIABLE FOR THE ACTS, DEBTS,
34 LIABILITIES OR OBLIGATIONS OF THE MUTUAL HOLDING COMPANY MERELY BY REASON
35 OF BEING A MEMBER. AN ASSESSMENT OF ANY KIND MAY NOT BE IMPOSED ON A
36 MEMBER OF A MUTUAL HOLDING COMPANY. ANY PREMIUM DUE UNDER AN INSURANCE
37 POLICY OR CONTRACT ISSUED TO A MEMBER OF A MUTUAL HOLDING COMPANY IS NOT
38 CONSIDERED AN ASSESSMENT.

39 D. A MEMBERSHIP INTEREST IN A MUTUAL HOLDING COMPANY DOES NOT
40 CONSTITUTE A SECURITY AS DEFINED IN SECTION 44-1801.

41 E. EACH MEMBER OF A MUTUAL HOLDING COMPANY IS ENTITLED TO ONE VOTE
42 ON EACH MATTER COMING BEFORE A MEETING OF THE MEMBERS AND FOR EACH
43 DIRECTOR TO BE ELECTED REGARDLESS OF THE NUMBER OF POLICIES OR AMOUNT OF
44 INSURANCE AND BENEFITS HELD BY SUCH MEMBER. THE MUTUAL HOLDING COMPANY'S

1 BYLAWS SHALL SET FORTH THE VOTING RIGHTS OF THE MEMBERS OF A MUTUAL
2 HOLDING COMPANY.

3 F. MEETINGS OF THE MEMBERS OF A MUTUAL HOLDING COMPANY SHALL BE
4 GOVERNED IN THE SAME MANNER AS IF THE MUTUAL HOLDING COMPANY WERE A
5 DOMESTIC MUTUAL INSURER, INCLUDING PROVISIONS GOVERNING QUORUM
6 REQUIREMENTS, THE APPROVAL OF MATTERS BY THE MEMBERS AND THE ELECTION OF
7 DIRECTORS BY THE MEMBERS.

8 G. THE ARTICLES OF INCORPORATION OF A MUTUAL HOLDING COMPANY SHALL
9 CONTAIN ALL THE FOLLOWING PROVISIONS:

10 1. THE NAME OF THE MUTUAL HOLDING COMPANY. THE NAME SHALL INCLUDE
11 THE WORDS "MUTUAL HOLDING COMPANY" OR "MUTUAL INSURANCE HOLDING COMPANY"
12 OR OTHER WORDS CONNOTING THE MUTUAL CHARACTER OF THE MUTUAL HOLDING
13 COMPANY THAT ARE APPROVED BY THE DIRECTOR.

14 2. A PROVISION SPECIFYING THAT THE MUTUAL HOLDING COMPANY IS NOT
15 AUTHORIZED TO ISSUE CAPITAL STOCK, WHETHER VOTING OR NONVOTING.

16 3. A PROVISION SETTING FORTH ANY RIGHTS OF THE MEMBERS OF THE
17 MUTUAL HOLDING COMPANY ON DISSOLUTION OR LIQUIDATION.

18 H. A MUTUAL HOLDING COMPANY SHALL AUTOMATICALLY BE A PARTY TO ANY
19 REHABILITATION OR LIQUIDATION PROCEEDING INVOLVING THE CONVERTED STOCK
20 INSURER THAT AS A RESULT OF A REORGANIZATION IS A DIRECT OR INDIRECT
21 SUBSIDIARY OF THE MUTUAL HOLDING COMPANY. IN SUCH A PROCEEDING, THE
22 ASSETS OF THE MUTUAL HOLDING COMPANY SHALL BE COUNTED AS ASSETS OF THE
23 ESTATE OF THE CONVERTED STOCK INSURER FOR THE PURPOSE OF SATISFYING THE
24 CLAIMS OF THE POLICYHOLDERS OF THE CONVERTED STOCK INSURER.

25 20-482.06. Concurrent reorganization with a domestic or
26 foreign mutual insurer

27 THE CONCURRENT REORGANIZATION OF A DOMESTIC MUTUAL INSURER WITH ONE
28 OR MORE MUTUAL INSURERS, DOMESTIC OR FOREIGN, INTO A SINGLE MUTUAL
29 INSURANCE HOLDING COMPANY, WHETHER DOMESTIC OR FOREIGN, MAY BE
30 ACCOMPLISHED BY A JOINT APPLICATION AND A JOINT PLAN OF REORGANIZATION AND
31 MAY BE APPROVED BY THE DIRECTOR BY COMPLYING WITH THE REQUIREMENTS OF THIS
32 ARTICLE. THE DIRECTOR MAY DETERMINE THAT SUCH OTHER PROCEDURES ARE
33 UNNECESSARY TO AVOID DUPLICATIVE COSTS AND EFFORTS IN SATISFYING THE
34 REQUIREMENTS OF THIS ARTICLE AND EFFECTUATING THE REORGANIZATION.

35 20-482.07. Foreign mutual insurer reorganization; definition

36 A. A FOREIGN MUTUAL INSURER ORGANIZED UNDER THE LAWS OF ANY OTHER
37 STATE, THAT, IF A DOMESTIC CORPORATION, WOULD BE ORGANIZED UNDER SECTION
38 20-709, MAY REORGANIZE BY MERGING ITS POLICYHOLDERS' MEMBERSHIP INTERESTS
39 INTO AN EXISTING DOMESTIC MUTUAL HOLDING COMPANY IN ACCORDANCE WITH THE
40 REQUIREMENTS OF ANY OTHER LAW OR REGULATION THAT APPLIES TO THE FOREIGN
41 MUTUAL INSURER. THE REORGANIZATION SHALL CONTINUE THE CORPORATE EXISTENCE
42 OF THE CONVERTING MUTUAL INSURER AS A FOREIGN STOCK INSURANCE COMPANY
43 SUBSIDIARY OF THE EXISTING DOMESTIC MUTUAL HOLDING COMPANY OR AS A FOREIGN
44 STOCK INSURANCE COMPANY SUBSIDIARY OF AN INTERMEDIATE STOCK HOLDING
45 COMPANY. THE REORGANIZING FOREIGN MUTUAL INSURER MAY REMAIN A FOREIGN

1 INSURER AFTER THE RESTRUCTURING AND MAY BE ADMITTED TO DO BUSINESS IN THIS
2 STATE IF IT MEETS THE APPLICABLE REQUIREMENTS OF THIS TITLE. A FOREIGN
3 MUTUAL INSURER THAT IS A PARTY TO THE REORGANIZATION MAY AT THE SAME TIME
4 REDOMESTICATE TO THIS STATE BY COMPLYING WITH THE APPLICABLE REQUIREMENTS
5 OF THIS STATE AND THE FOREIGN MUTUAL INSURER'S STATE OF DOMICILE.

6 B. FOR THE PURPOSES OF THIS SECTION, "EXISTING DOMESTIC MUTUAL
7 HOLDING COMPANY" MEANS A MUTUAL HOLDING COMPANY FORMED UNDER THIS ARTICLE.

8 Sec. 2. Title 20, chapter 4, article 1, Arizona Revised Statutes,
9 is amended by adding section 20-713.01, to read:

10 20-713.01. Directors; terms; staggered terms

11 THE MEMBERS OF A DOMESTIC MUTUAL INSURER OR MUTUAL INSURANCE HOLDING
12 COMPANY SHALL ELECT DIRECTORS AT THE ANNUAL MEETING OF MEMBERS. DIRECTORS
13 MAY BE ELECTED FOR TERMS OF NOT MORE THAN ONE YEAR EACH AND SHALL SERVE
14 UNTIL THEIR SUCCESSORS ARE ELECTED AND QUALIFIED UNLESS, NOTWITHSTANDING
15 ANY LAW TO THE CONTRARY, THE INSURER'S ARTICLES OF INCORPORATION OR BYLAWS
16 PROVIDE FOR STAGGERING THE TERMS OF DIRECTORS BY DIVIDING THE TOTAL NUMBER
17 OF DIRECTORS INTO GROUPS CONTAINING AS EQUAL A NUMBER OF DIRECTORS AS IS
18 POSSIBLE AND PROVIDING AN INITIAL TERM OF OFFICE FOR DIRECTORS IN EACH
19 GROUP THAT EXPIRES AT SUCCEEDING ANNUAL MEETINGS OF MEMBERS, WITH AT LEAST
20 ONE DIRECTOR ELECTED EACH YEAR. SUCH STAGGERED TERMS MAY NOT EXCEED FIVE
21 YEARS EACH.

APPROVED BY THE GOVERNOR MARCH 14, 2017.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 14, 2017.

Passed the House March 9, 2017,

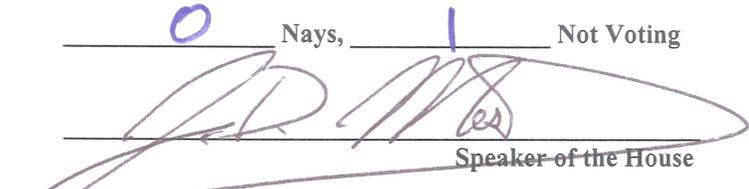
Passed the Senate February 13, 2017,

by the following vote: 59 Ayes,

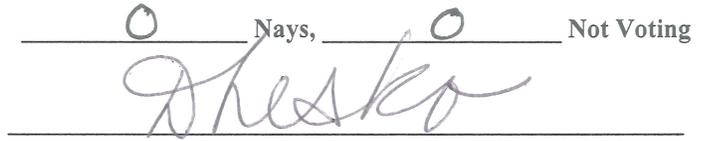
by the following vote: 30 Ayes,

0 Nays, 1 Not Voting

0 Nays, 0 Not Voting


Speaker of the House

Chief Clerk of the House


President of the Senate

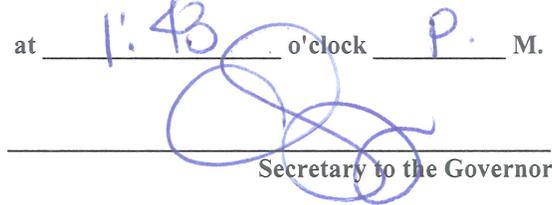
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

14 day of March, 2017,

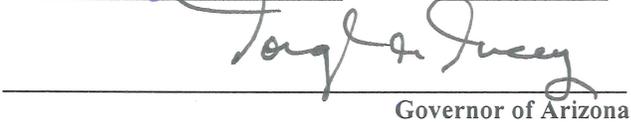
at 1:43 o'clock P. M.


Secretary to the Governor

Approved this 14th day of

March, 2017,

at 3:23 o'clock P. M.


Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 14 day of March, 2017,

at 5:19 o'clock P. M.


Secretary of State

S.B. 1081