

## IDAPA 18 – IDAHO DEPARTMENT OF INSURANCE

### Company Activities

#### 18.07.01 – Rules for Acquiring Control, Insurance Holding Company Systems, and Mutual Insurance Holding Companies

##### **Who does this rule apply to?**

*This rule applies to all insurers and entities that are part of an insurance holding company system.*

##### **What is the purpose of this rule?**

*The purpose of this rule sets forth rules and procedural requirements necessary to administer the Idaho Acquisitions of Control and Insurance Holding Company Systems Regulatory Act, including provisions relating to Section 41-3824 on mutual holding companies.*

##### **What is the legal authority for the agency to promulgate this rule?**

*This rule implements the following statutes passed by the Idaho Legislature:*

Insurance -

The Department of Insurance:

- [Section 41-211, Idaho Code](#) – Rules

Acquisitions of Control and Insurance Holding Company Systems:

- [Section 41-3817, Idaho Code](#) – Rules
- [Section 41-3824, Idaho Code](#) – Mutual Insurance Holding Companies

##### **Who do I contact for more information on this rule?**

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**18.07.01 – RULES FOR ACQUIRING CONTROL, INSURANCE HOLDING COMPANY SYSTEMS,  
AND MUTUAL INSURANCE HOLDING COMPANIES**

**000. LEGAL AUTHORITY.**

Title 41, Chapters 2 and 38, Sections 41-211 and 41-3817, Idaho Code. (4-6-23)

**001. SCOPE.**

These rules administer the Idaho Acquisitions of Control and Insurance Holding Company Systems Regulatory Act including its MHC provisions. (4-6-23)

**002. -- 009. (RESERVED)**

**010. DEFINITIONS.**

These definitions supplement those in Chapter 38, Title 41, Idaho Code: (4-6-23)

**01. Affiliated Person.** (4-6-23)

**a.** Any person directly or indirectly owning, controlling, or holding with power to vote, five percent (5%) or more of another person's outstanding voting securities; or (4-6-23)

**b.** Any person, five percent (5%) or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by another person; or (4-6-23)

**c.** Any person directly or indirectly controlling, controlled by, or under common control with, another person; or (4-6-23)

**d.** Any officer, director, partner, copartner, or employee of another person. (4-6-23)

**02. Domestic Mutual Insurance Company.** A mutual insurer as defined in Section 41-302, Idaho Code, that is incorporated under Idaho law. (4-6-23)

**03. Executive Officer.** Chief executive officer, chief operating officer, chief financial officer, treasurer, secretary, controller, and any other individual performing functions corresponding to those performed by those officers under whatever title. (4-6-23)

**04. Interested Person.** Interested person means: (4-6-23)

**a.** An affiliated person of another person or company; or (4-6-23)

**b.** A member of the immediate family of any natural person who is an affiliated person of another company; or (4-6-23)

**c.** Any person, partner or employee of any person who, at any time in a company's last two completed fiscal years, has acted as the company's lawyer; or (4-6-23)

**d.** Any natural person whom the Director, by order, finds to be an interested person because the person had, at any time during a company's last two completed fiscal years, a material business or professional relationship with that company or its principal executive officer. (4-6-23)

**05. Intermediate Holding Company.** A subsidiary of a MHC or part of a MHC-controlled holding company system. (4-6-23)

**06. Limited Application.** A domestic mutual insurance company's application to reorganize as a MHC that will hold, at all times, all of the stock of its insurance subsidiaries. (4-6-23)

**07. Member of the Immediate Family.** Any parent, or child, and their spouses, siblings, including step and adoptive relationships. (4-6-23)

**08. MHC.** A mutual insurance holding company under Section 41-3824, Idaho Code. (4-6-23)

**09. Plan of Reorganization.** A plan to reorganize a domestic mutual insurance company by forming a MHC. (4-6-23)

**10. Standard Application.** A domestic mutual insurance company's application to reorganize as a MHC that may sell interests in its subsidiaries to third parties. (4-6-23)

**11. Stock.** Any security showing an equity interest in the issuing entity. (4-6-23)

**12. Stock Offering.** Any proposed sale, exchange, transfer or change of ownership of stock or of securities convertible into, or exchangeable or exercisable for, stock. "Stock offering" does not mean: (4-6-23)

**a.** An offering of preferred stock without ordinary voting rights that is not convertible or exchangeable into common stock; or (4-6-23)

**b.** A stock transfer between entities in a MHC system, including the MHC, intermediate holding company, and any insurance company subsidiaries. (4-6-23)

**13. Ultimate Controlling Person.** A person not controlled by another person. (4-6-23)

**011. FORMS -- GENERAL REQUIREMENTS.**

**01. Forms As Guides.** Forms A, B, C, D, E, and F included on the Department's website are guides for persons filing statements prescribed by Title 41, Chapter 38, Idaho Code, and not intended as fillable blank forms. Statements need to contain the numbers and captions for all items. (4-6-23)

**02. Filings.** Each statement, including all exhibits, papers, and documents are to be electronically filed with the Director, and a hard copy personally delivered or mailed. Sign at least one (1) copy as stated on the form. If a signature is affixed pursuant to a power of attorney or similar authority, file a copy of the power of attorney or other authority with the statement. (4-6-23)

**03. Format.** Prepare statements in English, using United States currency, and be easily readable and suitable for review and reproduction. Debits in credit categories and credits in debit categories should be clearly distinguishable on photocopies. (4-6-23)

**04. Hearing.** If an applicant requests a consolidated hearing under Section 41-3806(3), Idaho Code, then besides filing Form A with the Director, the applicant will electronically file a copy of Form A with the National Association of Insurance Commissioners. (4-6-23)

**012. FORMS -- INCORPORATION BY REFERENCE, SUMMARIES AND OMISSIONS.**

**01. Incorporation by Reference.** Information prescribed by any item on a Form may be incorporated by reference in answer or partial answer to any other item. Information contained in any financial statement, annual report, proxy statement, statement filed with a governmental authority, or other document may be incorporated by reference in answer or partial answer to any item if the document or paper is filed as an exhibit to the statement. Excerpts of documents may be filed as exhibits. Documents need not be attached as exhibits if filed with the Director within the previous three (3) years. References to information in exhibits or documents already on file need to clearly identify that information and indicate it is incorporated by reference. Information cannot be incorporated by reference if doing so would make the statement incomplete, unclear or confusing. (4-6-23)

**02. Summaries or Outlines.** When any Form requires a summary or outline, briefly explain the document's pertinent provisions. The summary or outline may incorporate by reference parts of any exhibit or document filed with the Director within the three (3) prior years. If documents filed as exhibits are substantially identical except as to parties, dates of execution, or other details, one (1) document should be filed with a schedule identifying the omitted documents and any material details in which the omitted documents differ from the filed documents. (4-6-23)

**013. FORMS -- INFORMATION UNKNOWN OR UNAVAILABLE AND EXTENSION OF TIME TO FURNISH.**

For items that cannot be furnished at the time prescribed, the filer will: identify the information, document or report in question; state why its impractical to file it when prescribed; and request an extension to file it on a specified date.

The extension request is deemed granted unless the Director issues an order denying the request within twenty-eight (28) days of receipt. (4-6-23)

**014. FORMS -- ADDITIONAL INFORMATION AND EXHIBITS.**

In addition to expressly prescribed information, the Director may request additional information necessary for clarification. The filer may file exhibits besides those expressly necessary by the statement, clearly indicating the subject matters to which they refer. At the top of the cover page for changes to content in necessary Forms state “Change No. [insert number] to” and date of the change. (4-6-23)

**015. SUBSIDIARIES OF DOMESTIC INSURERS.**

The authority to invest in subsidiaries under Section 41-3803, Idaho Code, is in addition to authority to invest in subsidiaries from any other provision of Title 41, Idaho Code. (4-6-23)

**016. ACQUISITION OF CONTROL -- STATEMENT FILING.**

A person filing under Section 41-3804, Idaho Code, will furnish the prescribed information on Forms A and E. (4-6-23)

**017. AMENDING FORM A.**

The applicant will promptly advise the Director of changes in Form A information arising after it was filed but before the Director’s disposition of the application. (4-6-23)

**018. ACQUIRING SECTION 41-3804(1)(D) INSURERS.**

**01. Domestic Insurer’s Name.** If a “domestic insurer” under Section 41-3804(1)(d), Idaho Code, is being acquired, then include in the application’s cover page the domestic insurer’s name in this format: “ABC Insurance Company, a subsidiary of XYZ Holding Company.” (4-6-23)

**02. References to Insurer.** Where a Section 41-3804(1)(d) insurer is acquired, Form A’s references to “the insurer” mean both the domestic subsidiary insurer and the acquired person. (4-6-23)

**019. PRE-ACQUISITION NOTIFICATION.**

**01. Pre-Acquisition Notification.** If a domestic insurer, including any controlling person, proposes a merger or acquisition per Section 41-3808(1)(a), Idaho Code, they will file Form E. If a licensed non-domiciliary insurer proposes a merger or acquisition per Section 41-3808, Idaho Code, they will file Form E unless exempted by Section 41-3808(2), Idaho Code. (4-6-23)

**02. Experts.** The director may request an expert opinion regarding the competitive impact of the proposed acquisition. (4-6-23)

**020. ANNUAL REGISTRATION OF INSURERS -- STATEMENT FILING.**

An insurer filing under Section 41-3809, Idaho Code, will complete Form B. (4-6-23)

**021. SUMMARY OF REGISTRATION -- STATEMENT FILING.**

An insurer filing an annual registration under section 41-3809, Idaho Code, will also complete Form C. (4-6-23)

**022. AMENDING FORM B.**

**01. Amending Form B.** An insurer will file any amendments to Form B within fifteen (15) days after the end of any month in which there is a material change to the information in the annual registration. (4-6-23)

**02. Form B Format.** Amendments are filed on Form B including only the amended items. The top of the cover page for each amendment will state “Amendment No. [insert number] to Form B for [insert year]” and the date of the change, not the date of the original filings. (4-6-23)

**023. ALTERNATIVE AND CONSOLIDATED REGISTRATIONS.**

**01. Filing on Behalf of Affiliated Insurers.** An authorized insurer may file a registration statement for an affiliated insurer or insurers. The registration statement may include information about any insurer in the holding system, even if the insurer is not authorized to do business in Idaho. In lieu of Form B, an authorized insurer may file a copy of the registration statement or similar report on file with its state of domicile if: (4-6-23)

a. The filing contains substantially similar information prescribed on Form B; and (4-6-23)

b. The filer is the principal insurance company in the insurance holding company system. (4-6-23)

**02. Statement That Filing Insurer Is the Principal Insurer.** An insurer filing in lieu of Form B for an affiliated insurer will state facts substantiating the filing insurer's claim that it is the principal insurer in the insurance holding system. (4-6-23)

**03. Unauthorized Insurer.** With the Director's prior approval, an unauthorized insurer may follow any procedures under Subsection 023.01. (4-6-23)

**04. Consolidated Registration Statements.** An insurer may follow Section 41-3809(8), or 41-3809(9), Idaho Code, without the Director's prior approval. The Director may request individual filings if necessary for clarity, ease of administration, or the public good. (4-6-23)

#### **024. DISCLAIMERS AND TERMINATION OF REGISTRATION.**

**01. Information Requisite.** A disclaimer of affiliation or a request for termination of registration, on the basis that a person does not, or will not, upon the taking of some proposed action, control another person (the "subject"), will state: (4-6-23)

a. The number of the subject's authorized, issued and outstanding voting securities; (4-6-23)

b. For the person whose control is denied and all the person's affiliates, the number and percentage of shares of the subject's voting securities that are held of record or known to be beneficially owned, and the number of shares for which there is a direct or indirect right to acquire; (4-6-23)

c. All material relationships and bases for affiliation between the subject and the person whose control is denied and all their affiliates; (4-6-23)

d. Why such person should not be considered to control the subject. (4-6-23)

**02. Request Deemed Granted.** A request to terminate registration is deemed granted unless the Director notifies the filer otherwise within thirty (30) days after the request is received. (4-6-23)

#### **025. TRANSACTIONS SUBJECT TO PRIOR NOTICE - NOTICE FILING.**

**01. Form D.** When an insurer notifies the Department of a proposed transaction under Section 41-3810, Idaho Code, the insurer will verify the information in Subsection 025.02 on Form D. (4-6-23)

**02. Agreements.** Terms for cost sharing services and management services will at a minimum: (4-6-23)

a. Identify the person providing services and the nature of such services; (4-6-23)

b. Set forth the methods to allocate costs; (4-6-23)

c. Prescribe timely settlement, at least on a quarterly basis, and compliance with the requirements in the Accounting Practices and Procedures Manual; (4-6-23)

d. Bar advancement of funds by the insurer to the affiliate except to pay for services specified in the agreement; (4-6-23)

- e. State that the insurer will maintain oversight for functions provided to the insurer by the affiliate and that the insurer will monitor services annually for quality assurance; (4-6-23)
- f. Define books and records of the insurer to include all books and records developed or maintained under or related to the agreement; (4-6-23)
- g. Specify that all books and records of the insurer are and remain the property of the insurer and are subject to control of the insurer; (4-6-23)
- h. State that all funds and invested assets of the insurer are the exclusive property of the insurer, held for the benefit of the insurer and are subject to the control of the insurer; (4-6-23)
- i. Include standards for termination of the agreement with and without cause; (4-6-23)
- j. Include provisions for indemnification of the insurer in the event of gross negligence or willful misconduct on the part of the affiliate providing the services; (4-6-23)
- k. Specify that, if the insurer is placed in receivership or seized by the Director under Title 41, Chapter 33, Idaho Code: (4-6-23)
  - i. All of the rights of the insurer under the agreement extend to the Director; and (4-6-23)
  - ii. All books and records will immediately be made available to the Director, and will be turned over to the Director immediately upon the Director's request; (4-6-23)
- l. Specify that the affiliate has no automatic right to terminate the agreement if the insurer is placed in receivership pursuant to Title 41, Chapter 33, Idaho Code; and (4-6-23)
- m. Specify that the affiliate will continue to maintain any systems, programs, or other infrastructure notwithstanding a seizure by the Director under Title 41, Chapter 33, Idaho Code, and will make them available to the Director, for so long as the affiliate continues to receive timely payment for services rendered. (4-6-23)

**026. ENTERPRISE RISK REPORT.**

The ultimate controlling person of an insurer will file an enterprise risk report per Section 41-3809(12), Idaho Code, on Form F. (4-6-23)

**027. EXTRAORDINARY DIVIDENDS AND OTHER DISTRIBUTIONS.**

**01. Request for Approval.** Requests to approve extraordinary dividends or other extraordinary distribution to shareholders will include the following: (4-6-23)

- a. The amount of the proposed dividend; (4-6-23)
- b. The date established for payment; (4-6-23)
- c. Whether the dividend is in cash or other property. If property, a description thereof, its cost, its fair market value, and an explanation of the valuation basis; (4-6-23)
- d. Calculations showing the proposed dividend is extraordinary, which includes: (4-6-23)
  - i. The amounts, dates, and form of payment of all distributions (including regular dividends but excluding distributions of the insurer's own securities) paid within twelve (12) consecutive months ending on the date fixed for payment of the proposed dividend for which approval is sought; (4-6-23)
  - ii. Surplus as regards policyholders (total capital and surplus) as of the preceding December 31st; (4-6-23)

iii. If the insurer is a life insurer, the net gain from operations for the twelve (12) months ending the preceding December 31st; and (4-6-23)

iv. If the insurer is not a life insurer, the net income less net realized capital gains for the twelve (12) months ending the preceding December 31st. (4-6-23)

e. A balance sheet and income statement for the period since the last annual statement filed with the Director and the end of the month before the month in which the request for dividend approval is submitted; and (4-6-23)

f. The proposed distribution's effect on the insurer's surplus and the reasonableness of surplus in relation to the insurer's outstanding liabilities and the adequacy of surplus relative to the insurer's financial needs. (4-6-23)

**02. Other Distributions.** Subject to Section 41-3812, Idaho Code, registered insurers report to the Director all dividends and other shareholder distributions within fifteen (15) business days after the declaration thereof, including the information from Paragraph 027.01.d. (4-6-23)

**028. ADEQUACY OF SURPLUS.**

Besides the factors in Section 41-3811, Idaho Code, the Director may consider other factors bearing on the insurer's financial condition. No one (1) factor is controlling. Comparing other insurers' surplus, the Director will consider the extent to which each factor varies among companies. When determining the quality and liquidity of an insurer's investments in subsidiaries the Director will include a consideration of the individual subsidiary and may discount or disallow its valuation as individual investments warrant. (4-6-23)

**029. -- 050. (RESERVED)**

**051. MHC APPLICATION - CONTENT - PROCESS.**

**01. Designating Application as Limited or Standard.** Applications are designated as limited or standard. Filing a limited application does not preclude later filing a standard application. (4-6-23)

**02. Application Information.** Applications are filed in duplicate and will include: (4-6-23)

a. Designation as limited or standard; (4-6-23)

b. A Plan of Reorganization; (4-6-23)

c. A plan for policyholder approval in accordance with the applicant's articles of incorporation and bylaws, with at least twenty (20) day notice to the policyholders; (4-6-23)

d. A copy of the MHC's proposed articles of incorporation and bylaws specifying all membership rights; (4-6-23)

e. The names, addresses and occupations of all corporate officers and members of the MHC's board of directors; (4-6-23)

f. Information sufficient to demonstrate that reorganization will not diminish the applicant's financial condition; (4-6-23)

g. A copy of the proposed articles of incorporation and bylaws for any insurance company subsidiary or intermediate holding company subsidiary; (4-6-23)

h. Form A; (4-6-23)

i. An application index; and (4-6-23)



- j. Any other information requested by the Director. (4-6-23)

**052. HEARING NOTICE.**

- 01. Scheduling.** A hearing will be held after the Director has received and reviewed the application. (4-6-23)

**02. Evidence Presented at Hearing.** The applicant will provide evidence that the application is complete, complies with Idaho law, and the requirements for reorganization have been fulfilled. (4-6-23)

**03. Notice of Hearing.** The Department will notify known interested parties about the hearing at least twenty (20) days before it occurs. (4-6-23)

**053. PLAN OF REORGANIZATION.**

**01. Plan of Reorganization.** The plan of reorganization or “Plan” needs to preserve the applicant’s property, be fair and equitable to policyholders and protect their interests, and not diminish the applicant’s financial condition. (4-6-23)

- 02. Limited Application.** A limited application Plan will include: (4-6-23)

a. Establishing a MHC with at least one (1) stock insurance company subsidiary or one (1) intermediary stock holding company with a stock insurance company subsidiary, the share of which is held exclusively by the mutual insurance holding company; (4-6-23)

b. Protection of existing policyholders’ interests; (4-6-23)

c. Providing existing and future policyholder membership in the MHC; (4-6-23)

d. The number of policyholder members of the board of directors of the MHC; (4-6-23)

e. Demonstrating that, if there are proceedings under Title 41, Chapter 33, Idaho Code, involving a stock insurance company subsidiary of the MHC, the assets of the MHC will be available to satisfy the policyholder obligations of the stock insurance company; (4-6-23)

f. How any accumulation or prospective accumulation of earnings by the MHC in excess of that determined by the board of directors to be necessary will inure to the exclusive benefit of the MHC’s member policyholders; (4-6-23)

g. The nature and content of the annual report and financial statement sent to each member; and (4-6-23)

h. Other matters the applicant deems appropriate. (4-6-23)

- 03. Standard Application.** A standard application Plan includes: (4-6-23)

a. Establishing a MHC with at least one (1) stock insurance company subsidiary or one (1) wholly-owned intermediate stock holding company with a stock insurance company subsidiary, the shares of which are held exclusively by the wholly- owned intermediate holding company; (4-6-23)

b. Protecting existing policyholders’ interests; (4-6-23)

c. Providing existing and future policyholder membership in the MHC; (4-6-23)

d. The number of policyholder members on the MHC’s board of directors; (4-6-23)

e. Demonstrating that, if there are proceedings under Title 41, Chapter 33, Idaho Code, involving a stock insurance company subsidiary of the MHC, the assets of the MHC will be available to satisfy the policyholder obligations of the stock insurance company; (4-6-23)

f. How any accumulation or prospective accumulation of earnings by the MHC excess of that determined by the MHC's board of directors to be necessary will inure to the exclusive benefit of the MHC's member policyholders; (4-6-23)

g. The nature and content of the annual report and financial statement sent to each member; and (4-6-23)

h. The plan for a stock offering per this rule; and (4-6-23)

i. Other matters the applicant deems appropriate. (4-6-23)

**054. DUTIES OF THE DIRECTOR.**

**01. Jurisdiction.** The Director retains jurisdiction over the MHC and any intermediate holding company subsidiaries with stock insurance company subsidiaries. (4-6-23)

**02. Approval or Denial of Application.** The Director will, by order, approve, conditionally approve, or deny an application. (4-6-23)

a. Modifications. The Director may prescribe modifications to the proposed Plan. Prescribed modifications are accepted by filing amendments to the proposed Plan with the Director within thirty (30) days after the Director's order is issued. The Application will be denied if the prescribed amendments are not filed. (4-6-23)

b. Expiration. An approval or conditional approval of a Plan expires if the reorganization is not completed within one hundred eighty (180) days unless extended by the Director for good cause. (4-6-23)

c. Revoking approval. The Director may revoke a Plan's approval or conditional approval if the Director finds the applicant has not complied with the Plan. The Director may compel the applicant to complete a Plan unless the applicant has wholly abandoned the Plan consistent with the applicant's governance provisions. The Director retains jurisdiction over the applicant until the Plan is completed. (4-6-23)

d. Completion notice. Upon completing the Plan, the applicant files a notice of completion with the Director. (4-6-23)

**055. REGULATION - COMPLIANCE.**

**01. Wavier of Compliance.** No regulatory standards are waived during the pendency of a Plan application. (4-6-23)

**02. Merger or Acquisition.** MHC mergers and acquisitions are subject to Director approval. If a MHC is to acquire more than fifty percent (50%) of a stock insurance company, then the applicant files a plan describing the insurer's policyholders' membership interests in the MHC. (4-6-23)

**03. Annual Financial Statement.** A MHC will annually file a financial statement by June 1 including: (4-6-23)

a. An income statement; (4-6-23)

b. A balance sheet; (4-6-23)

c. A cash flow statement; (4-6-23)

d. The status of any closed block formed because of the Plan; (4-6-23)

- e. An asset investment plan; and (4-6-23)
- f. A statement disclosing any intention to pledge, borrow against, alienate, hypothecate, or otherwise encumber MHC assets. (4-6-23)

**04. Subsidiary Investment Obligations.** At least fifty percent (50%) of the MHC's generally accepted accounting practices (GAAP) basis net worth will be invested in insurance company subsidiaries. (4-6-23)

**05. Distributions to Policyholders.** Policy credits, dividends or other distributions to a MHC's policyholder members will be fair and equitable and are subject to Director approval and the public hearing process in Chapter 38, Title 41, Idaho Code. (4-6-23)

**056. REORGANIZATION OF MUTUAL INSURER WITH MUTUAL INSURANCE HOLDING COMPANY.**

Domestic mutual insurance companies may merge their policyholders' interests into a MHC by filing a compliant joint application with the MHC. This also applies to foreign mutual insurance companies or a foreign health service corporation, which, if a domestic corporation, would be organized under Title 41, Chapter 28, Idaho Code. (4-6-23)

**057. MERGERS OF MUTUAL INSURANCE HOLDING COMPANIES.** Two (2) or more MHCs may merge by filing a compliant merger plan. (4-6-23)

**058. STOCK OFFERINGS.**

**01. Prior Approval.** A stock offering by a MHC, or by any of its direct or indirect insurance company or intermediate holding company subsidiaries, is subject to the Director's prior approval through this section's application and hearing process. (4-6-23)

**02. Application for Stock Offering Contents.** (4-6-23)

- a. A description of the stock the applicant would offer, and of all shareholder rights; (4-6-23)
- b. The total number of shares authorized to be issued, the estimated number requested to offer, and the intended date or range of dates for the offer; (4-6-23)
- c. A justification for a uniform planned offering price, or of the method by which the offering price will be determined; (4-6-23)
- d. The name or names of any underwriter, syndicate member or placement agent involved and the known names of each entity, person, or group of persons to whom the stock offering is to be made who will control at least five percent (5%) of the total outstanding class of shares, and the manner in which the offer is to be tendered. If the entity or person is a corporation or business organization, the name of each member of its board of directors or equivalent management will be provided with the name. Copies of Securities and Exchange Commission filings disclosing intended stock acquisitions will be included; (4-6-23)

- e. A description of stock subscription rights afforded to MHC members in conjunction with the stock offering; (4-6-23)
  - f. A detailed description of all expenses to be incurred in the stock offering; (4-6-23)
  - g. How funds raised by the stock offering will be used; and (4-6-23)
  - h. Any other information the Director requests. (4-6-23)
- 03. Prescribed Provisions.** The stock offering plan will state: (4-6-23)
- a. Officers, directors, and insiders of the MHC and its direct or indirect subsidiaries and affiliates are

restricted from purchasing or owning shares of the stock offering, or issuance of stock options to or for the benefit of such officers, directors and insiders, for at least six (6) months following the first public offering date and regularly trading of the stock. Officers, directors and insiders are not barred from exercising subscription rights accorded to members of the MHC, except that, pursuant to those rights, the officers, directors, and insiders of the MHC and its direct or indirect subsidiaries and affiliates cannot purchase or own, in the aggregate, more than five percent (5%) of the stock offering for at least six (6) months following the first date of the public offering and regular trading of the stock; (4-6-23)

**b.** A majority of the members of the MHC's board of directors cannot be an interested person of the MHC or of an affiliated person of the MHC. The Director may waive this requirement for good cause; (4-6-23)

**c.** The MHC will adopt articles of incorporation barring any waiver of dividends from stock subsidiaries except under conditions specified in the articles and after approval of the waiver by the MHC's board of directors and the Director; (4-6-23)

**d.** After the initial stock offering by a direct or indirect insurance company or intermediate insurance company subsidiary of a MHC, the boards of directors of each such insurance company or intermediate holding company will include at least three (3) directors who are not interested persons of the MHC; and (4-6-23)

**e.** The board of directors of the corporation offering stock need to establish, a pricing committee consisting exclusively of directors who are interested persons. The committee's responsibility is to evaluate and approve the price of any stock offering. (4-6-23)

**04. More Than One Class of Stock.** An insurance company or intermediate insurance holding company subsidiary of a MHC may issue more than one (1) class of stock. At all times a majority of the voting stock will be held by the MHC or its subsidiary and, no class of common stock may have greater dividend or other rights than the class held by the MHC or its subsidiary. (4-6-23)

**05. Experts.** The Director may hire experts to help review the application, at the applicant's expense. (4-6-23)

**06. Public Hearing.** A public hearing may be held on any stock offering application. A stock offering including an initial offering of stock is expressly subject to a public hearing. The applicant will provide a Director-approved hearing notice to MHC members at least twenty (20) days before the hearing. (4-6-23)

**07. Approval.** The Director may approve the stock offering plan if: (4-6-23)

**a.** The method for establishing the stock offering price is consistent with generally accepted market or industry practices for establishing stock offering prices; and (4-6-23)

**b.** The offering will not unfairly impact the interests of MHC members. (4-6-23)

**08. Concurrent Filing with SEC.** Filing a registration statement with the Securities and Exchange Commission before, or concurrently with, notice to the MHC members is permitted. (4-6-23)

**09. Subsequent Offerings of Publicly Traded Stock.** (4-6-23)

**a.** Notwithstanding Section 013, stock offerings, besides an initial stock offering, through which stock offered is regularly traded on the New York Stock Exchange, the American Stock Exchange, or another Director-approved exchange, or designated on the national association of securities dealers automated quotations - national market system (NASDAQ), is subject to this procedure: If a MHC or direct or indirect insurance company or intermediate insurance company subsidiary thereof intends to make a stock offering governed by this section, the entity will notify the Director, at least thirty (30) days before the offering, regarding: (4-6-23)

**i.** The total number of shares intended to be offered; (4-6-23)

**ii.** The intended date of sale; (4-6-23)

- iii. Evidence the stock is regularly traded on one of the public exchanges noted above; and (4-6-23)
- iv. A record of the stock's trading pace and volume during the prior fifty-two (52) weeks. (4-6-23)
- b. The Director may object to the offering within thirty (30) days after receiving the notice. Upon an objection, the procedures in Subsection 059.02 will be followed to determine approval. (4-6-23)

**10. Approval Expiration.** A stock-offering approval under Subsections 059.06, 059.07, or 059.08 expires ninety (90) days after the approval date, except as provided by the Director's order. (4-6-23)

**11. Representation of Director's Approval.** A prospectus, information, sales material or sales presentation by the applicant, or a representative, agent or affiliate of the applicant, will not represent that the Director's approval constitutes an endorsement of the price, price range, or any other information relating to the stock. (4-6-23)

**059. BANNED MHC - PRACTICES.**

**01. Borrowing Funds.** Borrowing funds from the MHC, or its subsidiaries and affiliates, to finance the purchase of any part of a stock offering. (4-6-23)

**02. Paying Commissions.** Paying commissions, "special fees" or other special payments or extraordinary compensation to officers, directors, or interested persons and affiliates, for arranging, promoting, aiding or assisting in reorganization or for arranging promoting, aiding assisting or participating in the structuring and placement of a stock offering. (4-6-23)

**03. Avoiding This Chapter.** Transferring legal or beneficial ownership of stock to another person in avoidance of this chapter. (4-6-23)

**060. REGULATING HOLDING COMPANY SYSTEM.**

All material transactions between subsidiaries and affiliates of the MHC need to be approved by a majority of the directors of the MHC as fair and reasonable, on terms and conditions not less favorable than those available from unaffiliated third parties. (4-6-23)

**061. REPORTING STOCK OWNERSHIP AND TRANSACTIONS.**

**01. Acquiring Ownership Interest.** Any director or officer of an MHC or its direct or indirect subsidiaries or affiliates, who directly or indirectly acquires the beneficial ownership of any security issued by any member of the MHC system will, within fifteen (15) days following the transaction, file a statement of the transaction in a format prescribed by the Director. (4-6-23)

**02. Filing SEC Forms.** A MHC and its direct or indirect subsidiaries and affiliates, will file with the Director copies of Form 3, Form 4 and Schedule 13D, or any equivalent filings, made under the Securities and Exchange Act of 1934, as amended, within fifteen (15) days of receipt thereof. (4-6-23)

**062. -- 999. (RESERVED)**