

IDAPA 18 – IDAHO DEPARTMENT OF INSURANCE

Company Activities

18.07.01 – Rules Pertaining to Acquisitions of 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 PERTAINING TO ACQUISITIONS OF 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. (3-20-20)

001. TITLE AND SCOPE.

01. Title. IDAPA 18.07.01, “Rules Pertaining to Acquisitions of Control, Insurance Holding Company Systems and Mutual Insurance Holding Companies.” (3-20-20)

02. Scope. These rules set forth procedural requirements necessary to administer the Idaho Acquisitions of Control and Insurance Holding Company Systems Regulatory Act, Title 41, Chapter 38, Idaho Code, including those provisions related to mutual insurance holding companies under Section 41-3824, Idaho Code, which is a distinct form of insurance holding company system. (3-20-20)

002. -- 009. (RESERVED)

010. DEFINITIONS.

In addition to the definitions set forth in Chapter 38, Title 41, Idaho Code, the following definitions apply: (3-20-20)

01. Affiliated Person. (3-20-20)

a. Any person directly or indirectly owning, controlling, or holding with power to vote, five percent (5%) or more of the outstanding voting securities of such other person; or (3-20-20)

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 such other person; or (3-20-20)

c. Any person directly or indirectly controlling, controlled by, or under common control with, such other person; or (3-20-20)

d. Any officer, director, partner, copartner, or employee of such other person. (3-20-20)

02. Domestic Mutual Insurance Company. A mutual insurer as defined in Section 41-302, Idaho Code, that is incorporated under Idaho law. (3-20-20)

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 the foregoing officers under whatever title. (3-20-20)

04. Interested Person. Interested person of another person means: (3-20-20)

a. An affiliated person of such person or company; or (3-20-20)

b. A member of the immediate family of any natural person who is an affiliated person of such company; or (3-20-20)

c. Any person, partner or employee of any person who at any time since the beginning of the last two completed fiscal years of such company has acted as legal counsel for such company; or (3-20-20)

d. Any natural person whom the Director by order has determined to be an interested person by reason of having had, at any time since the beginning of the last two completed fiscal years of such company, a material business or professional relationship with such company or with the principal executive officer of such company. (3-20-20)

05. Intermediate Holding Company. A holding company subsidiary of a mutual insurance holding company or part of a holding company system controlled by a mutual insurance holding company. (3-20-20)

06. Limited Application. An application by a domestic mutual insurance company for reorganization to a mutual insurance holding company which will hold, at all times, one hundred percent (100%) of the stock of its insurance subsidiaries. (3-20-20)

07. Member of the Immediate Family. Any parent, spouse of a parent, child, spouse of a child, spouse, brother or sister, and includes step and adoptive relationships. (3-20-20)

08. Mutual Insurance Holding Company or MHC. A holding company formed pursuant to Section 41-3824, Idaho Code, and this chapter. (3-20-20)

09. Plan of Reorganization. A plan to reorganize a domestic mutual insurance company by forming a mutual insurance holding company. (3-20-20)

10. Standard Application. An application by a domestic mutual insurance company for reorganization to a mutual insurance holding company which may sell interests in its subsidiaries to third parties. (3-20-20)

12. Stock. Any security evidencing an equity interest in the issuing entity. (3-20-20)

13. Stock Offering. Any proposed sale, exchange, transfer or other change of ownership of stock or of securities convertible into or exchangeable or exercisable for stock. “Stock offering” does not mean: (3-20-20)

a. An offering of preferred stock which is not convertible or exchangeable into common stock and which has no ordinary voting rights; or (3-20-20)

b. A transfer of stock between any of the following: (3-20-20)

i. A mutual insurance holding company; or (3-20-20)

ii. An insurance company subsidiary of a mutual insurance holding company; or (3-20-20)

iii. An intermediate holding company subsidiary of a mutual insurance holding company; or (3-20-20)

iv. An insurance company subsidiary of an intermediate holding company subsidiary to a mutual insurance holding company. (3-20-20)

14. Ultimate Controlling Person. That person who is not controlled by any other person. (3-20-20)

011. FORMS -- GENERAL REQUIREMENTS.

01. Forms Intended to Be Guides. Forms A, B, C, D, E, and F included on the Department's website are guides in the preparation of statements prescribed by Title 41, Chapter 38, Idaho Code, and not intended as fillable blank forms. Statements need to contain the numbers and captions of all items. The text of the items may be omitted if the answers indicate clearly their scope and coverage. All instructions are to be omitted. If any item is inapplicable or the answer is in the negative, an appropriate statement should be made unless otherwise provided. (3-20-20)

02. Filings. Each statement, including exhibits and all other papers and documents are to be filed with the Director electronically with one (1) hard copy filed by personal delivery or mail. At least one (1) of the copies is to be signed in the manner noted on the form. Unsigned copies will be conformed. If a signature is affixed pursuant to a power of attorney or similar authority, a copy of the power of attorney or other authority should be filed with the statement. (3-20-20)

03. Format. Statements should be prepared electronically, easily readable and suitable for review and reproduction. Debits in credit categories and credits in debit categories should be clearly distinguishable on photocopies. The English language is to be used and monetary values stated in United States currency. If any exhibit or other paper or document filed with the statement is in a foreign language, a translation into the English language is to be included and monetary value shown in a foreign currency be converted into United States currency. (3-20-20)

04. Hearing. If an applicant requests a hearing on a consolidated basis under Section 41-3806(3), Idaho Code, in addition to filing the Form A with the Director, the applicant will electronically file a copy of Form A with the NAIC (National Association of Insurance Commissioners). (3-20-20)

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

01. Incorporation by Reference. Information prescribed by any item of a Form needed by law or this rule 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 filed with the Director within the three (3) years prior to the statement need not be attached as exhibits. References to information contained in exhibits or in documents already on file need to clearly identify the material and specifically indicate that the material is incorporated by reference. Matter cannot be incorporated by reference when incorporation would make the statement incomplete, unclear or confusing. (3-20-20)

02. Summaries or Outlines. A brief statement need be made as to the pertinent provisions of a document when an item requires a summary or outline of a document. The summary or outline may incorporate by reference parts of any exhibit or document filed with the Director within the three (3) prior years and qualified by this reference. If two (2) or more documents need to be filed as exhibits are substantially identical in all material respects except as to parties, the dates of execution, or other details, one (1) of the documents should be filed with a schedule identifying the omitted documents and indicating any material details in which the omitted documents differ from the filed documents. (3-20-20)

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

If any necessary information, document or report cannot be furnished at the time it needs to be filed, a person needs to: identify the information, document or report in question; state why the filing at the time prescribed is impractical; and request an extension of time for filing to a specified date. The request for extension is deemed granted unless the Director issues an order denying the request within twenty-eight (28) days of receipt. (3-20-20)

014. FORMS -- ADDITIONAL INFORMATION AND EXHIBITS.

In addition to the information expressly prescribed to be included on necessary Forms, the Director may request additional information necessary for clarification. The filer may file exhibits in addition to those expressly necessary by the statement, clearly indicating clearly the referred subject matter. Changes to content in necessary Forms include the following phrase on the top of the cover page “Change No. [insert number] to” and date of the change. (3-20-20)

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 contained in any other provision of Title 41, Idaho Code. (3-20-20)

016. ACQUISITION OF CONTROL -- STATEMENT FILING.

A person obligated to file a statement pursuant to Section 41-3804, Idaho Code, needs to furnish the prescribed information on Form A, found on the Department’s website. The person will also furnish the prescribed information on Form E, also found on the Department’s website. (3-20-20)

017. AMENDMENTS TO FORM A.

The applicant needs to promptly advise the Director of any changes in the Form A information arising after the date when the information was furnished, but prior to the Director's disposition of the application. (3-20-20)

018. ACQUISITION OF SECTION 41-3804(1)(D) INSURERS.

01. Name of the Domestic Insurer. If the person being acquired is deemed to be a “domestic insurer” under Section 41-3804(1)(d), Idaho Code, the name of the domestic insurer on the cover page is stated as: “ABC Insurance Company, a subsidiary of XYZ Holding Company.” (3-20-20)

02. References to Insurer. Where a Section 41-3804(1)(d) insurer is acquired, references to “the insurer” contained in Form A refers to both the domestic subsidiary insurer and the acquired person. (3-20-20)

019. PRE-ACQUISITION NOTIFICATION.

01. Pre-Acquisition Notification. If a domestic insurer, including any controlling person, is proposing a merger or acquisition pursuant to Section 41-3802(1)(a), Idaho Code, they need to file a Form E pre-acquisition notification form. If a licensed non-domiciliary insurer is proposing a merger or acquisition pursuant to Section 41-3808, Idaho Code, they need to file a Form E pre-acquisition notification form, unless the filing is exempted under Section 41-3808(2), Idaho Code. (3-20-20)

02. Expert Opinion. The director may request the filing of an expert opinion regarding the competitive impact of the proposed acquisition. (3-20-20)

020. ANNUAL REGISTRATION OF INSURERS -- STATEMENT FILING.

An insurer obligated to file a statement pursuant to Section 41-3809, Idaho Code, will furnish prescribed information on Form B, found on the Department's website. (3-20-20)

021. SUMMARY OF REGISTRATION -- STATEMENT FILING.

An insurer obligated to file an annual registration statement pursuant to section 41-3809, Idaho Code, is also obligated to furnish information prescribed on Form C, found on the Department's website. (3-20-20)

022. AMENDMENTS TO FORM B.

01. Amendment to Form B. Amendments to Form B will be filed within fifteen (15) days after the end of any month in which there is a material change to the information provided in the annual registration statement. (3-20-20)

02. Form B Format. Amendments are filed in the Form B format with only amended items reported. Each amendment will include at the top of the cover page "Amendment No. [insert number] to Form B for [insert year]" and indicate the date of the change, not the date of the original filings. (3-20-20)

023. ALTERNATIVE AND CONSOLIDATED REGISTRATIONS.

01. Filing on Behalf of Affiliated Insurers. Any authorized insurer may file a registration statement on behalf of any affiliated insurer or insurers obligated to register. A registration statement may include information regarding any insurer in the holding system, even if the insurer is not authorized to do business in this state. An authorized insurer may, in lieu of Form B, file a copy of the registration statement or similar report prescribed to be filed in its state of domicile, provided: (3-20-20)

a. The statement or report contains substantially similar information prescribed on Form B; and (3-20-20)

b. The filing insurer is the principal insurance company in the insurance holding company system. (3-20-14)

02. Statement That Filing Insurer Is the Principal Insurer. An insurer filing a registration statement or report in lieu of Form B on behalf of an affiliated insurer, will provide a statement of facts substantiating the filing insurer's claim that it is the principal insurer in the insurance holding system. (3-20-20)

03. Unauthorized Insurer. With the Director's prior approval, an unauthorized insurer may follow any procedures under Subsection 023.01 of this rule. (3-20-20)

04. Consolidated Registration Statements. An insurer may follow the provisions of Section 41-3809(8), or 41-3809(9), Idaho Code, without the Director's prior approval. The Director reserves the right to obligate individual filings if such are necessary for clarity, ease of administration or the public good. (3-20-20)

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

(hereinafter referred to as the “subject”) will contain the following information: (3-20-20)

- a. The number of authorized, issued and outstanding voting securities of the subject; (12-24-93)
- b. With respect to the person whose control is denied and all affiliates of such person, the number and percentage of shares of the subject’s voting securities which are held of record or known to be beneficially owned, and the number of shares concerning which there is a right to acquire, directly or indirectly; (12-24-93)
- c. All material relationships and bases for affiliation between the subject and the person whose control is denied and all affiliates of such person: (12-24-93)
- d. A statement explaining why such person should not be considered to control the subject. (12-24-93)

02. Request Deemed Granted. A request for termination of registration is deemed granted unless the Director notifies the filer otherwise within thirty (30) days after the request is received. (3-20-20)

025. TRANSACTIONS SUBJECT TO PRIOR NOTICE - NOTICE FILING.

01. Form D. An insurer prescribed to give notice of a proposed transaction pursuant to section 41-3810, Idaho Code, will furnish the needed information in Subsection 025.02 on Form D. (3-20-20)

02. Agreements. Agreements for cost sharing services and management services are at a minimum and as applicable: (3-20-14)

- a. Identify the person providing services and the nature of such services; (3-20-14)
- b. Set forth the methods to allocate costs; (3-20-14)
- c. Prescribe timely settlement, at least on a quarterly basis, and compliance with the requirements in the Accounting Practices and Procedures Manual; (3-20-14)
- d. Bar advancement of funds by the insurer to the affiliate except to pay for services specified in the agreement; (3-20-14)
- 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; (3-20-14)
- f. Define books and records of the insurer to include all books and records developed or maintained under or related to the agreement; (3-20-14)
- 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; (3-20-14)
- 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; (3-20-14)
- i. Include standards for termination of the agreement with and without cause; (3-20-14)
- 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; (3-20-14)
- k. Specify that, if the insurer is placed in receivership or seized by the Director under Title 41, Chapter 33, Idaho Code: (3-20-14)
 - i. All of the rights of the insurer under the agreement extend to the Director; and (3-20-14)

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; (3-20-14)

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 (3-20-14)

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. (3-20-14)

026. ENTERPRISE RISK REPORT.

The ultimate controlling person of an insurer needs to file an enterprise risk report pursuant to Section 41-3809(12), Idaho Code, will furnish the prescribed information on Form F, found on the Department's website. (3-20-20)

027. EXTRAORDINARY DIVIDENDS AND OTHER DISTRIBUTIONS.

01. Request for Approval. Requests for approval of extraordinary dividends or any other extraordinary distribution to shareholders will include the following: (3-20-14)

a. The amount of the proposed dividend; (12-24-93)

b. The date established for payment of the dividend; (12-24-93)

c. A statement whether the dividend is in cash or other property and, if in property, a description thereof, its cost, its fair market value, and an explanation of the valuation basis; (3-20-20)

d. The calculations determining that the proposed dividend is extraordinary. The work paper needs to include the following information: (3-20-20)

i. The amounts, dates, and form of payment of all dividends or distributions (including regular dividends but excluding distributions of the insurer's own securities) paid within the period of twelve (12) consecutive months ending on the date fixed for payment of the proposed dividend for which approval is sought and commencing on the day after the same day of the same month in the last preceding year; (3-20-14)

ii. Surplus as regards policyholders (total capital and surplus) as of the 31st day of December next preceding; (12-24-93)

iii. If the insurer is a life insurer, the net gain from operations for the twelve (12) month period ending the 31st day of December next preceding; and (4-11-19)

iv. If the insurer is not a life insurer, the net income less net realized capital gains for the twelve (12) month period ending the 31st day of December next preceding. (4-11-19)

e. A balance sheet and statement of income for the period intervening from the last annual statement filed with the Director and the end of the month preceding the month in which the request for dividend approval is submitted; and (3-20-14)

f. A statement of the effect of the proposed dividend 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. (12-24-93)

02. Other Dividends. Subject to Section 41-3812, Idaho Code, each registered insurer reports to the Director all dividends and other distributions to shareholders within fifteen (15) business days following the declaration thereof, including the same information prescribed by Subsections 027.01.d. (3-20-14)

028. ADEQUACY OF SURPLUS.

Factors in Section 41-3811, Idaho Code, are not an exhaustive list and no single factor is controlling. The Director

will consider the net effect of all factors and other factors bearing on the insurer's financial condition. Comparing other insurers' surplus, the Director will consider the extent to which each factor varies among companies. The Director's determination of the quality and liquidity of investments in subsidiaries will include a consideration of the individual subsidiary and may discount or disallow its valuation to the extent individual investments warrant. (3-20-20)

029. -- 050. (RESERVED)

051. MUTUAL HOLDING COMPANY APPLICATION - CONTENT - PROCESS.

01. Designation of Application as Limited or Standard. An application a limited application or a standard application. Filing a limited application does not preclude the later filing of an application for approval of an initial sale of stock as provided in this chapter. (3-20-20)

02. Information to Be Contained in Application. The application is filed in duplicate and will include: (3-20-20)

- a.** Designation as limited or standard; (3-20-20)
- b.** A Plan of Reorganization ("Plan"); (3-20-20)
- c.** A plan for policyholder approval in accordance with the applicant's articles of incorporation and bylaws, with at least twenty (20) days notice to the policyholders of any such plan; (3-20-20)
- d.** A copy of the MHC's proposed articles of incorporation and bylaws specifying all membership rights; (3-20-20)
- e.** The names, addresses and occupations of all corporate officers and members of the MHC's board of directors; (3-20-20)
- f.** Information sufficient to demonstrate that the applicant's financial condition will not be diminished upon reorganization; (3-20-20)
- g.** A copy of the proposed articles of incorporation and bylaws for any insurance company subsidiary or intermediate holding company subsidiary; (3-20-20)
- h.** A Form A filing; (3-20-20)
- i.** An application index; and (3-20-20)
- j.** Any other information requested by the Director. (3-20-20)

052. NOTICE OF HEARING.

01. Scheduling. A hearing will be held after receipt and review by the Director of the application. (3-20-20)

02. Evidence to Be 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. (3-20-20)

03. Notice of Hearing. The Department will provide notice of the hearing to known interested parties at least twenty (20) days prior to the hearing. (3-20-20)

053. PLAN OF REORGANIZATION.

01. Plan of Reorganization. The plan of reorganization or "Plan" needs to preserve property and protect policyholders' interest, be fair and equitable to policyholders, and not diminish the applicant's financial

- condition. (3-20-20)
- 02. Limited Application.** A limited application plan of reorganization needs to include: (3-20-20)
- a.** Establishing an 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; (3-20-20)
 - b.** Protection of existing policyholders' interests; (3-20-20)
 - c.** Providing existing and future policyholder membership in the MHC; (3-20-20)
 - d.** The number of policyholder members of the board of directors of the MHC; (3-20-20)
 - 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; (3-20-20)
 - 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 invoke to the exclusive benefit of the MHC's member policyholders; (3-20-20)
 - g.** The nature and content of the annual report and financial statement sent to each member; and (3-20-20)
 - h.** Other matters the applicant deems appropriate. (3-20-20)
- 03. Standard Application.** A standard application Plan includes: (3-20-20)
- a.** Establishing an 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; (3-20-20)
 - b.** Protection of existing policyholders' interests; (3-20-20)
 - c.** Providing existing and future policyholder membership in the MHC; (3-20-20)
 - d.** The number of policyholder members of the board of directors of the MHC mutual; (3-20-20)
 - 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; (3-20-20)
 - 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; (3-20-20)
 - g.** The nature and content of the annual report and financial statement sent to each member; and (3-20-20)
 - h.** The plan for a stock offering in accordance with this rule; and (3-20-20)
 - i.** Other matters the applicant deems appropriate. (3-20-20)
- 054. DUTIES OF THE DIRECTOR.**
- 01. Jurisdiction.** The Director will retain jurisdiction over the MHC and any intermediate holding

company subsidiaries with stock insurance company subsidiaries. (3-20-20)

02. Approval or Denial of Application. The Director will, by order, approve, conditionally approve, or deny an application. (3-20-20)

a. Modifications. The Director may prescribe modifications of the proposed plan of reorganization. Prescribed modifications are accepted by filing amendments to the proposed plan of reorganization with the Director within thirty (30) days after the Director's order is issued. Failure to file the prescribed amendments will result in denial of the plan. (3-20-20)

b. Expiration. An approval or conditional approval of a Plan expires if the reorganization is not completed within one hundred eighty (180) days unless such time period is extended by the Director upon a showing of good cause. (3-20-20)

c. Revocation of approval. The Director may revoke approval or conditional approval of an applicant's plan of reorganization in the event the Director finds the applicant has failed to comply with the plan of reorganization. The Director may compel completion of a plan of reorganization unless the plan is abandoned in its entirety, in accordance with the applicant's provisions for governance. The Director retains jurisdiction over the applicant until a plan of reorganization has been completed. (3-20-20)

d. Notice of completion. Upon completion of all elements of a plan of reorganization, the applicant provides a notice of completion to the Director. (3-20-20)

055. REGULATION - COMPLIANCE.

01. Wavier of Compliance. No regulatory standards are waived during the pendency of a Plan application. (3-20-20)

02. Merger or Acquisition. MHC mergers and acquisitions are subject to approval by the Director. The acquisition of more than fifty percent (50%) of a stock insurance company by an MHC is subject to the filing of a plan describing the insurer's policyholders' membership interests in the MHC. (3-20-20)

03. Annual Financial Statement. An MHC Each will annually file a financial statement by June 1 including: (3-20-20)

a. An income statement; (3-20-20)

b. A balance sheet; (3-20-20)

c. A cash flow statement; (3-20-20)

d. The status of any closed block formed as a result of the Plan; (3-20-20)

e. An asset investment plan; and (3-20-20)

f. A statement disclosing any intention to pledge, borrow against, alienate, hypothecate, or in any way encumber the assets of the MHC. (3-20-20)

04. Subsidiary Investment Obligations. At least fifty percent (50%) of the generally accepted accounting practices (GAAP) basis net worth of an MHC will be invested in insurance company subsidiaries. (3-20-20)

05. Distributions to Policyholders. Payment of policy credits, dividends or other distributions to policyholder members of a MHC needs to be fair and equitable, and are subject to the Director's approval and the public hearing process under Chapter 38, Title 41, Idaho Code. (3-20-20)

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

Domestic mutual insurance companies may merge their policyholders' interests into an MHC by filing with the Director a joint application with the MHC that complies with the provisions of this chapter. This provision 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. (3-20-20)

057. MERGERS OF MUTUAL INSURANCE HOLDING COMPANIES.

Two (2) or more MHCs may merge by filing with the Director a plan of merger in compliance with this chapter. (3-20-20)

058. STOCK OFFERINGS.

01. Prior Approval. A stock offering by a MHC or any direct or indirect insurance company subsidiary or intermediate holding company subsidiary of a MHC is subject to the prior approval of the Director through the application and hearing process described in this section. (3-20-20)

02. Application for Stock Offering Contents. (3-20-20)

a. A description of the stock intended to be offered by the applicant and all shareholder rights; (3-20-20)

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; (3-20-20)

c. A justification for a uniform planned offering price or a justification of the method by which the offering price will be determined; (3-20-20)

d. The name or names of any underwriter, syndicate member or placement agent involved and, if known, the names of each entity, person, or group of persons to whom the stock offering is to be made who will control five percent (5%) of the total outstanding class of shares, and the manner in which the offer is to be tendered. If any such 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 of each member of the board of directors of the offeror. Copies of Securities and Exchange Commission filings disclosing intended acquisitions of the stock will be included; (3-20-20)

e. A description of stock subscription rights afforded to members of the MHC in conjunction with the stock offering; (3-20-20)

f. A detailed description of all expenses to be incurred in the stock offering; (3-20-20)

g. How funds raised by the stock offering will be used; and (3-20-20)

h. Any other information requested by the Director. (3-20-20)

03. Prescribed Provisions. The stock offering plan needs to include the following provisions: (3-20-20)

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; (3-20-20)

b. A majority of the members of the board of directors of the MHC cannot be an interested persons of the MHC or of an affiliated person of the MHC. The Director may waive this requirement upon a showing of good cause; (3-20-20)

c. The MHC will to 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 board of directors of the MHC and the Director; (3-20-20)

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 (3-20-20)

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. (3-20-20)

04. More Than One Class of Stock. A direct or indirect n insurance company or intermediate insurance holding company subsidiary of an MHC may issue more than one (1) class of stock. However, at all times a majority of the voting stock is will be held by the MHC or its subsidiary and, no class of common stock may possess greater dividend or other rights than the class held by the MHC or its subsidiary. (3-20-20)

05. Experts. The Director may hire experts to assist in the review of the application, at the applicant's expense. (3-20-20)

06. Public Hearing. A public hearing may be held regarding any stock offering application. A stock offering including an initial offering of stock is expressly subject to a public hearing. The applicant will provide Director-approved notice of the hearing to MHC members at least twenty (20) days prior to the hearing. (3-20-20)

07. Approval. The stock offering plan may be approved if: (3-20-20)

a. The method for establishing the stock offering price is consistent with generally accepted market or industry practices for establishing stock offering prices in similar transactions; and (3-20-20)

b. The offering will not unfairly impact the interests of MHC members. (3-20-20)

08. Concurrent Filing with SEC. The filing of a registration statement with the Securities and Exchange Commission prior to or concurrently with notice to the MHC members is not banned. (3-20-20)

09. Subsequent Offerings of Publicly Traded Stock. (3-20-20)

a. Notwithstanding the provisions of Section 013 of this chapter, stock offerings other than an initial stock offering, through which stock offered is regularly traded on the New York Stock Exchange, the American Stock Exchange, or another exchange approved by the Director, or designated on the national association of securities dealers automated quotations - national market system (NASDAQ), is subject to the following procedure: If an MHC or direct or indirect insurance company or intermediate insurance company subsidiary thereof intends to make a stock offering governed by the provisions of this section, the entity will provide notice to the Director, not less than thirty (30) days prior to the offering regarding: (3-20-20)

i. The total number of shares intended to be offered; (3-20-20)

ii. The intended date of sale; (3-20-20)

iii. Evidence the stock is regularly traded on one of the public exchanges noted above; and (3-20-20)

iv. A record of the trading pace and trading volume of the stock during the prior fifty-two (52) weeks. (3-20-20)

b. The Director may object to the offering within thirty (30) days following receipt of the notice. Upon an objection, the procedures Subsection 059.02 of this chapter will be followed to determine approval. (3-20-20)

10. Expiration of Approval. Approval of a stock offering under Subsection 059.06, 059.07, or 059.08 expires ninety (90) days following the date of the approval, except as provided by the Director's order. (3-20-20)

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 contain a representation that the Director's approval constitutes an endorsement of the price, price range, or any other information relating to the stock. (3-20-20)

059. BANNED MHC - PRACTICES.

01. Borrowing Funds. Borrowing funds from the MHC, or its subsidiaries and affiliates, to finance the purchase of any portion of a stock offering. (3-20-20)

02. Payment of Commissions. Payment of commissions, "special fees" or any other special payments or extraordinary compensation to officers, directors, 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. (3-20-20)

03. Avoidance of Provisions of Chapter. Transferring legal or beneficial ownership of stock to another person not in compliance with of this chapter. (3-20-20)

060. REGULATION OF 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. (3-20-20)

061. REPORTING OF STOCK OWNERSHIP AND TRANSACTIONS.

01. Acquisition of 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. (3-20-20)

02. Filing of SEC Forms. An 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. (3-20-20)

062. -- 999. (RESERVED)

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