

# ENROLLMENT(S)

(5)

# COUNCIL OF THE DISTRICT OF COLUMBIA

## NOTICE

### D.C. LAW 12-112

#### "Reciprocal Insurance Company Conversion Act of 1998"

Pursuant to Section 412 of the District of Columbia Self-Government and Governmental Reorganization Act, P.L. 93-198 "the Act", the Council of the District of Columbia adopted Bill No. 12-445, on first and second readings, January 6, 1998 and February 3, 1998, respectively. Following the signature of the Mayor on February 24, 1998, pursuant to Section 404(e) of "the Act", and was assigned Act No. 12-301, and published in the March 27, 1998, edition of the D.C. Register (Vol. 45 page1792) and transmitted to Congress on March 12, 1998 for a 30-day review, in accordance with Section 602(c)(1) of the Act.

The Council of the District of Columbia hereby gives notice that the 30-day Congressional Review Period has expired, and therefore, cites this enactment as D.C. Law 12-112, effective May 12, 1998.



LINDA W. CROPP  
Chairman of the Council

#### Dates Counted During the 30-day Congressional Review Period:

Mar.	12,13,16,17,18,19,20,23,24,25,26,27,30,31
Apr.	1,21,22,23,24,27,28,29,30
May	1,4,5,6,7,8,11

**AN ACT**

**D.C. ACT 12-301**

*Codification  
District of  
Columbia  
Code  
1998 Supp.*

**IN THE COUNCIL OF THE DISTRICT OF COLUMBIA**

**FEBRUARY 24, 1998**

To allow a reciprocal insurance company to restructure itself by forming a mutual insurance holding company that directly or indirectly owns the insurance company, with the reorganized insurance company continuing its existence as a stock insurance company.

*New  
Subchapter  
III,  
Chapter 37,  
Title 35*

**BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Reciprocal Insurance Company Conversion Act of 1998".**

**Sec. 2. Definitions.**

For the purposes of this act, the term:

*New Section  
35-3741*

(1) "Reciprocal insurance company" includes an interinsurance exchange but shall not include a risk retention group as defined in section 2(12) of the Risk Retention Act of 1993, effective October 21, 1993 (D.C. Law 10-46; D.C. Code § 35-2901(12)).

(2) "Voting shares" means shares entitling the holder to vote for the election of directors of the issuer except that shares which can be voted only in the case of the occurrence of an event or an extraordinary action are not voting shares.

**Sec. 3. Formation of a mutual insurance holding company from a reciprocal insurance company.**

*New Section  
35-3742*

(a) Upon approval of the Commissioner, a domestic reciprocal insurance company may form a mutual insurance holding company that directly or indirectly owns the insurance company, based upon a conversion plan. The reorganized insurance company shall continue, without interruption, its existence as a stock insurance company subsidiary of the mutual insurance holding company or as a stock insurance company subsidiary to an intermediate holding company which is a subsidiary of the mutual insurance holding company.

(b) The Commissioner, after a public hearing as provided in section 4(g)(1) of the Holding Company System Act of 1993, effective October 21, 1993 (D.C. Law 10-44; D.C. Code § 35-3703(g)(1)) ("Holding Company Act"), if satisfied that the interests of the policyholders are properly protected and that the conversion plan is fair and equitable to the policyholders, shall

approve the proposed conversion plan and may require as a condition of approval such modifications of the proposed conversion plan as the Commissioner finds necessary for the protection of the policyholders' interests. The Commissioner may retain consultants as provided in section 4(g)(3) of the Holding Company Act. A conversion pursuant to this section shall be subject to section 4(a), (b), and (c) of the Holding Company Act. The Commissioner shall retain jurisdiction over a mutual insurance holding company organized pursuant to this section to assure that policyholder interests are protected.

(c) All of the initial shares of the capital stock of the reorganized insurance company shall be issued to the mutual insurance holding company. The membership interests of the policyholders of the reorganized insurance company shall become membership interests in the mutual insurance holding company.

(d) Policyholders of the reorganized insurance company shall be members of the mutual insurance holding company in accordance with the articles of incorporation and bylaws of the mutual insurance holding company. The mutual insurance holding company shall at all times own a majority of the voting shares of the capital stock of the reorganized insurance company.

**Sec. 4. Merger of policyholder membership interests.**

**New Section  
35-3743**

(a) Upon approval of the Commissioner, a domestic or foreign reciprocal or mutual insurance company may merge its policyholders' membership interests into a mutual insurance holding company formed pursuant to this section and continue, without interruption, the existence of the insurance company as a stock insurance company subsidiary of the mutual insurance holding company or as a stock insurance company subsidiary of an intermediate holding company which is a subsidiary of the mutual insurance holding company.

(b) The Commissioner, after a public hearing as provided in section 4(g)(1) of the Holding Company Act, if satisfied that the interests of the policyholders are properly protected and that the merger is fair and equitable to the policyholders, shall approve the proposed merger and may require as a condition of approval such modifications of the proposed merger as the Commissioner finds necessary for the protection of the policyholders' interests. The Commissioner may retain consultants as provided in section 4(g)(3) of the Holding Company Act. A merger pursuant to this section shall be subject to section 4(a), (b), and (c) of the Holding Company Act. The Commissioner shall retain jurisdiction over the mutual insurance holding company organized pursuant to this section to assure that policyholder interests are protected.

(c) All of the initial shares of the capital stock of the reorganized insurance company shall be issued to the mutual insurance holding company. The membership interests of the policyholders of the reorganized insurance company shall become membership interests in the mutual insurance holding company.

(d) Policyholders of the reorganized insurance company shall be members of the mutual insurance holding company in accordance with the articles of incorporation and bylaws of the mutual insurance holding company. The mutual insurance holding company shall at all times

directly or indirectly own a majority of the voting shares of the capital stock of the reorganized insurance company. A merger of policyholders' membership interests in a reciprocal or mutual insurance company into a mutual insurance holding company shall be deemed to be a merger of insurance companies pursuant to section 4 of the Holding Company Act which shall be applicable.

Sec. 5. Incorporation of holding company.

New Section  
35-3744

A mutual insurance holding company resulting from a conversion of a domestic reciprocal insurance company shall be incorporated pursuant to the District of Columbia Business Corporation Act, approved June 8, 1954 (68 Stat. 179; D.C. Code § 29-301 *et seq.*) ("Business Corporation Act"), and shall be subject to the provisions of the Business Corporation Act to the extent that those provisions are not in conflict with this act. The articles of incorporation and any amendments to such articles of incorporation of the mutual insurance holding company shall be subject to approval of the Commissioner and Corporation Counsel of the District in the same manner as those of an insurance company.

Sec. 6. Insurers rehabilitation and liquidation.

New Section  
35-3745

(a) A mutual insurance holding company shall be deemed to be an insurer subject to the Insurers Rehabilitation and Liquidation Act of 1993, effective October 15, 1993 (D.C. Law 10-35; D.C. Code § 35-2801 *et seq.*) ("Insurers Rehabilitation and Liquidation Act"), and shall automatically be a party to any proceeding under the Insurers Rehabilitation and Liquidation Act involving an insurance company, which as a result of a conversion or merger pursuant to section 3 or 4 of the Holding Company Act is directly or indirectly a subsidiary of the mutual insurance holding company. In any proceeding under the Insurers Rehabilitation and Liquidation Act involving the converted or merged insurance company, the assets of the mutual insurance holding company shall be deemed to be assets of the estate of the converted or merged insurance company for purposes of satisfying the claims of the converted or merged insurance company's policyholders.

(b) A mutual insurance holding company shall not dissolve or liquidate without the approval of the Commissioner or as ordered by a District of Columbia court pursuant to the Insurers Rehabilitation and Liquidation Act.

Sec. 7. Applicability; membership interest; powers.

New Section  
35-3746

(a) A membership interest in a mutual insurance holding company shall not constitute an equity security as defined in section 3 of An Act To confer additional jurisdiction upon the Superintendent of Insurance for the District of Columbia to regulate domestic stock insurance companies and to exempt such companies from section 12(g)(1) of the Securities Exchange Act of 1934, approved April 18, 1966 (80 Stat. 123; D.C. Code § 35-213).

(b) A mutual insurance holding company created under this act shall have the same

**ENROLLED ORIGINAL**

powers to borrow or assume liability as a reciprocal insurance company organized under District law.

**Sec. 8. Failure to give notice.**

**New Section  
35-3747**

If the reciprocal insurance company complies substantially and in good faith with the notice requirements of this act, the reciprocal insurance company's failure to give any member or members any required notice shall not impair the validity of any action taken under this act.

**Sec. 9. Limitations of actions.**

**New Section  
35-3748**

Any action challenging the validity of, or arising out of acts taken or proposed to be taken under, this act shall be commenced within 30 days after the effective date of any plan submitted for approval pursuant to this act.

**Sec. 10. Conversion of mutual insurance holding company.**

**New Section  
35-3749**

The Insurance Demutualization Act of 1996, effective May 24, 1996 (D.C. Law 11-126; D.C. Code § 35-4201 *et seq.*), shall be applicable to the conversion of a mutual insurance holding company formed under this act to a stock company as if the mutual insurance holding company were a mutual insurance company.

**Sec. 11. Rulemaking.**

**New Section  
35-3750**

The Mayor, pursuant to title 1 of the District of Columbia Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1204; D.C. Code § 1-1501 *et seq.*), may issue rules and regulations to implement the provisions of this act.

**Sec. 12. Fiscal impact statement.**


The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Code 1-233(c)(3)).

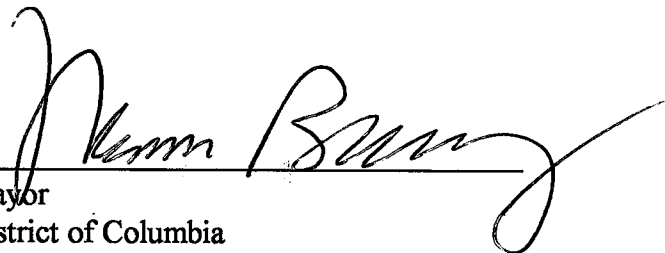
**Sec. 13. Effective date.**

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), approval by the Financial Responsibility and Management Assistance Authority as provided in section 203(a) of the District of Columbia Financial Responsibility and Management Assistance Authority Act of 1995, approved April 17, 1995 (109 Stat. 116; D.C. Code § 47-392.3(a)), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December

**ENROLLED ORIGINAL**

24, 1973 (87 Stat. 813; D.C. Code § 1-233(c)(1)), and publication in the District of Columbia Register.

  
\_\_\_\_\_  
Chairman  
Council of the District of Columbia

  
\_\_\_\_\_  
Mayor  
District of Columbia  
APPROVED: February 24, 1998



COUNCIL OF THE DISTRICT OF COLUMBIA

COUNCIL PERIOD TWELVE

RECORD OF OFFICIAL COUNCIL VOTE

B12-445

Docket No.

ITEM ON CONSENT CALENDAR

ACTION & DATE

ADOPTED FIRST READING, 1-6-98

VOICE VOTE RECORDED VOTE ON REQUEST

APPROVED

CHAVOUS

ABSENT

ROLL CALL VOTE - Result

Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB
Chmn. Cropp					Chavous					Schwartz				
Allen					Evans					Smith, Jr.				
Ambrose					Jarvis					Thomas, Sr.				
Brazil					Mason									
Catania					Patterson									

X - Indicates Vote

AB - Absent

NV - Present not Voting

CERTIFICATION RECORD

*Chavous*

Secretary to the Council

*1/6/98*

Date

ITEM ON CONSENT CALENDAR

ACTION & DATE

ADOPTED FINAL READING, 2-3-98

VOICE VOTE RECORDED VOTE ON REQUEST

APPROVED

THOMAS

ABSENT

ROLL CALL VOTE - Result

Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB
Chmn. Cropp					Chavous					Schwartz				
Allen					Evans					Smith, Jr.				
Ambrose					Jarvis					Thomas, Sr.				
Brazil					Mason									
Catania					Patterson									

X - Indicates Vote

AB - Absent

NV - Present not voting

CERTIFICATION RECORD

*Chavous*

Secretary to the Council

*February 10, 1998*

Date

ITEM ON CONSENT CALENDAR

ACTION & DATE

VOICE VOTE

RECORDED VOTE ON REQUEST

ABSENT

ROLL CALL VOTE - Result

Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB
Chmn. Cropp					Chavous					Schwartz				
Allen					Evans					Smith, Jr.				
Ambrose					Jarvis					Thomas, Sr.				
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Catania					Patterson									

X - Indicates Vote

AB - Absent

NV - Present not Voting

CERTIFICATION RECORD

Secretary to the Council

Date



AN ACT

*Codification  
District of  
Columbia  
Code  
1998 Supp.*

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To allow a reciprocal insurance company to restructure itself by forming a mutual insurance holding company that directly or indirectly owns the insurance company, with the reorganized insurance company continuing its existence as a stock insurance company.

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**ENROLLED ORIGINAL**

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**ENROLLED ORIGINAL**

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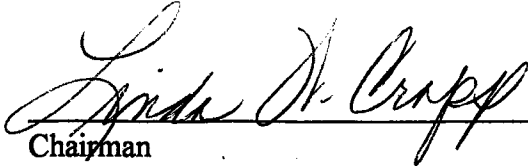
**Sec. 12. Fiscal impact statement.**

The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Code 1-233(c)(3)).

**Sec. 13. Effective date.**

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), approval by the Financial Responsibility and Management Assistance Authority as provided in section 203(a) of the District of Columbia Financial Responsibility and Management Assistance Authority Act of 1995, approved April 17, 1995 (109 Stat. 116; D.C. Code § 47-392.3(a)), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December

24, 1973 (87 Stat. 813; D.C. Code § 1-233(c)(1)), and publication in the District of Columbia Register.

A handwritten signature in cursive script, reading "Linda M. Crapp", is written over a solid horizontal line.

Chairman  
Council of the District of Columbia

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Mayor  
District of Columbia



COUNCIL OF THE DISTRICT OF COLUMBIA

COUNCIL PERIOD TWELVE

RECORD OF OFFICIAL COUNCIL VOTE

B12-445

Docket No. \_\_\_\_\_

ITEM ON CONSENT CALENDAR

ACTION & DATE

ADOPTED FIRST READING, 1-6-98

VOICE VOTE

APPROVED

RECORDED VOTE ON REQUEST

CHAVOUS

ABSENT \_\_\_\_\_

ROLL CALL VOTE - Result \_\_\_\_\_

Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB
Chmn. Cropp					Chavous					Schwartz				
Allen					Evans					Smith, Jr.				
Ambrose					Jarvis					Thomas, Sr.				
Brazil					Mason									
Catania					Patterson									

X - Indicates Vote

AB - Absent

NV - Present not Voting

CERTIFICATION RECORD

*Chavous*

Secretary to the Council

*2/10/98*

Date

ITEM ON CONSENT CALENDAR

ACTION & DATE

ADOPTED FINAL READING, 2-3-98

VOICE VOTE

APPROVED

RECORDED VOTE ON REQUEST

THOMAS

ABSENT \_\_\_\_\_

ROLL CALL VOTE - Result \_\_\_\_\_

Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB
Chmn. Cropp					Chavous					Schwartz				
Allen					Evans					Smith, Jr.				
Ambrose					Jarvis					Thomas, Sr.				
Brazil					Mason									
Catania					Patterson									

X - Indicates Vote

AB - Absent

NV - Present not voting

CERTIFICATION RECORD

*Chavous*

Secretary to the Council

*February 10, 1998*

Date

ITEM ON CONSENT CALENDAR

ACTION & DATE

VOICE VOTE

RECORDED VOTE ON REQUEST

ABSENT \_\_\_\_\_

ROLL CALL VOTE - Result \_\_\_\_\_

Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB
Chmn. Cropp					Chavous					Schwartz				
Allen					Evans					Smith, Jr.				
Ambrose					Jarvis					Thomas, Sr.				
Brazil					Mason									
Catania					Patterson									

X - Indicates Vote

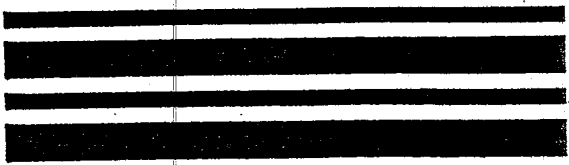
AB - Absent

NV - Present not Voting

CERTIFICATION RECORD

Secretary to the Council

Date



PATCH T (FILE A)