BARBARA A. YOUNG
PARTNER
byoung@verrill-law.com
203-222-3123

355 Riverside Avenue
Westport, CT 06880
Main 203-222-0885

Securities Act of 1933 §2(a)(1)
Securities Exchange Act of 1934 §12(g)

VIA ELECTRONIC FILING

September 30, 2020

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Connecticut Medical Insurance Company

Dear Sir/Madam:

We are counsel to the following affiliated companies in connection with a proposed Reorganization described in detail below:

- Connecticut Medical Insurance Company, an existing mutual insurance company incorporated under the laws of Connecticut ("CMIC" or the "Insurer");

- Integris Financial Services Incorporated, an intermediate holding company to be formed under the laws of Connecticut (the "Intermediate Holding Company") for the purpose of holding all of the shares of the capital stock of CMIC immediately following the Reorganization; and

- Integris Group Incorporated, a mutual insurance holding company to be formed under the laws of Connecticut (the "Mutual Holding Company") for the purpose of holding all of the shares of the capital stock of the Intermediate Holding Company immediately following the Reorganization.

The Reorganization will be effected under the provisions of Connecticut General Statutes §38a-156 et sec. (the "CT Reorganization Law"), enacted in 2014. The CT Reorganization Law permits CMIC, as a Connecticut mutual insurance company, to reorganize by forming the Mutual Holding Company as a mutual insurance holding company and continuing the corporate existence of reorganized CMIC as a stock insurance company subsidiary of the Intermediate Holding Company, which will be a wholly owned subsidiary of the Mutual Holding Company (the "Reorganization"). A copy of the CT Reorganization Law is attached hereto as Exhibit A.

I. Request

We respectfully request confirmation that, based upon the facts and circumstances set forth in this letter, the staff of the Division of Corporation Finance (the "Staff") will not recommend that the Securities and Exchange Commission (the "Commission") take enforcement action if (i) upon the completion of the Reorganization, the membership interests of the current policyholders in CMIC automatically convert to membership interests in the Mutual Holding Company, and (ii) following the Reorganization, future policyholders of the Insurer receive membership interests in the Mutual Holding Company automatically in accordance with the Reorganization, the provisions of the CT Reorganization Law and the charter and bylaws of the Mutual Holding Company, in each case without registration of the membership interests under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

II. Background

CMIC is a mutual insurance company that provides professional liability insurance products for the medical profession, and certain other ancillary insurance products related thereto, and is incorporated under the laws of Connecticut. Under its mutual insurer form of organization, CMIC is constrained from diversifying its operations, pursuing acquisitions or mergers with other mutual insurers, and raising additional capital. The barriers to diversification of operations, and restrictions on acquisition activity and inability to raise capital, place it at a competitive disadvantage with its competitors organized as stock companies.

In view of these limitations and constraints, the CMIC board of directors believes that the Reorganization will benefit CMIC and its membership and will:

- provide CMIC with flexibility to meet future challenges while preserving the mutuality and independence that has been a part of CMIC's structure and culture since its inception in 1984;

- enhance CMIC's ability to respond to the future needs of policyholders and prospective policyholders in a rapidly changing insurance environment through the development of insurance and non-insurance products and services;

- enable CMIC to expeditiously take advantage of opportunities as they present themselves;

- furnish an avenue to obtain additional capital that will provide flexibility in the event additional capital is required in the future; and

- enhance the efficiency, management, and financial flexibility of CMIC's insurance operations, thereby making its insurance products more competitive.

In CMIC's present mutual form, each policyholder has rights both as an insured and as a member of the mutual company, CMIC. As an insured, a policyholder is entitled to insurance coverage to the extent and in the amount specified in the insured's policy. The membership interests accompanying the insurance coverage consist of (i) the right of individuals who are members to vote in the election of directors of CMIC and on other matters submitted to a vote of the membership, and (ii) the right to participate in any distributions of CMIC's surplus in the event of a conversion of CMIC to a stock corporation not involving the formation of a mutual holding company system (a full demutualization), or the liquidation of CMIC.

The terms of the insurance policies in force at the effective time of the Reorganization will not be changed by the Reorganization. In the Reorganization, the membership interests of CMIC's policyholders will be transferred to the Mutual Holding Company and the policyholders' membership interests in the Mutual Holding Company will not be separately transferable from the underlying insurance policy. As currently is the case with respect to voting rights of CMIC's policyholders, each member of the Mutual Holding Company who is an individual will be entitled to only one vote on each matter submitted to a vote of the membership, irrespective of the number of the Insurer's insurance policies, or the amount of insurance coverage, owned by such member. The membership rights of the holders of membership interests in the Mutual Holding Company will be substantially the same as the rights they presently have as holders of membership interests in CMIC, including (i) individual members of the Mutual Holding Company will have the right to vote in the election of directors of the Mutual Holding Company and on other matters submitted to a vote of the membership, and (ii) each member of the Mutual Holding Company that was previously entitled to participate in any distribution of CMIC's assets in the event of a dissolution or liquidation in accordance with CMIC's bylaws will be similarly entitled to participate, in accordance with the Reorganized Stock Insurance Company's bylaws, in any such distribution of the Reorganized Stock Insurance Company's assets after the effective date of the Reorganization.

III. Connecticut Law

The CT Reorganization Law permits a domestic mutual insurance company to adopt a reorganization plan under which it may reorganize into a mutual insurance holding company system consisting of the reorganized stock insurance company, a mutual insurance holding company and, if applicable, an intermediate stock holding company. *See* Connecticut General Statutes ("CGS") §38a-156a and §38a-156b. In a reorganization under the CT Reorganization Law, the membership interests and contractual policyholder rights of the mutual insurance company's policyholders are separated. The membership interests of the mutual insurance company's policyholders are transferred to the mutual insurance holding company, while their contractual rights as policyholders remain at the insurance company, which converts to a stock insurance company and becomes a direct or indirect wholly owned stock subsidiary of the mutual insurance holding company. Pursuant to a reorganization plan under the CT Reorganization Law and by operation of law, the membership interests of the policyholders in the reorganizing mutual insurance company are extinguished and the members of the reorganizing insurer immediately become members of the mutual holding company. *See* CGS §38a-156a(g)(4)(B) and CGS §38a-156a(g)(4)(C). Membership interests in a mutual insurance holding company are not securities under Connecticut law. *See* CGS §38a-156b(g).

At least fifty-one percent of the reorganized stock insurance company's voting stock must be issued to the mutual insurance holding company or to an intermediate stock holding company of which at least fifty-one percent of its voting stock is owned by the mutual insurance holding company. *See* CGS §38a-156a(b)(1)(B). The mutual insurance holding company must continue at all times to own at least fifty-one percent of the voting stock of the reorganized stock insurance company or an intermediate stock holding company that owns at least fifty-one percent of the voting stock of the reorganized stock insurance company. *See* CGS §38a-156a(g)(3).

Any reorganization undertaken pursuant to the CT Reorganization Law is subject to the approval of the Insurance Commissioner of the State of Connecticut (the "Connecticut Commissioner") after a public hearing at which policyholders and other interested parties may appear and be heard. *See* CGS §38a-156a(c)(3)(A). The Connecticut Commissioner shall approve a reorganization plan if he finds that "(i) the proposed reorganization is in the best interest of the reorganizing insurer; (ii) the plan is fair and equitable to the members of the reorganizing insurer; (iii) the plan will not substantially lessen competition in any line of insurance business; (iv) the plan provides for the enhancement of the operations of the reorganizing insurer; (v) the plan, when completed, provides for the reorganized insurer's paid-in capital stock to be in an amount at least equal to the minimum paid-in capital stock and the net surplus required of a new domestic stock insurer upon such domestic stock insurer's initial authorization to transact like kinds of insurance; and (vi) the plan complies with the provisions of [CGS §38a-156a(c)(3)(A)] and CGS §38a-156b to §38a-156f, inclusive." *See* CGS §38a-

156a(c)(3)(A). The Connecticut Commissioner may request that a reorganizing insurer "modify the proposed plan of reorganization if the commissioner finds that such plan does not meet the requirements for approval as set forth in subparagraph (A) of [CGS §38a-156a(c)(3)]." *See* CGS §38a-156a(c)(3)(D).

A mutual holding company and its subsidiaries and affiliates are deemed members of an insurance holding company system, as defined in §38a-129, and the Mutual Holding Company will be subject to regulation by the Connecticut Commissioner. The CT Reorganization Law regulates mutual holding companies in a number of ways, including the following:

- The Mutual Holding Company is required, at all times, to maintain direct or indirect ownership of at least fifty-one percent of the voting stock of the reorganized stock insurance company. *See* CGS §38a-156(11), §38a-156a(b)(1)(B), §38a-156a(g)(3) and §38a-156b(c)(2).

- As a mutual insurance holding company, the Mutual Holding Company is prohibited from issuing voting stock. *See* CGS §38a-156b(c)(3).

- The Mutual Holding Company is prohibited from making any payment of income, dividends contingent upon an apportionment of profits or any other distribution of profits except to the extent provided in the Mutual Holding Company's certificate of incorporation or as otherwise directed or approved by the Connecticut Commissioner. *See* CGS §38a-156b(f).

- The Mutual Holding Company is required to file with the Connecticut Commissioner, within 30 days after adoption, a copy of any amendments to its bylaws. *See* CGS §38a-156b(d).

- The Mutual Holding Company is prohibited from engaging in the business of insurance. *See* CGS §38a-156b(a).

- The Mutual Holding Company is not permitted to transfer its domicile to another state for a period of five years after the effective date of the Reorganization without the approval of the Connecticut Commissioner. *See* CGS §38a-156b(i).

- The Mutual Holding Company is prohibited from dissolving, liquidating or otherwise winding up without the prior approval of the Connecticut Commissioner or a court having jurisdiction over such matters. *See* CGS §38a-156k(a)(3).

- The Mutual Holding Company may not merge with any other mutual holding company except with written approval from the Connecticut Commissioner and approval of the merger agreement by a majority vote of the Mutual Holding Company's board of directors

and by not less than two-thirds of the members of the Mutual Holding Company as are present and voting at a meeting of such members. *See* CGS §38a-156h(b)(1) and §38a-156h(b)(4).

- In the event of any proceeding involving the reorganized stock insurance company brought within 10 years after the effective date of the Reorganization, the assets of the Mutual Holding Company will be deemed to be assets of the estate of the reorganized stock insurance company for purposes of satisfying the claims of the reorganized stock insurance company's policyholders, except that the Mutual Holding Company's contribution to the estate of a reorganized insurer shall not exceed the value of assets, net of liabilities, that such reorganized insurer transferred to the Mutual Holding Company or to one or more persons owned or controlled by the Mutual Holding Company. *See* CGS §38a-156k(a)(2).

As is the case with CMIC, the Mutual Holding Company will have no authorized, issued, or outstanding capital stock. The only means by which the Mutual Holding Company could issue capital stock would be for the Mutual Holding Company to first undergo a full demutualization pursuant to the provisions of Connecticut law applicable to domestic mutual holding companies, which would require advance approval by the Connecticut Commissioner and at least two thirds of the members of the Mutual Holding Company. The Insurer currently has no plans for the Mutual Holding Company to demutualize and issue capital stock following the Reorganization. *See* CGS §38a-156j(c)(3) and §38a-156j(d).

CMIC's plan of reorganization does not provide for any sale of voting stock of the Intermediate Holding Company or the Reorganized Stock Insurance Company as part of the Reorganization. A future proposed sale of such voting stock to investors would require the approval by the Connecticut Commissioner of the terms of the initial offering (such approval to be granted unless the Connecticut Commissioner finds (i) in the case of a public offering, that the offering would not be conducted in a manner generally consistent with customary practices for initial public offerings to the extent reasonably comparable, or (ii) in the case of any other offering, that the offering would be prejudicial to the members of the mutual holding company). *See* CGS §38a-156f(a)(1). Additional issuances of securities by the Intermediate Holding Company and the Reorganized Stock Insurance Company are not subject to further regulatory approval, but such issuances remain subject to the requirement that the Mutual Holding Company must at all times own at least fifty-one percent of the voting stock of the Intermediate Holding Company and the Intermediate Holding Company must own at least fifty-one percent of the voting stock of the Reorganized Stock Insurance Company.

IV. The Reorganization

A. The Reorganization Plan

In accordance with CGS §38a-156a, the board of directors of CMIC adopted a plan of reorganization on November 16, 2019, and approved amendments to the plan of reorganization on March 7, 2020 (the "Reorganization Plan"). The Reorganization Plan provides for CMIC to reorganize into a mutual insurance holding company system by, among other things, (i) forming the Mutual Holding Company as the mutual insurance holding company and (ii) amending the charter of CMIC to, among other things, authorize the issuance of capital stock. CMIC submitted its Application to the Connecticut Commissioner on January 31, 2020 seeking approval by the Connecticut Commissioner of CMIC's plan of reorganization as a mutual holding company. The Application was accompanied by other required submittals, including the Reorganization Plan, letter to policyholders, a notice of the public hearing to be conducted by the Connecticut Commissioner, a notice of member meeting, a proxy card, a policyholder information statement, and frequently asked questions (the "Member Materials"). The Member Materials were mailed to CMIC's membership on or about March 18, 2020. The Connecticut Commissioner held the public hearing on the Reorganization Plan remotely on August 14, 2020. (The public hearing was originally scheduled to be held on May 18, 2020 at the offices of the Connecticut Insurance Department, but was rescheduled to August 14, 2020 and held remotely due to the COVID-19 pandemic.)

The Connecticut Commissioner approved the Reorganization Plan on September 17, 2020. CMIC's eligible members approved the Reorganization Plan by a vote of 411 for the Reorganization Plan to 12 against the Reorganization Plan at CMIC's annual meeting of members on September 26, 2020.[1] The targeted effective date for the Reorganization, subject to the satisfaction of all of the other conditions to consummation of the Reorganization Plan (the "Effective Date"), is October 1, 2020.

Upon its reorganization into a stock insurance company, CMIC will continue its corporate existence as a Connecticut stock insurance company (hereinafter referred to as the "Reorganized Stock Insurance Company"). All of the shares of the voting stock of the Reorganized Stock Insurance Company will be owned by the Intermediate Holding Company which, in turn, will be a wholly owned subsidiary of the Mutual Holding Company. Thereafter, the Mutual Holding Company will be required by Connecticut law to at all times own at least fifty-one percent of the voting stock of the Intermediate Holding Company and the Intermediate Holding Company will be required by Connecticut law to at all times own at least fifty-one percent of the voting stock of the Reorganized Stock Insurance Company. By

[1] Under Governor Lamont's Executive Order No. 7NN, members of CMIC who participate in the member meeting by means of remote communication are deemed present in person and may vote at the meeting on matters submitted to the members.

operation of law and under the Reorganization Plan, the Reorganized Stock Insurance Company will assume all the liabilities and obligations of CMIC and continue to perform all of the contractual obligations of CMIC, including those under its insurance policies in force on the effective date of the Reorganization.

Neither the Mutual Holding Company nor the Reorganized Stock Insurance Company intends to issue certificates evidencing the membership interests in the Mutual Holding Company. Connecticut law does not require such issuance. Rather, a list of members will be kept on the books and records of the Mutual Holding Company similar to how CMIC currently keeps a list of its members.

Pursuant to the Reorganization Plan, the Mutual Holding Company and the Intermediate Holding Company will be organized under Connecticut law. The business of the Mutual Holding Company, a mutual holding company as defined in CGS §38a-156(11), and the Intermediate Holding Company, a Connecticut stock corporation, will differ in certain respects from the business of CMIC, a mutual insurance company. The Mutual Holding Company will be formed as a mutual insurance holding company to hold at all times at least fifty-one percent of the voting stock of the Reorganized Stock Insurance Company, whereas CMIC was formed to offer professional liability insurance products for the medical profession and certain other ancillary insurance products related thereto. The Intermediate Holding Company will be authorized to engage in any lawful acts or activities for which a corporation may be organized under the Connecticut Business Corporation Act (CGS §§33-600 to 33-998, inclusive).

For the Staff's convenience, please refer to the chart attached hereto as Exhibit B for a visual comparison of the companies' corporate structure before and after the Reorganization.

B. Effects of the Reorganization on Members and Policyholders

On the Effective Date, the membership interests and the contract rights of CMIC's policyholders will be separated. Under the CT Reorganization Law, the Reorganization Plan and the charter and bylaws of the Mutual Holding Company, policyholders' membership interests in CMIC automatically will be extinguished and replaced with membership interests in the Mutual Holding Company. Policyholders' contractual rights will remain intact with CMIC (which will become the Reorganized Stock Insurance Company). Each person who becomes a policyholder of the Reorganized Stock Insurance Company on or after the Effective Date will automatically become a member of the Mutual Holding Company until such time as the insurance policy or policies of CMIC or the Reorganized Stock Insurance Company owned by the member (the "Related Policy") are no longer owned or no longer remain in force.

Membership interests in CMIC prior to the Reorganization are not separately transferable from the Related Policy. Members of the Mutual Holding Company also will not be able to transfer their membership interest in the Mutual Holding Company or any right arising from such membership. A membership interest in the Mutual Holding Company will automatically terminate upon the lapse, non-renewal or other termination of the Related Policy. No member of the Mutual Holding Company will be personally liable, as a member, for the debts, liabilities or obligations of the Mutual Holding Company or the Reorganized Stock Insurance Company, or subject to assessments of any kind.

Aside from the receipt of membership interests described above, members of CMIC before the Reorganization and members of the Mutual Holding Company after the Reorganization will not receive shares of stock, cash, additional insurance policy credits or consideration or payment of any other kind attributable to the Reorganization.

Pursuant to the Reorganization Plan, the Mutual Holding Company (whose members will be the Reorganized Stock Insurance Company's policyholders) will initially own all of the outstanding stock in the Intermediate Holding Company, which will initially own all of the outstanding stock of the Reorganized Stock Insurance Company. After the Reorganization, the membership interests in the Mutual Holding Company held by its members will include:

- the right of members that are individuals to elect the board of directors of the Mutual Holding Company; and
- the right of members that are individuals to vote on such other matters as may come before the members of the Mutual Holding Company at an annual meeting or special meeting of its members.

The CT Reorganization Law prohibits the Mutual Holding Company from making any payment of income, dividends contingent upon an apportionment of profits or any other distribution of profits to its members, except to the extent provided in the Mutual Holding Company's certificate of incorporation [2] or as otherwise directed or approved by the Connecticut Commissioner.

[2] The Mutual Holding Company's certificate of incorporation does not provide for any payment of income, dividends contingent upon an apportionment of profits or any other distribution of profits.

V. Summary of the Reorganization

The terms of the Reorganization may be summarized as follows: (i) the Reorganization will be undertaken in accordance with the CT Reorganization Law, which permits the formation of mutual insurance holding companies by mutual insurance companies, (ii) the membership rights of members of the Mutual Holding Company will be substantially the same as membership rights of the Insurer's policyholders, (iii) on and after the Effective Date, persons who hold or subsequently acquire policies of CMIC or the Reorganized Stock Insurance Company will automatically become members of the Mutual Holding Company, (iv) the Reorganization is subject to the approval of two-thirds of the votes cast by the eligible members of CMIC who are present and voting in person or by proxy and the approval by the Connecticut Commissioner after a public hearing on the Reorganization Plan to which the eligible members are entitled to notice and the opportunity to appear, (v) the Connecticut Commissioner shall approve the Reorganization Plan if he finds that (1) the proposed reorganization is in the best interest of the reorganizing insurer; (2) the plan is fair and equitable to the members of the reorganizing insurer; (3) the plan will not substantially lessen competition in any line of insurance business; (4) the plan provides for the enhancement of the operations of the reorganizing insurer; (5) the plan, when completed, provides for the reorganized insurer's paid-in capital stock to be in an amount at least equal to the minimum paid-in capital stock and the net surplus required of a new domestic stock insurer upon such domestic stock insurer's initial authorization to transact like kinds of insurance; and (6) the plan complies with the provisions of CGS §38a-156a(c)(3)(A) and §38a-156b to §38a-156f, inclusive, (vi) the Mutual Holding Company will be subject to regulation by the Connecticut Commissioner, and (vii) the Mutual Holding Company will not make any payment of income, dividends contingent upon an apportionment of profits or any other distribution of profits except to the extent provided in the Mutual Holding Company's certificate of incorporation or as otherwise directed or approved by the Connecticut Commissioner.

VI. Section 2(a)(1) of the Securities Act of 1933

Based upon the foregoing facts and the analysis set forth herein, it is our opinion that the grant of membership interests in the Mutual Holding Company to CMIC's policyholders in connection with the Reorganization, whether arising on the Effective Date of the Reorganization in accordance with the Reorganization Plan or arising from time to time by virtue of the issuance of a policy by the Reorganized Stock Insurance Company, would not constitute the offer or sale of a "security" as that term is defined in the Section 2(a)(1) of the Securities Act of 1933, as amended (the "Securities Act").

A. Definition of a "Security" under Section 2(a)(1) of the Securities Act

Applying the test developed in *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946) ("Howey"), and its progeny, it is our opinion that neither the grant of membership interests in the Mutual Holding Company to existing members of CMIC in connection with the Reorganization, nor the grant of membership interests in the Mutual Holding Company from time to time after the Reorganization to future policyholders of the Reorganized Stock Insurance Company, would constitute the offer or sale of a "security" as that term is defined in Section 2(a)(1) of the Securities Act.

The Staff has previously taken no-action positions on numerous occasions in the context of reorganization transactions similar to that contemplated by the Insurer. *See, e.g.,* Jewelers Mutual Insurance Company (publicly available December 11, 2019); Church Mutual Insurance Company (publicly available October 17, 2019); Noridian Mutual Insurance Company (publicly available October 24, 2018); MAG Mutual Insurance Company (publicly available June 21, 2017); American Family Mutual Insurance Company (publicly available December 5, 2016); Federal Life Insurance Company (Mutual) (publicly available August 31, 2015); Blue Cross and Blue Shield of Florida, Inc. (publicly available September 9, 2013); Amerisure Mutual Insurance Company (publicly available May 13, 2009); Pan-American Life Insurance Company (publicly available December 28, 2006); Fidelity Life Association (publicly available October 18, 2006); Employers Insurance Company of Nevada, A Mutual Company (publicly available December 2, 2004); Millers Mutual Insurance Association (publicly available February 20, 2003); Milwaukee Mutual Insurance Company (publicly available January 30, 2003); Maine Mutual Fire Insurance Company (publicly available November 15, 2001); First Nonprofit Mutual Insurance Company (publicly available October 24, 2001); The Baltimore Life Insurance Company (publicly available December 11, 2000); Woodmen Accident and Life Company (publicly available December 28, 1999); American Republic Insurance Company (publicly available December 23, 1999); The Security Mutual Life Insurance Company of Lincoln, Nebraska (publicly available November 30, 1999); Trustmark Insurance Company (publicly available August 25, 1999); Mutual Trust Life Insurance Company (publicly available August 4, 1999); Mutual of Omaha Insurance Company (publicly available November 27, 1998); National Life Insurance Company (publicly available September 23, 1998); Principal Mutual Life Insurance Company (publicly available June 8, 1998); The Ohio National Life Insurance Company (publicly available June 5, 1998); Security Benefit Life Insurance Company (publicly available June 3, 1998); The Minnesota Mutual Life Insurance Company (publicly available May 21, 1998); Provident Mutual Life Insurance Company (publicly available April 7, 1998); FCCI Mutual Insurance Company (publicly available March 30, 1998); Ameritas Life Insurance Corporation (publicly available December 8, 1997); Acacia Mutual Life Insurance Company (publicly available June 27, 1997); Pacific Mutual Life Insurance Company (publicly available April 17, 1997);

General American Life Insurance Company (publicly available February 20, 1997); and American Mutual Life Insurance Company (publicly available June 13, 1996).

The principal difference between the Reorganization and the past reorganization transactions with respect to which the Staff has taken no-action positions is that this will be the first mutual insurance holding company reorganization proposed to be completed under Connecticut law. The CT Reorganization Law is not materially different from the mutual holding company laws in other states for which the Staff has previously granted no-action relief. In addition, the Member Materials used in CMIC's Reorganization are comparable to the materials used in other mutual holding company reorganizations. As discussed below, it is our opinion that the applicability of Connecticut law, as compared to other states in which the Staff has considered mutual holding company reorganizations, does not alter the analysis of whether any membership interests of the mutual insurance holding company are securities under Section 2(a)(1) of the Securities Act.

Section 2(a)(1) of the Securities Act, as amended, defines a "security" as including:

> . . . any note, stock, treasury stock, security feature, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, . . . or, in general, any interest or instrument commonly known as a 'security,' or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

Although the term "membership interests" is not specifically included in the above definition, an unlisted interest, participation, or instrument may still be deemed a "security" if it falls within one of two general categories: an "investment contract" or an "interest or instrument commonly known as a 'security.'"

Insurance policies, including their related membership interests, are generally not considered securities that are subject to registration under federal securities laws. Section 3(a)(8) of the Securities Act supports the view that registration is not necessary to protect policyholders in these circumstances. Section 3(a)(8) of the Securities Act exempts insurance policies from the registration requirements of the Securities Act if the policies are "issued. . . subject to the supervision of the insurance commissioner. . . of any state. . . of the United States." This section "makes clear what is already implied in the [Securities] Act, namely, that

insurance policies are not to be regarded as securities subject to the provisions of the [Securities] Act." H.R. Rep. No. 73-85, at 15 (1933).

The fact that more than one company is involved should not alter the analysis. Since no "specific consideration in return for a separable financial interest with the characteristics of a security" is paid for the membership interest (because only the Related Policy is purchased), this interest does not constitute a security. *International Brotherhood of Teamsters v. Daniel*, 439 U.S. 551, 559 (1979).

B. Membership Interests are not Investment Contracts

The Supreme Court set forth the criteria to determine the existence of an investment contract in *SEC v. W.J. Howey Co*., 328 U.S. 293 (1946). Continuing the approach articulated earlier in *SEC v. C.M. Joiner Leasing* Corp., 320 U.S. 344 (1943), the Howey test focuses on the economic realities of a transaction. An instrument or interest constitutes an investment contract if it: (1) involves an investment (2) in a common enterprise (3) with an expectation of profits (4) solely from the efforts of others. *See Howey*, 328 U.S. at 299.[3] All elements of the Howey test must be met before an investment is deemed to constitute an "investment contract" and, therefore, deemed to be a "security." We understand that the Commission has stated that the second item, "in a common enterprise," is not a separate element of the Howey test.[4] The grant of membership interests in the Mutual Holding Company does not meet the first and third elements of the Howey test.

1. Investment

The first criterion under the Howey test, an investment, is not satisfied because policyholders of CMIC (or following the Reorganization, of the Reorganized Stock Insurance Company) are not required to pay cash or any other property to acquire their membership interests in the Mutual Holding Company. An investment is characterized by "an exchange for value," most often a monetary contribution. *See Uselton v. Commercial Lovelace Motor Freight, Inc*., 940 F.2d 564, 574-575 (10th Cir. 1991). The membership interests are not issued upon a simple monetary contribution; instead, membership interests *automatically* accompany, by operation of law and the charter and bylaws of the Mutual Holding Company, the ownership of a policy. The money paid by CMIC or the Reorganized Stock Insurance Company policyholders is in the form of premiums with the intent to obtain insurance, and

[3] While the Howey test focused only on investment contracts, the Court subsequently applied the test more broadly. See *Landreth Timber Co. v. Landreth*, 471 U.S. 681, 691 n.5 (1985) (stating that the categories of investment contracts and instruments commonly known as a security are properly analyzed by applying the Howey test); *United Housing Foundation, Inc. v. Forman*, 421 U.S. 837, 852 (1975) (stating that the basic test for distinguishing a transaction involving a security and other commercial dealings is the Howey test).

[4] See In re Anthony H. Barkate, Exchange Act Release No. 34-49542, 82 S.E.C. Docket 2130 at n. 13 (April 8, 2004).

not with any profit-making, profit-sharing or investment intent with respect to membership in the Mutual Holding Company. Indeed, at the time of issuance of the Related Policies, the membership interests have no value separate and apart from the insurance policies.

Also, the membership interests will not be marketed as investments. The Reorganized Stock Insurance Company's selling efforts will focus on insurance coverages. Additionally, current members have been and prospective members must be qualified and accepted as insureds by CMIC and the Reorganized Stock Insurance Company, respectively. Such qualification is an independent requirement that must be satisfied on the basis of objective insurance underwriting criteria. Finally, there is no basis for the current or prospective members to regard the membership interests in CMIC or in the Mutual Holding Company as investments because the membership interests are and will be nontransferable.

2. Expectation of Profits

The third criterion of the Howey test, expectation of profits, is not satisfied because membership interests do not provide any distribution of profits. Membership interests only provide voting rights and other rights as may be provided under Connecticut law, such as those occurring upon demutualization or liquidation. The Court defines "profits" under the Howey test as "capital appreciation resulting from the development of the initial investment ... or participation in earnings resulting from the use of investors' funds." *United Housing Foundation, Inc. v. Forman,* 421 U.S. at 852. On its face, voting rights and the opportunity to receive money only in the event of the Insurer's subsequent demutualization or liquidation do not meet the Forman profit definition.

In cases where investors are "attracted solely by the prospects of a return on their investment," the securities laws are applicable. *Id.* at 852. By contrast, "when a purchaser is motivated by a desire to use or consume the item purchased . . . the securities laws do not apply." *Id.* at 852-853. The economic reality of becoming a mutual insurance holding company member is that policyholders part with their money not for the purpose of reaping profits from the efforts of others, but for the purpose of purchasing insurance, a commodity for personal consumption. As indicated above, the Mutual Holding Company will not be permitted to make any payment of income, dividends contingent upon an apportionment of profits or any other distribution of profits, except to the extent provided in the Mutual Holding Company's certificate of incorporation or as otherwise directed or approved by the Connecticut Commissioner. A CMIC policyholder's expectations of accretion in value of his/her insurance policy depends solely upon the terms of the insurance contract itself. Furthermore, there is no potential to realize profit by transferring the membership interest to a third party because the membership rights are not assignable.

An owner of a membership interest in the Mutual Holding Company therefore has no ability to realize any profit on the membership interest. The ability of the Intermediate Holding Company and the Reorganized Stock Insurance Company to raise capital by issuing securities to third parties does not change this result. The Reorganization Plan does not provide for any sale of voting stock of the Intermediate Holding Company or the Reorganized Stock Insurance Company as part of the Reorganization. Under the CT Reorganization Law, no such voting stock may be sold to investors unless there is a subsequent approval by the Connecticut Commissioner of the terms of the initial offering (which approval will be granted unless the Connecticut Commissioner finds (i) in the case of a public offering, that the offering would not be conducted in a manner generally consistent with customary practices for initial public offerings to the extent reasonably comparable, or (ii) in the case of any other offering, that the offering would be prejudicial to the members of the Mutual Holding Company). Additional issuances of securities by the Intermediate Holding Company and the Reorganized Stock Insurance Company are not subject to further regulatory approval, but such issuances are subject to the requirement that the Mutual Holding Company must at all times own at least fifty-one percent of the voting stock of the Intermediate Holding Company and the Intermediate Holding Company must at all times own at least fifty-one percent of the voting stock of the Reorganized Stock Insurance Company.

The sale of securities of the Intermediate Holding Company and the Reorganized Stock Insurance Company would increase the capital of the Mutual Holding Company on a consolidated basis. However, members of the Mutual Holding Company would receive no economic benefit as members from such a sale because:

- the Mutual Holding Company is not able to make any payment of income, dividends contingent upon an apportionment of profits or any other distribution of profits, except to the extent provided in the Mutual Holding Company's certificate of incorporation or as otherwise directed or approved by the Connecticut Commissioner,
- the members are not able to sell, redeem or otherwise receive value for their membership interest, and
- the Reorganized Stock Insurance Company is able to cancel the member's membership interest without consideration by canceling or not renewing the member's Related Policy.

Without the ability to receive any value for a membership interest by transfer or distribution, a member could have no reasonable expectation of profit from an offer and sale of securities. Thus, the lack of further regulatory involvement is not relevant to the analysis of whether a membership interest constitutes a security. The Staff has previously taken a no-

action position on several occasions in which an intermediate holding company or stock insurance company was able to issue equity securities without further regulatory approval.[5]

In sum, the inability to receive income, dividends or other distributions of profits (except in limited circumstances such as a liquidation) or to sell a membership interest to a third party assures that a policyholder will not be motivated "solely by the prospect of a return" on the membership interests. *Id.* at 852 (citing *Howey,* 328 U.S. at 300).

C. Membership Interests are Not Securities Under *Reves*

In *Reves v. Ernst & Young*, 494 U.S. 56 (1990), the Court discussed four factors that are "the same factors that this Court has held apply in deciding whether a transaction involves a 'security'": (1) the transaction in which the interest was received must be reviewed to determine the motivations that would prompt a reasonable seller and buyer to enter into it, (2) the "plan of distribution" must be examined to determine "whether it is an instrument in which there is 'common trading for speculation or investment,'" (3) the "reasonable expectations of the investing public" with respect to the interest should be examined and (4) the existence of an alternative regulatory scheme that might reduce the risks associated with the interest alleged to constitute a security and "thereby rendering application of the Securities Act unnecessary." *Id*. at 66-67. Under the four criteria set forth in *Reves* for determining whether an instrument is a security, a membership interest in the Mutual Holding Company will not constitute a security.

As to the first factor under *Reves,* the Court noted that "if the seller's purpose is to raise money for the general use of a business enterprise or to finance substantial investments and the buyer is interested primarily in the profit the note is expected to generate, the instrument is likely to be a 'security.'" *Id*. at 66. This factor suggests that the Mutual Holding Company membership interests would not constitute securities because, as discussed above, a reasonable buyer would not purchase a Related Policy with an expectation of receiving a profit on account of the related membership interest. Further, CMIC (and following the Reorganization, the Reorganized Stock Insurance Company) does not collect insurance premiums upon issuance of Related Policies in order to raise money for the general use of a business enterprise or to finance investments, but rather to charge an adequate amount of premium to pay policy claims made under the Related Policies and the costs of administering those claims.

[5] *See e.g.* Amerisure Mutual Insurance Company (publicly available May 13, 2009) (Michigan); Fidelity Life Association (publicly available October 18, 2006) (Illinois); The Baltimore Life Insurance Company (publicly available December 11, 2000) (Maryland); FCCI Mutual Insurance Company (publicly available March 30, 1998) (Florida); Security Benefit Life Insurance Company (publicly available June 3, 1998) (Kansas); and Acacia Mutual Life Insurance Company (publicly available June 27, 1997) (District of Columbia).

As to the second factor under *Reves*, the membership interests cannot be freely traded or transferred apart from the accompanying Related Policy; they terminate upon lapse or surrender of the Related Policy, and they cannot be pledged or encumbered. Consequently, there cannot be common trading of the membership interest for speculation or investment.

As to the third factor under *Reves*, the Court noted that the marketing efforts employed in selling an alleged security are relevant to the expectations of the general public. *Id*. at 69. This third factor suggests that the membership interests would not constitute securities for several reasons. First, as noted earlier, membership interests are an inseparable part of the Related Policies, which traditionally are not regarded as securities. Also as noted earlier, the membership interests will not be marketed to the general public as interests that would give rise to a profit expectancy. Sales efforts with respect to the Related Policies will focus on the insurance coverage. Furthermore, no certificates will be issued with respect to the membership interests. Finally, a membership interest in a mutual insurance holding company is specifically excluded from the definition of a security under Connecticut law. *See* CGS §38a-156b(g).

As to the fourth factor under *Reves*, since the Mutual Holding Company will be subject to extensive regulation by the Connecticut Commissioner, this factor also supports the conclusion that the membership interests in the Mutual Holding Company would not constitute securities. The Mutual Holding Company will be governed by a comprehensive regulatory scheme that will substantially reduce the risks associated with the membership interests in the Mutual Holding Company. Some of the regulatory restrictions which will serve to reduce the risks associated with the membership interests in the Mutual Holding Company include the following: (i) the Mutual Holding Company's charter and bylaws must be, and have been, approved by the Connecticut Commissioner; (ii) the Connecticut Commissioner held a public hearing at which policyholders of CMIC and other interested parties were permitted to attend remotely and be heard; (iii) as a condition for approving the Reorganization Plan, the Connecticut Commissioner must find, and has found, that the proposed reorganization is in the best interest of CMIC and is fair and equitable to the members of CMIC; (iv) following the Reorganization the Connecticut Commissioner will retain jurisdiction over the Mutual Holding Company; (v) the Mutual Holding Company may not enter into a merger, demutualize, dissolve, liquidate or otherwise wind up without the approval of the Connecticut Commissioner or a court; (vi) the Mutual Holding Company shall at all times own at least fifty-one percent of the voting stock of the Intermediate Holding Company; (vii) the Intermediate Holding Company shall at all times own at least fifty-one percent of the voting stock of the Reorganized Stock Insurance Company; (viii) the initial issuance of voting securities to a third party by the Reorganized Stock Insurance Company or by the Intermediate Holding Company will require the prior approval of the Connecticut Commissioner; and (ix) the payment of income, dividends or other distributions of profit from the Reorganized Stock Insurance Company and the Mutual Holding Company will be restricted.

Although under the CT Reorganization Law the level of regulation over the Mutual Holding Company by the Connecticut Commissioner is not equal to that of a Connecticut insurance company, we believe that the Connecticut regulatory scheme falls squarely within the *Reves* analysis. The Connecticut Commissioner will retain oversight over the membership interests in the Mutual Holding Company in order to ensure that policyholders' interests as members are protected; for example, the Mutual Holding Company's charter and bylaws must be, and have been, approved by the Connecticut Commissioner; the membership interests themselves will only be issued pursuant to the Reorganization Plan which must be, and has been, approved by the Connecticut Commissioner after a finding that the Reorganization is in the best interest of the Insurer and fair and equitable to its policyholders; following the Reorganization, the Connecticut Commissioner will retain jurisdiction over the Mutual Holding Company and the Mutual Holding Company may not dissolve without the approval of the Connecticut Commissioner or a court. Furthermore, stock offerings and stock ownership in the Mutual Holding Company's subsidiaries, Intermediate Holding Company and the Reorganized Stock Insurance Company, will be subject to certain restrictions and oversight by the Connecticut Commissioner on an ongoing basis as set forth in CGS §38a-156g.

We believe that the insurance statutes and regulations to which the Mutual Holding Company will be subject following the Reorganization will satisfy the fourth factor under *Reves*, in that the Mutual Holding Company will be subject to an extensive regulatory scheme that will reduce the risks associated with the membership interests in the Mutual Holding Company. The Staff has previously taken a no-action position with respect to other mutual insurance holding company reorganizations in which the mutual insurance holding company was subject to a regulatory scheme that was comparable but not equal to the regulatory scheme to which the converted mutual insurance company was subject.[6]

D. Intermediate Stock Holding Company

One of the primary purposes of the Reorganization is to enhance financial and operational flexibility of the Insurer, thereby providing an avenue for expansion and ability to meet competitive challenges. The Reorganization contemplates the formation of an intermediate holding company to hold the stock of the Reorganized Stock Insurance Company. We do not view the added flexibility resulting from the Reorganization, by itself or together with any other aspect of the Reorganization, including the formation of the Intermediate Holding Company, as creating an expectation of profit because the members of the Mutual Holding Company do not share in the profits of the Reorganized Stock Insurance Company. The Intermediate Holding Company is proposed to be formed in Connecticut in accordance

[6] *See e.g.*, Jewelers Mutual Insurance Company (publicly available December 11, 2019); Church Mutual Insurance Company (publicly available October 17, 2019); American Family Mutual Insurance Company (publicly available December 5, 2016); Blue Cross and Blue Shield of Florida, Inc. (publicly available September 9, 2013); and Milwaukee Mutual Insurance Company (publicly available January 30, 2003).

with CGS §38a-156a(b)(1)(B) of the CT Reorganization Law. The initial sale of capital stock by the Intermediate Holding Company to any person other than the Mutual Holding Company or one of its wholly owned subsidiaries may only occur with the prior approval of the Connecticut Commissioner. *See* CGS §38a-156f(a)(1). Further, any determination to offer shares in the future would depend on numerous factors, including the then-current needs for additional capital to facilitate growth, relevant equity market conditions, the financial and business performance and prospects of the Reorganized Stock Insurance Company and compliance with regulatory requirements and approvals under Connecticut law. There are no current plans to offer shares of the capital stock of the Intermediate Holding Company or the Reorganized Stock Insurance Company to the public, to other investors or in connection with acquisitions, although such activities may be undertaken in the future.

We note that in accordance with the CT Reorganization Law, the Mutual Holding Company is required at all times to retain direct or indirect ownership and control of at least fifty-one percent of the voting stock of the Intermediate Holding Company, which is required to directly or indirectly own at least fifty-one percent of the voting stock of the Reorganized Stock Insurance Company. *See* CGS §38a-156(8), §38a-156(11), §38a-156a(b)(1)(B), §38a-156a(g)(3) and §38a-156b(c)(2).

Based on the foregoing, we do not believe that the formation of the Intermediate Holding Company impacts the analysis of *Howey* or *Reves* described above as to whether the membership interests of the Mutual Holding Company are securities under Section 2(a)(1) of the Securities Act.

VII. Registration Pursuant to the Securities Exchange Act of 1934

To be subject to registration pursuant to Section 12(g) of the Exchange Act, a person must issue "securities." The definition of "security" in Section 3(a)(10) of the Exchange Act is in all pertinent respects identical to the definition of that term in Section 2(a)(1) of the Securities Act.[7] Consequently, in accordance with the discussion of the Securities Act above, we are of the opinion that the membership interests of the Mutual Holding Company are not securities within the meaning of the Exchange Act. Accordingly, it is our opinion that the Mutual Holding Company will not be subject to the registration requirements of Section 12(g) of the Exchange Act.

[7] See *Landreth Timber Co.*, 471 U.S. at 686 n.1 (1982).

VIII. Conclusion

In consideration of the foregoing and consistent with our opinion that the membership interests in the Mutual Holding Company do not constitute "securities" as defined in Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act, we request that the Staff advise us as to whether it would recommend to the Commission that no action be taken if the Reorganization and issuance of membership interests in the Mutual Holding Company as described above are effected without compliance with the registration requirements under the Exchange Act.

In the event you anticipate formulating a response not consistent with any interpretation or position stated in this request, we would appreciate the opportunity to discuss the matter with the Staff prior to its reaching any final decision on this matter. If you should have any comments or would like additional information, please contact the undersigned at (203) 222-3123.

Very truly yours,

/s/ Barbara A. Young

Barbara A. Young

Attachments

Exhibit A

Connecticut General Statutes
Title 38a. Insurance
Chapter 698. Insurers
Part VI. Monopolies. Sale or Exchange of Stock. Mergers. Conversions. Reorganizations.

C.G.S. § 38a-156

§ 38a-156. Definitions

As used in this section and sections 38a-156a to 38a-156m, inclusive:

(1) "Adoption date" means the date a mutual insurer's board of directors adopts a plan of reorganization;

(2) "Commissioner" means the Insurance Commissioner;

(3) "Converted company" means the domestic stock corporation into which a mutual holding company has been converted in accordance with the provisions of section 38a-156j;

(4) "Converting company" means a mutual holding company that is converting into a domestic stock corporation in accordance with the provisions of section 38a-156j;

(5) "Effective date" means the date upon which the reorganization of the mutual insurer is effective, as provided in subsection (g) of section 38a-156a;

(6) "Equity rights" means the rights conferred to members, by law or by a mutual holding company's articles of incorporation, in the equity of such company, including the right to participate in any distribution of such company's equity or assets. "Equity rights" do not include any rights expressly conferred solely by the terms of a policy except for the right to vote;

(7) "Institution" means a corporation, stock corporation, limited liability company, association, business trust, partnership or any similar entity;

(8) "Intermediate stock holding company" means an institution (A) of which at least fifty-one per cent of its voting stock is owned from the effective date, directly or through another intermediate stock holding company, by a mutual holding company, and (B) that owns from the effective date, directly or indirectly, at least fifty-one per cent of the voting stock of at least one reorganized insurer. For purposes of calculating the percentage of voting stock, any issued and outstanding securities of the reorganized insurer or any intermediate stock holding company that are convertible into voting stock are considered voting stock;

(9) "Member" means, (A) with respect to a reorganizing insurer, a policyholder of such insurer, and (B) with respect to a mutual holding company, a person entitled to vote, by law or by the mutual holding company's charter or bylaws, at such company's meetings;

(10) “Membership interests” means the rights other than equity rights conferred to members, by law or by a mutual holding company’s charter or bylaws. “Membership interests” do not include any rights expressly conferred solely by the terms of a policy;

(11) “Mutual holding company” means a corporation organized in accordance with sections 38a-156a and 38a-156b, (A) that, from the effective date, owns, directly or through one or more intermediate stock holding companies, at least fifty-one per cent of the voting stock of one or more reorganized insurers, (B) that is not authorized to issue voting stock, and (C) whose articles of incorporation contain the provisions set forth in subsection (c) of section 38a-156b. For purposes of calculating the percentage of voting stock, any issued and outstanding securities of the reorganized insurer or any intermediate stock holding company that are convertible into voting stock are considered voting stock;

(12) “Mutual insurer” has the same meaning as provided in section 38a-1;

(13) “Officer” means an individual elected to such position by the board of directors of the mutual holding company, intermediate stock holding company or reorganized insurer, as applicable;

(14) “Outside director” means a director of the mutual holding company, intermediate stock holding company or reorganized insurer, who is not an officer or employee of such company or insurer;

(15) “Person” means an individual, a public or private corporation, a stock corporation, a limited liability company, an association, a business trust, a partnership, a board of directors, an estate, a trustee, a fiduciary, or any similar entity, or the state or any political subdivision of the state;

(16) “Plan of conversion” means a plan adopted by a mutual holding company in accordance with section 38a-156j;

(17) “Plan of reorganization” means a plan adopted by a mutual insurer in accordance with section 38a-156a;

(18) “Policy” means an individual or group insurance policy, an individual or group annuity contract or a fidelity or surety bond, issued by a mutual insurer. “Policy” does not include a reinsurance contract;

(19) “Reorganized insurer” means the domestic stock insurer into which a mutual insurer has been reorganized in accordance with the provisions of section 38a-156a;

(20) “Reorganizing insurer” means a domestic mutual insurer that is reorganizing under a plan of reorganization in accordance with the provisions of section 38a-156a;

(21) “Stock purchase right” means a nontransferable right, granted to each policyholder of the reorganized insurer that has been a policyholder of the reorganizing insurer for at least one year prior to the effective date, to acquire stock in the reorganized insurer or in any intermediate stock holding company affiliated with such insurer if such insurer or company conducts an initial public offering of voting stock;

(22) “Voting stock” means securities of any class or any ownership interest having voting power for the election of directors, trustees or management of a person. “Voting stock” does not include securities having voting power only because of the occurrence of a contingency.

C.G.S. § 38a-156a

§ 38a-156a. Reorganization of domestic mutual insurer as domestic stock insurer owned by mutual holding company. Plan of reorganization. Approval. Use of the word “mutual” in name. Voting stock ownership. Prohibited fees, commission or other consideration

(a) A domestic mutual insurer may reorganize, in accordance with this section and section 38a-156b, as a domestic stock insurer owned, directly or indirectly, by a mutual holding company.

(b) (1) A domestic mutual insurer seeking such reorganization shall propose a plan of reorganization that includes the reasons for the proposed reorganization and provisions for:

(A) Amending the domestic mutual insurer’s articles of incorporation to reorganize such insurer into a domestic stock corporation, including provisions governing an initial voting stock offer, if any;

(B) Forming a mutual holding company, including such company’s acquisition, directly or through one or more intermediate stock holding companies, of at least fifty-one per cent of the voting stock of the reorganized insurer;

(C) The succeeding of the rights, properties, debts, obligations and liabilities of the mutual insurer;

(D) The members of the reorganizing insurer becoming members of the mutual holding company;

(E) The members of the reorganizing insurer with policies in force on the effective date having equity rights and membership interests in the mutual holding company; and

(F) Any proposed fees, commissions or other consideration to be paid to any person for aiding, promoting or assisting, in any manner, such reorganization.

(2) A plan of reorganization may also include provisions restricting the ability of any person or persons acting in concert from directly or indirectly acquiring or offering to acquire the beneficial ownership of ten per cent or more of any class of voting stock of the reorganized insurer or any entity that directly or indirectly controls such insurer.

(3) The proposed plan of reorganization shall be approved by an affirmative vote of three-fourths of the board of directors of the domestic mutual insurer.

(4) Upon approval by its board of directors, a domestic mutual insurer seeking such reorganization shall submit to the Insurance Commissioner an application, in a form prescribed by the commissioner, that is executed by an authorized officer of such insurer. Such application shall be accompanied by the following:

(A) The proposed plan of reorganization;

(B) The proposed articles of incorporation of each corporation that will be a constituent corporation of the reorganization;

(C) The proposed bylaws of each corporation that will be a constituent corporation of the reorganization;

(D) The names and biographies of the officers and directors of each corporation that will be a constituent corporation of the reorganization;

(E) A resolution of the board of directors of the mutual insurer and certified by the secretary of such board, authorizing the reorganization;

(F) Financial statements in a form acceptable to the commissioner giving effect to the reorganization, for the mutual holding company and any corporation that will be a constituent corporation of the reorganization and that will experience a change in capitalization due to the reorganization;

(G) A draft of the materials the domestic mutual insurer intends to mail to its members to seek their approval of the plan, including a summary of the plan of reorganization; and

(H) Any other information the commissioner deems necessary to the commissioner's review of the proposed plan of reorganization.

(c) (1) The commissioner shall hold a public hearing on the reasons for and purpose of such reorganization, the fairness of the terms and conditions of the proposed plan of reorganization and whether such reorganization is in the best interest of the domestic mutual insurer, is fair and equitable to its members and is not detrimental to the insuring public.

(2) The reorganizing insurer shall mail a notice of the public hearing to each member at such member's last known mailing address as shown in the insurer's records. The notice shall (A) be mailed at least sixty days prior to the date of the hearing, (B) include the date, time, place and purpose of the hearing, and (C) be accompanied or preceded by a true and complete copy of the proposed plan of reorganization or summary thereof approved by the commissioner and any other explanatory information or materials the commissioner may require. In addition, the reorganizing insurer shall provide notice of the date, time, place and purpose of the hearing by publication in three newspapers having general circulation, one of which shall be in the county in which the principal office of the reorganizing insurer is located, and two that shall be in other municipalities within or without the state and approved by the commissioner. Such notice shall be published not less than fifteen days and not more than sixty days prior to the hearing and shall be in a form approved by the commissioner. Any director, officer, employee or member of the reorganizing insurer shall have the right to appear and be heard at the hearing.

(3) (A) The commissioner shall approve or disapprove the proposed plan of reorganization, in writing, not later than sixty days after the conclusion of the public hearing held under subdivision (1) of this subsection. The commissioner shall approve the proposed plan of reorganization if the commissioner finds that: (i) The proposed reorganization is in the best interest of the reorganizing insurer; (ii) the plan is fair and equitable to the members of the reorganizing insurer; (iii) the plan will not substantially lessen competition in any line of insurance business; (iv) the plan provides for the enhancement of the operations of the reorganizing insurer; (v) the plan, when completed, provides for the reorganized insurer's paid-in capital stock to be in an amount at least equal to the minimum paid-in capital stock and the net surplus required of a new domestic stock insurer upon

such domestic stock insurer's initial authorization to transact like kinds of insurance; and (vi) the plan complies with the provisions of this section and sections 38a-156b to 38a-156f, inclusive.

(B) The commissioner may engage the services of private consultants to assist the commissioner in determining whether a plan of reorganization meets the requirements of this section, the cost of which shall be borne by the domestic mutual insurer submitting such plan.

(C) Upon approval by the commissioner, the reorganizing insurer shall file with the commissioner the approved plan of reorganization.

(D) The commissioner may request such insurer to modify the proposed plan of reorganization if the commissioner finds that such plan does not meet the requirements for approval as set forth in subparagraph (A) of this subdivision. Such request for modification shall not prevent such insurer from withdrawing such plan pursuant to subsection (e) of this section.

(E) If the commissioner disapproves the proposed plan of reorganization, such disapproval shall be in writing and shall set forth the reasons for such disapproval. Within fifteen days after receipt of such disapproval, the reorganizing insurer may request a hearing. The commissioner shall provide such hearing within fifteen days after such request.

(d) (1) Upon approval by the commissioner of the proposed plan of reorganization, the board of directors, the chairperson of the board of directors or the president of the reorganizing insurer shall call a members' meeting to present and hold a vote on the plan of reorganization. Such meeting shall be held not earlier than thirty days after the date of the public hearing held under subsection (c) of this section. The plan shall be approved by an affirmative vote of two-thirds of the members of the reorganizing insurer voting.

(2) (A) The reorganizing insurer shall mail a notice of the meeting to each member at such member's last known mailing address as shown in the insurer's records. The notice shall (i) be mailed at least sixty days prior to the date of the meeting and may be combined with the public hearing notice required under subsection (c) of this section, (ii) include the date, time, place and purpose of the meeting, and (iii) be accompanied or preceded by (I) a true and complete copy of the plan of reorganization or summary thereof approved by the commissioner, (II) the financial statements described in subparagraph (F) of subdivision (4) of subsection (b) of this section, (III) a description of material risks and benefits to members' interests, (IV) any information pertaining to an initial offering of voting stock included in the plan of reorganization, and (V) any other explanatory information or materials the commissioner may require.

(B) (i) Each member whose name appears in the reorganizing insurer's records as a member on the adoption date shall be entitled to vote on the proposed plan of reorganization. Each such member shall vote by written ballot cast in person, by mail or by proxy.

(ii) The commissioner shall have the power, to the extent the commissioner deems necessary to ensure a fair and accurate vote and consistent with the provisions of this section and sections 38a-156b to 38a-156f, inclusive, to prescribe and supervise the procedures for such vote. Such powers include, but are not limited to, the supervision and regulation of (I) the determination of members entitled to notice of the meeting and to vote on the proposed plan of reorganization, (II) the provision of notice to members of the meeting and the proposed plan or reorganization, (III) the

receipt, custody, safeguarding, verification and tabulation of ballots and proxy forms, and (IV) the resolution of any disputes arising from such vote.

(e) (1) At any time before the effective date, the reorganizing insurer may, by an affirmative vote of three-fourths of its board of directors, amend or withdraw the plan of reorganization. With respect to an amended plan of reorganization, all references to a plan of reorganization in sections 38a-156 to 38a-156m, inclusive, shall be deemed to include such plan as amended. The reorganizing insurer shall submit any such amendment to the commissioner for approval. Upon approval by the commissioner, the reorganizing insurer shall file with the commissioner the approved plan of reorganization as amended.

(2) No amendment shall (A) be deemed to change the adoption date, or (B) change the plan of reorganization in a manner the commissioner determines is prejudicial to the members of the reorganizing insurer.

(3) (A) If the amendment is submitted after the public hearing held pursuant to subsection (c) of this section, the commissioner shall hold another public hearing on the plan of reorganization as amended, in accordance with the notice requirements set forth in subsection (c) of this section.

(B) If the amendment is submitted after the members have approved the plan of reorganization as set forth in subsection (d) of this section, the board of directors, the chairperson of the board of directors or the president of the reorganizing insurer shall call another members' meeting, in accordance with the notice requirements set forth in subsection (d) of this section, to present and hold a vote on the plan of reorganization as amended. The plan of reorganization as amended shall be approved by an affirmative vote of two-thirds of the members of the reorganizing insurer.

(f) Upon approval by the members of the reorganizing insurer, the commissioner shall issue a new certificate of authority to the reorganized insurer and approve the articles of incorporation of the mutual holding company and the articles of incorporation of the reorganized insurer. The commissioner shall provide to the mutual holding company and the reorganized insurer certificates of approval for the articles of incorporation in such form as the commissioner prescribes.

(g) (1) The plan of reorganization shall be effective upon the date the mutual holding company and the reorganized insurer both file their articles of incorporation with the Secretary of the State, or upon such later date as is specified in the plan of reorganization or the articles of incorporation of the reorganized insurer, except that such later date shall not be more than thirty days after the date the mutual holding company files its articles of incorporation with said Secretary.

(2) If the name of a reorganizing insurer includes the word "mutual", the reorganized insurer may continue to use such word in its name unless the commissioner finds the continued use of such word is likely to mislead or deceive the public.

(3) From the effective date, (A) at least fifty-one per cent of the issued and outstanding voting stock of the reorganized insurer shall be owned, directly or through another intermediate stock holding company, by the mutual holding company, and (B) at least fifty-one per cent of the issued and outstanding voting stock of any intermediate holding company shall be owned, directly or through another intermediate stock holding company, by the mutual holding company. For purposes of calculating the percentage of issued and outstanding voting stock, any issued and

outstanding securities of the reorganized insurer or any intermediate stock holding company that are convertible into voting stock are considered voting stock.

(4) Upon the effective date:

(A) The reorganizing insurer shall immediately become a domestic stock insurer, which shall be a continuation of the corporate existence of the reorganizing insurer;

(B) All rights of any person to (i) vote on any matter concerning the reorganizing insurer, or (ii) share in any distribution of or receive any consideration based on the surplus of the reorganizing insurer in a conservation, liquidation or dissolution proceeding or under such insurer's articles of incorporation or bylaws or the general statutes, shall be extinguished, except that any rights expressly conferred solely by the terms of a policy shall not be extinguished;

(C) The members of the reorganizing insurer shall immediately become members of the mutual holding company, except that in the case of a group annuity contract issued by a reorganizing insurer that is a domestic mutual life insurer, the group policyholder only shall become a member of the mutual holding company. The rights bestowed by virtue of such membership shall continue only as long as the related policy remains in force;

(D) The members of the reorganizing insurer whose policies in force on the effective date confer the right to vote shall immediately have equity rights in the mutual holding company. Such equity rights shall continue only as long as the related policy remains in force; and

(E) All of the voting stock initially issued by the reorganized insurer shall be owned, directly or through one or more intermediate stock holding companies, by the mutual holding company.

(5) Policyholders of policies that confer the right to vote and are issued after the effective date by the reorganized insurer shall be members of and have equity rights in the mutual holding company.

(h) Except as provided in the plan of reorganization approved by the commissioner, no person shall receive any fee, commission or other consideration, other than such person's regular salary and compensation, for aiding, promoting or assisting, in any manner, a reorganization under this section and sections 38a-156b to 38a-156m, inclusive. This provision shall not be deemed to prohibit the payment of reasonable fees and compensation to attorneys, accountants, actuaries and other individuals who are directors or officers of the reorganizing insurer for services performed in the independent practice of their professions.

C.G.S. § 38a-156b

§ 38a-156b. Mutual holding company requirements

(a) No mutual holding company shall engage in the business of insurance.

(b) A mutual holding company shall comply with all applicable provisions of law relating to the powers, duties and liabilities of corporations.

(c) A mutual holding company's articles of incorporation shall contain the following provisions that state:

(1) The company is a mutual holding company organized under this section and section 38a-156a;

(2) One purpose of the company is to own, directly or through one or more intermediate stock holding companies, at least fifty-one per cent of the voting stock of one or more reorganized insurers;

(3) The company is not authorized to issue voting stock;

(4) The company's members have the rights specified in subdivisions (4) and (5) of subsection (g) of section 38a-156a and in the company's articles of incorporation and bylaws; and

(5) The company's assets and liabilities are subject to inclusion, to the extent authorized under sections 38a-156 to 38a-156m, inclusive, in the estate of a reorganized insurer of which the company owns voting stock in any proceeding brought against the reorganized insurer under chapter 704c.[1]

(d) A mutual holding company shall file with the commissioner, not later than thirty days after the adoption of any amendment to its bylaws, a copy of such amendment, certified by such company's secretary under such company's corporate seal.

(e) A mutual holding company may hold, directly or indirectly, multiple subsidiaries including multiple intermediate stock holding companies. An intermediate stock holding company may hold, directly or indirectly, multiple subsidiaries including multiple reorganized insurers. A mutual holding company and its subsidiaries and affiliates shall be deemed members of an insurance holding company system, as defined in section 38a-129, and the provisions of sections 38a-129 to 38a-140, inclusive, shall apply to the extent such provisions do not conflict with the provisions in sections 38a-156 to 38a-156m, inclusive.

(f) No mutual holding company shall make any payment of income, dividends contingent upon an apportionment of profits or any other distribution of profits except to the extent provided in such company's articles of incorporation or as otherwise directed or approved by the commissioner.

(g) Membership interests in a mutual holding company shall not be considered a security, as defined in section 36b-3. A description of the membership interests and related factual disclosures shall not be deemed inducements to buy insurance in violation of section 38a-816 or 38a-825, and a recipient of such description and related factual disclosures shall not be deemed to be in violation of the provisions of section 38a-825.

(h) (1) The mutual holding company shall hold an annual meeting and shall mail a notice of the meeting to each member at such member's last known mailing address as shown in the company's records. The notice shall be mailed at least sixty days prior to the date of the meeting.

(2) Members of a mutual holding company may vote by proxies dated and executed within ninety days of, and returned to and recorded on the books of the company not later than seven days before, the meeting at which such proxies are to be used. Unless otherwise provided in the articles of reorganization or bylaws of the reorganizing insurer, each member of a mutual holding company shall be entitled to one vote.

(3) Unless a greater percentage for approval is required by law or specified in a mutual holding company's articles of incorporation, any required approval by the members shall be by a majority vote of the members voting.

(i) No mutual holding company shall transfer its domicile to another state for a period of five years after the effective date without the approval of the commissioner.

(j) (1) A mutual holding company may specify in its articles of incorporation or its bylaws that its directors may be divided into two or more classes, which terms of office shall expire at different times, provided no term of office shall be longer than six years. If a mutual holding company does not specify such provision in its articles of incorporation or its bylaws, the term of office for each director of such company shall be one year.

(2) Upon the expiration of a director's term of office, such director shall continue to serve until such director's successor has been elected and qualified. Any vacancy on the board that occurs prior to the expiration of a director's term of office shall be filled by a majority vote of the remaining directors, notwithstanding any quorum requirements. Any director so elected shall hold office until the next annual meeting.

C.G.S. § 38a-156c

§ 38a-156c. Amendments to articles of incorporation and plan of reorganization

(a) A reorganized insurer may amend its articles of incorporation that have been adopted pursuant to a plan of reorganization and filed with the Secretary of the State, in accordance with subdivision (1) of subsection (g) of section 38a-156a, after the effective date in accordance with the provisions of chapter 601.

(b) (1) A reorganized insurer may amend its plan of reorganization after the effective date. The insurer shall comply with the following:

(A) Approval by the board of directors of the reorganized insurer by a majority vote;

(B) Submission of the proposed amendment to the commissioner, in writing, in accordance with the provisions of subdivision (4) of subsection (b) of section 38a-156a; and

(C) Approval by members of the mutual holding company that were entitled to vote, as members of the former domestic mutual insurer, on the original plan of reorganization. Such approval shall be by a majority vote of the members voting. The board of directors, the chairperson of the board of directors or the president of the mutual holding company shall call a meeting for members entitled to vote, pursuant to the articles of incorporation or bylaws of the mutual holding company, to present and hold a vote on the proposed amendment. Each such member shall vote by written ballot cast in person, by mail or by proxy.

(2) If a proposed amendment under subdivision (1) of this subsection would adversely affect the rights of one or more, but not all, classes of members, only the members of each class whose rights would be adversely affected by the proposed amendment shall vote on the proposed amendment.

(3) Any such amendment shall take effect upon filing with the commissioner after compliance with and approval as required under subdivision (1) of this subsection.

(c) (1) At any time before the plan amendment becomes effective, the reorganized insurer may, by a majority vote of its board of directors, amend or withdraw the plan amendment. For an amendment to a plan amendment, all references in sections 38a-156 to 38a-156m, inclusive, to a plan amendment shall be deemed to refer to the plan amendment as amended. The reorganizing insurer shall submit any such amendment to the commissioner for approval.

(2) No amendment shall (A) be deemed to change the adoption date of the plan amendment, or (B) change the plan of reorganization in a manner the commissioner determines is prejudicial to the affected members.

C.G.S. § 38a-156d

§ 38a-156d. Transfer of assets or liabilities and acquisition of subsidiaries by reorganized insurer

(a) (1) A reorganized insurer may, either pursuant to the plan of reorganization or upon the prior approval of the commissioner, on any one or more occasions on or after the effective date, transfer assets or liabilities, including any one or more of its subsidiaries, to the mutual holding company or to one or more persons owned or controlled by the mutual holding company, except that the liabilities so transferred in either a single instance or in the aggregate shall not be greater than the assets so transferred. The commissioner shall approve such a proposed transfer unless the commissioner finds that the transfer would materially adversely affect the ability of the reorganized insurer to meet its obligations under its policies.

(2) The provisions of section 38a-136 shall not apply to any transfer made under this section.

(b) A reorganized insurer shall not acquire subsidiaries if the total adjusted capital, as defined in subsection (d) of section 38a-72, of such insurer is less than three hundred per cent of its authorized control level risk-based capital, as defined in section 38a-72-1 of the regulations of Connecticut state agencies, as of any calendar year-end after the reorganization effective date, for as long as such deficiency continues, without prior notice to and review by the commissioner.

C.G.S. § 38a-156e

§ 38a-156e. Requirements of reorganizing mutual life insurer. Report

(a) In the case of a reorganizing insurer that is a mutual life insurer, upon the effective date the reorganizing insurer shall, at its option, either:

(1) (A) Establish a closed block for policyholder dividend purposes only, consisting of all participating individual policies of the reorganizing insurer in force on the effective date and for which the insurer had an experience-based dividend scale payable in the year in which the plan of reorganization was adopted. On or before the effective date, such insurer shall allocate assets to such closed block in an amount that produces cash flows, together with anticipated revenues from the closed block business that is sufficient to support the closed block business, including provision

for payment of claims, expenses and taxes specified in the plan of reorganization and continuation of dividend scales in effect on the adoption date, if the experience underlying such scales continues. No policies entering into force after the effective date shall be included in the closed block; and

(B) May provide, with the approval of the commissioner, under its terms for the establishment of the closed block, for conditions under which the reorganized insurer may cease to maintain the closed block and allocation of assets thereto, provided the policies constituting closed block business shall remain obligations of the reorganized insurer and dividends on such policies shall be apportioned by the board of directors of the reorganized insurer in accordance with the terms of such policies and any applicable provisions of law; or

(2) Provide an alternative practice to subdivision (1) of this subsection that protects the contractual rights of individual policyholders of the reorganizing insurer with policies in force on the effective date, if the commissioner determines that such alternative is substantially as protective of the interests of individual participating policyholders as the establishment of a closed block pursuant to subdivision (1) of this subsection.

(b) The equity interest of the policyholders of the reorganized insurer shall be equal in the aggregate to the value of the entire capital and surplus of the mutual holding company, excluding any funds required to be held in segregated accounts by federal law. Such equity interest shall be the basis for consideration to policyholders in the event the mutual holding company converts into a domestic stock corporation as set forth in subparagraph (B) of subdivision (1) of subsection (b) of section 38a-156j.

(c) At the end of the third year following the year of reorganization and at the end of each third year thereafter or more frequently as determined by the commissioner, an independent accounting or actuarial firm shall provide a report to the commissioner, the board of directors of the mutual holding company and the board of directors of the reorganized insurer attesting to whether or not the closed block and related assets, or alternative practice pursuant to subdivision (2) of subsection (a) of this section, has been administered in accordance with the plan of reorganization. Such firm shall take into consideration the dividend payments to policyholders resulting from the closed block and any other relevant factors. The reorganized insurer shall pay the expenses incurred in retaining the independent accounting or actuarial firm. Such report shall be completed and delivered to the commissioner, the board of directors of the mutual holding company and the board of directors of the reorganized insurer not later than the close of business on April first following the end of the period for which such report is being provided.

C.G.S. § 38a-156f

§ 38a-156f. Voting stock offerings

(a) (1) The offering of voting stock by a reorganized insurer or intermediate stock holding company to any person other than the mutual holding company or a wholly owned subsidiary thereof, which offering is the first to occur after the effective date of the plan of reorganization, shall be made only in accordance with such provisions as the plan of reorganization may contain governing such

an initial offering or with the prior approval of the commissioner after submission of an application by the proposed issuer. The commissioner shall approve any such application unless the commissioner finds, (A) in the case of a public offering, that the offering would not be conducted in a manner generally consistent with customary practices for initial public offerings to the extent reasonably comparable, or (B) in the case of any other offering, that the offering would be prejudicial to the members of the mutual holding company. Nothing in this subsection shall prohibit the filing of a registration statement with the Securities and Exchange Commission or the Secretary of the State prior to such approval.

(2) The commissioner may engage the services of private consultants to assist the commissioner in determining whether an application under subdivision (1) of this subsection meets the requirements of this section, the cost of which shall be borne by the proposed issuer submitting such application.

(b) For purposes of this section, any securities of the reorganized insurer or any intermediate stock holding company that are convertible into voting stock shall be considered voting stock.

(c) All references to a specified percentage of voting stock of any person means securities having the specified percentage of the voting power in that person for the election of directors, trustees or management of that person, other than securities having voting power only because of the occurrence of a contingency.

(d) No stock purchase right shall provide for a purchase of less than fifty shares of the common stock being offered in the public offering. The price per share shall be equal to the public offering price. In the event that the exercise of such right exceeds fifty per cent of the number of shares being offered to the public or such lesser percentage as may be approved by the commissioner, exercise of such stock purchase right shall be subject to proration, subject to a minimum of fifty shares. A stock purchase right shall be subject to any exclusions or limitations authorized by law applicable to particular classes of policyholders.

C.G.S. § 38a-156g

§ 38a-156g. Restrictions on stock offerings and stock ownership

(a) (1) Until six months after the completion of an initial public offering, private equity placement or the first issuance of public or private stock or securities convertible into voting stock of a reorganized insurer or an intermediate stock holding company, to any person other than the mutual holding company or an intermediate stock holding company, neither the reorganized insurer nor an intermediate stock holding company shall award any stock options or stock grants to persons who are officers or directors of the mutual holding company, the reorganized insurer or an intermediate stock holding company, except if a reorganized insurer or its intermediate stock holding company distributes stock purchase rights to the policyholders of a reorganized insurer in connection with a public offering of stock, then officers and directors who are policyholders of such reorganized insurer shall receive and may exercise such stock purchase rights on the same basis as all other such policyholders.

(2) Until two years after the end of the six-month period set forth in subdivision (1) of this subsection, no officer, director or outside director of the mutual holding company, intermediate stock holding company and reorganized insurer shall own beneficially, in the aggregate, more than five per cent of the voting stock of the intermediate stock holding company or reorganized insurer.

(3) After the two-year period set forth in subdivision (2) of this subsection, no officer or director of the mutual holding company, intermediate stock holding company or reorganized insurer shall own beneficially, in the aggregate, more than eighteen per cent of the voting stock of the intermediate stock holding company or reorganized insurer, except that the commissioner may find, in the event of a distress situation, that beneficial ownership of more than eighteen per cent in the aggregate by officers or directors is necessary and appropriate.

(4) No person shall, directly or indirectly, offer to acquire or acquire, in any manner, beneficial ownership of more than ten per cent of any class of voting stock of the reorganized insurer, an intermediate stock holding company or any other institution that owns, directly or indirectly, a majority of the voting stock of the reorganized insurer, without the prior approval of the commissioner.

(b) (1) If a mutual holding company elects to cause an intermediate stock holding company or a reorganized insurer to conduct an initial public offering, initial private equity placement or the first issuance of public or private stock or securities convertible into voting stock, such company shall, subject to any limitations under law applicable to particular classes of policyholders, cause each eligible person to receive stock purchase rights in connection with such initial offering or issuance, unless a committee consisting of such company's outside directors determines by an affirmative vote of two-thirds that such stock purchase right offering would not be in the best interests of the members of such company. Such determination shall be subject to approval by the commissioner.

(2) Except in the event of death or disability of such officer or director, no officer or director of a mutual holding company, intermediate stock holding company or reorganized insurer who holds voting stock or securities convertible into voting stock shall sell such stock or securities for a period of at least one year following the date of an initial offering or issuance of such stock or securities.

(c) (1) Nothing in sections 38a-156 to 38a-156m, inclusive, shall prevent a mutual holding company, an intermediate stock holding company or a reorganized insurer from issuing stock of the intermediate stock holding company or the reorganized insurer to a trust, qualified under the Internal Revenue Code of 1986,[1] or any subsequent corresponding internal revenue code of the United States, as amended from time to time, and established in connection with an employee stock ownership plan or other employee benefit plan for employees of the mutual holding company, intermediate stock holding company or reorganized insurer. The stock initially issued to such stock ownership or benefit plan shall not exceed, in the aggregate, five per cent of the stock initially issued.

(2) No individual shall receive more than twelve and one-half per cent of the stock. No director who is not an employee shall receive more than two and one-half per cent of the stock individually or more than fifteen per cent in the aggregate. In no event shall any individual exceed the ownership limitation set forth in subdivision (3) of subsection (a) of this section.

(d) Nothing in this section shall be deemed to prohibit: (1) The purchase for cash of voting stock issued by an intermediate stock holding company or a reorganized insurer by officers, directors, employees, employee stock ownership plans or employee benefit plans of a mutual holding company, an intermediate stock holding company or a reorganizing insurer, in accordance with reasonable classifications of such individuals and plans and at the same price offered to the public in any public offering; or (2) the establishment by a mutual holding company, an intermediate stock holding company or a reorganized insurer of stock option, incentive or share ownership plans customary for publicly traded companies, subject to the limitations set forth in this section.

C.G.S. § 38a-156h

§ 38a-156h. Merger or consolidation of mutual holding companies. Effect on pending court action or proceeding

(a) Two or more mutual holding companies, at least one of which is a domestic company, may merge or consolidate under the laws of any state into a mutual holding company incorporated under the laws of such state. The resulting company may be a continuing company under the name of one or more of the merged or consolidated companies or a new company. If the continuing or new company is to be a domestic company: (1) It shall be subject to the provisions of sections 38a-156a to 38a-156m, inclusive; (2) its name shall be subject to approval by the commissioner; (3) the members of any mutual holding company whose existence will cease upon the effective date of such merger or consolidation shall become members of the continuing mutual holding company; and (4) all persons with equity rights in any mutual holding company whose existence will cease upon the effectiveness of such merger or consolidation shall have equity rights in the continuing mutual holding company.

(b) (1) Companies merging or consolidating under this section shall enter into a written agreement for such merger or consolidation prescribing the terms and conditions of such merger or consolidation. Such agreement shall be approved by a majority vote of the board of directors of each domestic company participating in such merger or consolidation and shall be subject to the written approval of the commissioner, who shall consider the fairness of the terms and conditions of the agreement, whether the interests of the members of each domestic mutual holding company that is a party to the agreement are protected and whether the proposed merger or consolidation is in the public interest.

(2) If the continuing or new mutual holding company is to be a domestic company, such agreement shall be (A) executed in duplicate by the president and secretary of each company under its corporate seal, (B) accompanied by copies of the resolutions of each company authorizing the merger or consolidation and the execution of the agreement attested by the recording officer of each company, and (C) submitted to the commissioner with the records required under this subdivision. If it appears to the commissioner that each company has complied with the requirements of this section, the commissioner may certify and approve the agreement. The commissioner shall file one of the duplicates of such agreement with the Secretary of the State, who shall record such agreement and issue a certificate of reincorporation to the continuing company or the new company with the powers retained and specified in the agreement. The

commissioner shall retain the other duplicate. No such agreement shall take effect until the commissioner has filed such agreement with the Secretary of the State.

(3) If the continuing or new company is to be a foreign company, such agreement and such other information as the commissioner may require shall be filed with the commissioner and shall not be executed until approved by the commissioner. Upon the commissioner's approval, the new or continuing company shall file with the commissioner, in such form as the commissioner may require, documentary evidence showing the date when the merger or the consolidation becomes effective. If the commissioner finds that such agreement has been filed in accordance with this subdivision, the commissioner shall file with the Secretary of the State a certificate setting forth the merger or consolidation, including the effective date of the merger or consolidation. The corporate existence of the domestic mutual holding company shall cease on said effective date.

(4) The companies merging or consolidating shall each call a special members' meeting for the purpose of presenting and holding a vote on such agreement. Such companies shall provide notice of such meeting to members in a manner prescribed by the commissioner. Such agreement shall be approved by an affirmative vote of two-thirds of the members of each such company as are present and voting at such meeting.

(c) If the continuing or new company is a domestic company, upon such merger or consolidation all rights and properties of the several companies shall accrue to and become the rights and properties of the continuing or new company, which shall succeed to all the obligations and liabilities of the merged or consolidated companies in the same manner as if they had been incurred or contracted by such continuing or new company.

(d) No action or proceeding pending in any court of this state at the time of the merger or consolidation in which any such domestic company is or may be a party shall abate or be discontinued by reason of the merger or the consolidation, but may be prosecuted to final judgment in the same manner as if the merger or the consolidation had not taken place. The continuing or new company may be substituted in place of any such domestic company by order of the court in which the action or proceeding is pending.

(e) Nothing in this section shall authorize the merger or consolidation of stock companies with mutual holding companies.

C.G.S. § 38a-156i

§ 38a-156i. Reorganization of domestic mutual insurer with existing domestic or foreign mutual holding company

(a) A domestic mutual insurer may reorganize with an existing domestic or foreign mutual holding company, in which case the plan of reorganization of the domestic mutual insurer shall provide that (1) the domestic mutual insurer will become a domestic stock insurer, (2) the members of the domestic mutual insurer will become members of the mutual holding company, (3) the members of the reorganizing insurer whose policies were in force on the effective date shall, as of the effective date, have equity rights in the mutual holding company, and (4) the mutual holding

company will acquire, directly or through one or more intermediate stock holding companies, at least fifty-one per cent of the voting stock of the reorganized insurer.

(b) An existing domestic mutual holding company may, with the approval of the commissioner:

(1) Acquire direct or indirect ownership of a converting foreign mutual insurer that becomes a stock insurer in compliance with the laws of its state of domicile; and

(2) Grant membership interests and equity rights to the members or policyholders of a foreign mutual insurer that merges with a direct or indirect domestic or foreign subsidiary of the domestic mutual holding company. Such subsidiary of a domestic mutual holding company may merge with such a foreign mutual insurer pursuant to section 38a-153.

(c) In determining whether to approve such acquisition or grant, the commissioner may consider the fairness of the terms and conditions of the transaction, whether the interests of the members of each domestic mutual holding company that is a party to the transaction are protected and whether the proposed transaction is in the public interest.

C.G.S. § 38a-156j

§ 38a-156j. Conversion of domestic mutual holding company to domestic stock corporation. Plan of conversion. Approval. Prohibited fees, commission or other consideration

(a) A domestic mutual holding company may convert to a domestic stock corporation pursuant to a plan of conversion.

(b) (1) A domestic mutual holding company seeking such conversion shall propose a plan of conversion that includes the reasons for the proposed conversion and provisions for:

(A) Amending the mutual holding company's articles of incorporation to convert such company to a domestic stock corporation;

(B) Giving each person holding equity rights in the mutual holding company appropriate consideration in exchange for such rights. Such consideration shall be equal, in the aggregate, to the value of the entire capital and surplus of the mutual holding company, excluding any funds required to be held in segregated accounts by federal law and shall be determinable under a fair and reasonable formula approved by the commissioner.

(i) If the plan of conversion provides for the mutual holding company to continue as a surviving corporation after the conversion, then consideration to eligible policyholders shall be in the form of stock, cash or other form of compensation as approved by the commissioner. Distribution of all the stock of the converting company to eligible policyholders, or in the case of certain eligible policyholders other consideration of equivalent value, shall constitute appropriate consideration under this subparagraph.

(ii) If the plan of conversion does not provide for the mutual holding company to continue as a surviving corporation after the conversion, then consideration payable in such form as permitted under this section shall be distributed to eligible policyholders;

(C) Giving each person holding equity rights a preemptive right to acquire such person's proportionate part of all the proposed capital stock of the converted company and to apply, upon the purchase of such stock, the amount of such person's consideration as determined under subparagraph (B) of this subdivision.

(i) Such plan may provide that (I) such person may not purchase or receive stock pursuant to this section if such stock has an aggregate subscription price of two thousand dollars or less, and (II) such preemptive right shall not apply to such persons who reside in jurisdictions in which the issuance of stock is impossible, would involve unreasonable delay or would require the converting company to incur unreasonable costs, provided any such person shall receive such person's consideration in cash.

(ii) In the case of a plan of conversion in which the appropriate consideration received by persons under subparagraph (B) of this subdivision is stock of a corporation in a transaction authorized under this section, or other consideration as approved by the commissioner, the plan of conversion shall provide either (I) that no member or person holding equity rights in the converting company shall have any preemptive right to acquire any of the proposed capital stock of the converted company or of the proposed parent or other corporation, or (II) for preemptive rights on such other terms as approved by the commissioner;

(D) The offering of shares to persons holding equity rights in the mutual holding company, at a price not greater than that to be offered to others under such plan of conversion;

(E) The payment to each person holding equity rights in the mutual holding company of consideration, which may consist of cash, securities, a certificate of contribution, additional insurance under policies issued by a reorganized insurer or other consideration or any combination of such forms of consideration;

(F) Any proposed fees, commissions or other consideration to be paid to any person for aiding, promoting or assisting, in any manner, such conversion; and

(G) The effective date of such conversion.

(2) A plan of conversion may also include provisions restricting the ability of any person or persons acting in concert from directly or indirectly acquiring or offering to acquire the beneficial ownership of ten per cent or more of any class of voting stock of the converted company or any entity that directly or indirectly controls such company.

(3) Each person whose name appears in the converting company's records as a person holding equity rights on both the December thirty-first immediately preceding the effective date of such conversion and the date the converting company's board of directors first voted to convert shall be entitled to participate in the distribution of consideration and the purchasing of stock.

(4) The proposed plan of conversion shall be approved by an affirmative vote of three-fourths of the board of directors of the domestic mutual holding company.

(5) Upon approval by its board of directors, the domestic mutual holding company seeking such conversion shall submit the proposed plan of conversion to the Insurance Commissioner.

(c) (1) The commissioner shall hold a public hearing on the reasons for and purpose of such conversion, the fairness of the terms and conditions of the proposed plan of conversion and whether such conversion is in the best interest of the domestic mutual holding company, is fair and equitable to its members and is not detrimental to the insuring public.

(2) The converting company shall mail a notice of the public hearing to each member at such member's last known mailing address as shown in the company's records. The notice shall (A) be mailed at least sixty days prior to the date of the hearing, (B) include the date, time, place and purpose of the hearing, and (C) be accompanied or preceded by a true and complete copy of the proposed plan of conversion or a summary thereof approved by the commissioner and any other explanatory information or materials the commissioner may require. In addition, the converting company shall provide notice of the date, time, place and purpose of the hearing by publication in three newspapers having general circulation, one of which shall be in the county in which the principal office of the converting company is located, and two that shall be in other municipalities within or without the state and approved by the commissioner. Such notice shall be published not less than fifteen days and not more than sixty days prior to the hearing and shall be in a form approved by the commissioner. Any director, officer, employee or member of the converting company shall have the right to appear and be heard at the hearing.

(3) (A) The commissioner shall approve or disapprove the proposed plan of conversion, in writing, not later than sixty days after the conclusion of the public hearing held under subdivision (1) of this subsection. The commissioner shall approve the proposed plan of conversion if the commissioner finds that: (i) The proposed conversion is in the best interest of the converting company; (ii) the plan is fair and equitable to the members of the converting company; (iii) the plan will not substantially lessen competition in any line of insurance business; (iv) the plan provides for the enhancement of the operations of the converting company; (v) the plan complies with the provisions of this section; and (vi) the converting company has not, (I) through a reduction in volume of new business written, cancellations by a reorganized insurer or any other means, reduced, limited or affected or sought to reduce, limit or affect, the number or identity of the converting company's members or persons holding equity rights in such company that are entitled to participate in such plan, or (II) otherwise secured or attempted to secure any unfair advantage through such plan for individuals comprising the management of such company.

(B) If the commissioner disapproves the proposed plan of conversion, such disapproval shall be in writing and shall set forth the reasons for such disapproval. Within fifteen days after receipt of such disapproval, the converting company may request a hearing. The commissioner shall provide such hearing within fifteen days after such request.

(4) The commissioner may engage the services of private consultants to assist the commissioner in determining whether a plan of conversion meets the requirements of this section, the cost of which shall be borne by the domestic mutual holding company submitting such plan.

(5) Upon approval by the commissioner, the converting company shall file with the commissioner the approved plan of conversion.

(d) (1) Upon approval by the commissioner of the proposed plan of conversion, the board of directors, the chairperson of the board of directors or the president of the converting company shall

call a members' meeting to present and hold a vote on the plan of conversion. Such meeting shall be held not earlier than thirty days after the date of the public hearing held under subsection (c) of this section. The plan shall be approved by an affirmative vote of two-thirds of the members of the converting company.

(2) The converting company shall mail a notice of the meeting to each member at such member's last known mailing address as shown in the company's records. The notice shall (A) be mailed at least sixty days prior to the date of the meeting and may be combined with the public hearing notice required under subsection (c) of this section, (B) include the date, time, place and purpose of the meeting, and (C) be accompanied or preceded by a true and complete copy of the plan of conversion or a summary thereof approved by the commissioner and any other explanatory information or materials the commissioner may require.

(3) Each member entitled to vote shall vote by written ballot cast in person, by mail or by proxy.

(4) The commissioner shall have the power, to the extent the commissioner deems necessary to ensure a fair and accurate vote and consistent with the provisions of this section, to prescribe and supervise the procedures for such vote. Such powers include, but are not limited to, the supervision and regulation of (A) the determination of members entitled to notice of the meeting and to vote on the proposed plan of conversion, (B) the provision of notice to members of the meeting and proposed plan of conversion, (C) the receipt, custody, safeguarding, verification and tabulation of ballots and proxy forms, and (D) the resolution of disputes arising from such vote.

(e) (1) Upon approval by the members of the converting company, the conversion shall be effective on the date specified in the plan of conversion.

(2) Upon such date, (A) the converting company shall immediately become a domestic stock corporation and all rights and properties of the converting company shall accrue to and become, without any deed or transfer, the rights and properties of the converted company, which shall succeed to all the obligations and liabilities of the converting company, and (B) all membership interests and equity rights in the domestic mutual holding company shall be extinguished.

(f) Except as provided in the plan of conversion approved by the commissioner, no person shall receive any fee, commission or other consideration, other than such person's regular salary and compensation, for aiding, promoting or assisting, in any manner, a conversion under this section. This provision shall not be deemed to prohibit the payment of reasonable fees and compensation to attorneys, accountants and other individuals who are directors or officers of the converting company for services performed in the independent practice of their professions.

(g) Nothing in this section shall be deemed to prohibit the purchase for cash, by individuals comprising the management or employee group of a converting company, an intermediate stock holding company or a reorganized insurer, of shares of stock not taken on a preemptive offering by persons holding equity rights, in accordance with reasonable classifications of such individuals and at the same price offered to such persons holding equity rights.

C.G.S. § 38a-156k

§ 38a-156k. Proceedings and actions

(a) (1) For a period of ten years from the effective date of a plan of reorganization under section 38a-156a, if any proceedings are brought under chapter 704c[1] or pursuant to such plan of reorganization, naming as a party a domestic stock insurer created as a result of a reorganization authorized under sections 38a-156a to 38a-156f, inclusive, the mutual holding company formed as part of the reorganization shall become a party to such proceedings.

(2) The assets of such mutual holding company, including, but not limited to, its interest in any intermediate stock holding company formed pursuant to sections 38a-156a to 38a-156f, inclusive, shall be deemed assets of the estate of the reorganized insurer to the extent necessary to satisfy claims against the reorganized insurer of persons who have claims falling within the priorities established in subdivisions (1) to (4), inclusive, of subsection (a) of section 38a-944, except that no mutual holding company's contribution to the estate of a reorganized insurer pursuant to this subdivision shall exceed the value of assets, net of liabilities, that such reorganized insurer transferred to the mutual holding company or to one or more persons owned or controlled by the mutual holding company pursuant to subsection (a) of section 38a-156d. Claims of persons in their capacity as members of the mutual holding company shall have the same priority as members of a mutual insurer authorized to do the same kinds of business as the reorganized insurer would have upon the liquidation of such an insurer under section 38a-944.

(3) A mutual holding company may not dissolve, liquidate or wind up and dissolve without the prior written approval of the commissioner or the court pursuant to proceedings brought under chapter 704c.

(b) Except as provided in subsections (d) and (e) of this section, an action shall be commenced:

(1) (A) For an action concerning a plan or a proposed plan of reorganization, not later than one year after the plan or proposed plan was filed with the commissioner pursuant to subparagraph (C) of subdivision (3) of subsection (c) of section 38a-156a or six months after the effective date of such plan, whichever is later, or (B) if a plan or proposed plan of reorganization was withdrawn, not later than six months after the date the plan or proposed plan was withdrawn;

(2) (A) For an action concerning a plan amendment or a proposed plan amendment under section 38a-156c, not later than one year after the plan amendment or proposed amendment is filed with the commissioner pursuant to subdivision (3) of subsection (b) of section 38a-156c or six months after the effective date of such amendment, whichever is later, or (B) if a plan amendment or proposed plan amendment was withdrawn, not later than six months after the date such amendment was withdrawn;

(3) For an action arising out of a transfer of assets or liabilities pursuant to section 38a-156d or an offering of voting stock pursuant to subsection (a) of section 38a-156f, which transfer or offering was not contemplated by the plan of reorganization, not later than one year after the date of such transfer or offering;

(4) For an action concerning a plan or proposed plan of conversion under section 38a-156j or any acts taken or proposed to be taken under section 38a-156j, not later than one year after the plan of conversion is filed with the commissioner pursuant to subdivision (5) of subsection (c) of section 38a-156j or six months after the effective date of such plan, whichever is later.

(c) In any action specified in subsection (b) of this section, upon a motion of the mutual holding company, an intermediate stock holding company, the reorganizing insurer or the reorganized insurer that establishes to the satisfaction of the court that a substantial likelihood exists that such action was brought without merit and with an intention to delay or harass, the party that brought such action shall be required to give adequate security for the damages and reasonable expenses, including attorneys' fees, that may be incurred by such company and any other defendants in such action or for which such company may become liable, as a result of or in connection with such action. The mutual holding company, intermediate stock holding company, reorganizing insurer or reorganized insurer shall have recourse to such security in such amount as the court determines upon the termination of such action. The amount of security may from time to time be increased or decreased at the discretion of the court upon a showing that the security provided is or may become inadequate or excessive.

(d) Any action seeking a stay, restraining order, injunction or similar remedy to prevent or delay the closing of any transaction under sections 38a-156a to 38a-156m, inclusive, or of any transaction described in a plan of reorganization or a plan of conversion shall be commenced not later than thirty days after the approval of the plan of reorganization by the commissioner pursuant to subparagraph (A) of subdivision (3) of subsection (c) of section 38a-156a, the approval of the commissioner pursuant to subsection (a) of section 38a-156d or subsection (a) of section 38a-156f or approval of the plan of conversion by the commissioner pursuant to subparagraph (A) of subdivision (3) of subsection (c) of section 38a-156j, as applicable.

(e) Any action or proceeding against the commissioner or any other governmental body or officer in connection with any act taken or order issued pursuant to sections 38a-156a to 38a-156m, inclusive, shall be commenced not later than thirty days after the date of the taking of such act or the signing of such order.

C.G.S. § 38a-156*l*

§ 38a-156*l*. Confidentiality of information, documents and copies related to reorganization, merger, consolidation or conversion

All information, documents and copies of such information and documents obtained by or disclosed to the commissioner or any other person in the course of preparing, filing or processing an application to reorganize, merge, consolidate or convert pursuant to sections 38a-156a to 38a-156m, inclusive, other than information or documents distributed to members or filed or submitted as evidence in connection with a public hearing under sections 38a-156a to 38a-156m, inclusive, shall (1) be confidential by law and privileged, (2) not be subject to disclosure under section 1-210, (3) not be subject to subpoena, and (4) not be subject to discovery or admissible in evidence in any civil action. The commissioner shall not make such information, documents or copies public

without the prior written consent of the insurer to which it pertains unless the commissioner, after giving the insurer and its subsidiaries and affiliates that would be affected thereby notice and opportunity to be heard, determines that the interests of members, policyholders, security holders or the public will be served by the publication of such information, documents or copies, in which event the commissioner may publish all or any part of such information, documents or copies in such manner as the commissioner deems appropriate. The commissioner may use such information, documents and copies in the furtherance of any regulatory or legal action brought as part of the commissioner's official duties.

C.G.S. § 38a-156m

§ 38a-156m. Regulations

The commissioner may adopt regulations in accordance with the provisions of chapter 54 to implement the provisions of sections 38a-156a to 38a-156*l*, inclusive.

C.G.S. § 38a-156n

§§ 38a-156n to 38a-156q. Reserved for future use

C.G.S. § 38a-156q

§§ 38a-156n to 38a-156q. Reserved for future use

C.G.S. § 38a-156r

§ 38a-156r. Definitions

As used in this section and sections 38a-156s to 38a-156z, inclusive:

(1) "Capital" means the capital stock component of statutory surplus, as defined in the National Association of Insurance Commissioners Accounting Practices and Procedures Manual, version effective January 1, 2001, and subsequent revisions;

(2) "Commissioner" means the Insurance Commissioner;

(3) "Divide" or "division" means a transaction in which a domestic insurer divides into two or more resulting insurers;

(4) "Dividing insurer" means a domestic insurer that approves a plan of division pursuant to section 38a-156t;

(5) "Entity", unless the context otherwise requires, means: (A) A business corporation; (B) a nonprofit corporation; (C) a general partnership, including a limited liability partnership; (D) a limited partnership, including a limited liability limited partnership; (E) a limited liability company; (F) a business trust or statutory trust entity; (G) an unincorporated nonprofit association; (H) a cooperative; or (I) any other person who has a separate legal existence or the power to acquire an interest in real property in his or her own name other than: (i) An individual; (ii) a testamentary,

inter vivos or charitable trust, with the exception of a business trust, statutory trust entity or similar trust; (iii) an association or relationship that is not a partnership solely by reason of the law of any other state or jurisdiction; (iv) a decedent's estate; or (v) a government, governmental subdivision, agency, instrumentality or a quasi-governmental instrumentality;

(6) "Filing entity" means an entity that is created by filing a public organic document;

(7) "Governance interest" means the right under the organic law or organic rules of an entity, other than as a governor, agent, assignee or proxy, to: (A) Receive or demand access to information concerning, or the books and records of, the entity; (B) vote for the election of the governors of the entity; or (C) receive notice of or vote on issues involving the internal affairs of the entity;

(8) "Governor", with respect to an entity, means a person: (A) By or under whose authority the powers of an entity are exercised; and (B) under whose direction the business and affairs of the entity are managed pursuant to the organic law and organic rules of the entity;

(9) "Interest", unless the context otherwise requires, means: (A) A governance interest in an unincorporated entity; (B) a transferable interest in an unincorporated entity; or (C) a share or membership in a corporation;

(10) "Interest holder" means a direct holder of an interest;

(11) "Liability" means a debt, obligation or any other liability arising in any manner, regardless of whether it is secured or contingent;

(12) "New insurer" means a domestic insurer that is created by a division occurring on or after October 1, 2017;

(13) "Organic law" means the section of the general statutes, if any, other than this section and sections 38a-156s to 38a-156z, inclusive, and sections 34-601 to 34-646, inclusive, governing the internal affairs of an entity;

(14) "Organic rules" means the private organic rules and public organic document of an entity;

(15) "Private organic rules" means the rules, whether or not in a record, that govern the internal affairs of an entity, are binding on all of its interest holders and are not part of its public organic document, if any;

(16) "Property" means all property, whether real, personal or mixed, tangible or intangible, or any right or interest therein, including rights under contracts and other binding agreements;

(17) "Public organic document" means the public record, the filing of which creates an entity, and any amendment to or restatement of such public record;

(18) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form;

(19) "Resulting insurer" means a new insurer or a dividing insurer that survives a division;

(20) "Shareholder" means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation;

(21) “Sign” or “signature” includes any manual, facsimile, conformed or electronic signature;

(22) “Surplus” means total statutory surplus less capital stock, adjusted for the par value of any treasury stock, calculated in accordance with the National Association of Insurance Commissioners Accounting Practices and Procedures Manual, version effective January 1, 2001, and subsequent revisions;

(23) “Transfer” includes an assignment, conveyance, sale, lease, encumbrance, including a mortgage or security interest, gift or transfer by operation of law; and

(24) “Transferable interest” means the right under an entity’s organic law to receive distributions from the entity.

C.G.S. § 38a-156s

§ 38a-156s. Division of domestic insurer. Plan of division. Amendment and abandonment

(a) Any domestic insurer may, in accordance with the requirements of sections 38a-156r to 38a-156z, inclusive, divide into two or more resulting insurers pursuant to a plan of division.

(b) (1) Each plan of division shall include: (A) The name of the domestic insurer seeking to divide; (B) the name of each resulting insurer that will be created by the proposed division; (C) for each new insurer that will be created by the proposed division, its: (i) Proposed public organic document, if the new insurer will be a filing entity; and (ii) proposed private organic rules; (D) the manner of allocating between or among the resulting insurers: (i) The property of the domestic insurer that will not be owned by all of the resulting insurers as tenants in common pursuant to section 38a-156w; and (ii) those policies and other liabilities of the domestic insurer to which not all of the resulting insurers will be jointly and severally liable pursuant to subdivision (3) of subsection (a) of section 38a-156x; (E) the manner of distributing interests in the new insurers to the dividing insurer or its interest holders; (F) a reasonable description of policies or other liabilities, items of capital, surplus or other property the domestic insurer proposes to allocate to a resulting insurer, including the manner by which each reinsurance contract is to be allocated; (G) all terms and conditions required by the laws of this state or the organic rules of the domestic insurer; and (H) all other terms and conditions of the division.

(2) If the domestic insurer will survive the division, the plan of division shall include, in addition to the information required by subdivision (1) of this subsection: (A) All proposed amendments to the dividing insurer’s public organic document and private organic rules, if any; (B) if the dividing insurer desires to cancel some, but less than all, interests in the dividing insurer, the manner in which it will cancel such interests; and (C) if the dividing insurer desires to convert some, but less than all, interests in the dividing insurer into interests, securities, obligations, money, other property, rights to acquire interests or securities, or any combination thereof, a statement disclosing the manner in which it will convert such interests.

(3) If the domestic insurer will not survive the proposed division, the plan of division shall contain, in addition to the information required by subdivision (1) of this subsection, the manner in which the dividing insurer will cancel or convert interests in the dividing insurer into interests, securities,

obligations, money, other property, rights to acquire interests or securities, or any combination thereof.

(c) Terms of a plan of division may be made dependent on facts objectively ascertainable outside the plan in accordance with subsection (l) of section 33-608.

(d) A dividing insurer may amend a plan of division in accordance with any procedures set forth in the plan or, if no such procedures are set forth in the plan, in any manner determined by the governors of the dividing insurer, except that an interest holder that was entitled to vote on or consent to approval of the plan of division is entitled to vote on or consent to any amendment of the plan that will change: (1) The amount or kind of interests, securities, obligations, money, other property, rights to acquire interests or securities, or any combination thereof, to be received by any of the interest holders of the dividing insurer under the plan; (2) the public organic document, if any, or private organic rules of any resulting insurer that will be in effect when the division becomes effective, except for changes that do not require approval of the interest holders of the resulting insurer under its organic law or organic rules; or (3) any other terms or conditions of the plan, if the change would adversely affect the interest holders in any material respect.

(e) (1) A dividing insurer may abandon a plan of division after it has approved the plan without any action by the interest holders and in accordance with any procedures set forth in the plan or, if no such procedures are set forth in the plan, in a manner determined by the governors of the dividing insurer.

(2) A dividing insurer may abandon a plan of division after it has delivered a certificate of division to the Secretary of the State by delivering to the Secretary of the State a certificate of abandonment signed by the dividing insurer. The certificate of abandonment shall be effective on the date it is filed with the Secretary of the State, and the dividing insurer shall be deemed to have abandoned its plan of division on such date.

(3) A dividing insurer may not abandon its plan of division once the division becomes effective.

C.G.S. § 38a-156t

§ 38a-156t. Plan of division. Approval by interest holders and governors

(a) Except as provided in subsection (b) or (c) of this section, a domestic insurer shall not file a plan of division with the commissioner unless such plan has been approved in accordance with: (1) All provisions of its organic rules; or (2) if its organic rules do not provide for approval of a division, all provisions of its organic law and organic rules that provide for approval of a merger.

(b) Interest holder approval of a plan of division is not required unless: (1) The organic rules of the domestic insurer require such approval; (2) the plan makes an amendment to the organic rules requiring such approval; or (3) either: (A) The domestic insurer will not survive the proposed division and all interests and other securities and obligations, if any, of the new insurers will be owned solely by the dividing insurer; or (B) the domestic insurer has only one class of interests outstanding and the interests and other securities and obligations, if any, of each new insurer will not be distributed pro rata to the interest holders.

(c) (1) If any provision of the organic rules of a domestic insurer adopted before October 1, 2017, requires that a specific number or percentage of governors or interest holders approve the proposal or adoption of a plan of merger, or imposes other special procedures for the proposal or adoption of a plan of merger, such insurer shall adhere to such provision in proposing or adopting a plan of division.

(2) If a provision of any debt security, note or similar evidence of indebtedness for money borrowed, whether secured or unsecured, indenture or other contract relating to indebtedness, or a provision of any other type of contract other than an insurance policy, annuity or reinsurance agreement, that was issued, incurred or executed by the domestic insurer before October 1, 2017, requires the consent of the obligee to a merger of the insurer or treats such a merger as a default, that provision applies to a division of the insurer as if such division were a merger.

(3) If any provision described in subdivision (1) or (2) of this subsection is amended on or after October 1, 2017, such provision shall thereafter apply to a division only in accordance with its express terms.

C.G.S. § 38a-156u

§ 38a-156u. Plan of division. Approval by commissioner. Notice and hearing. Certificate of approval

(a) A division shall not become effective until it is approved by the commissioner after reasonable notice and a public hearing, if such notice and hearing are deemed by the commissioner to be in the public interest. Except as set forth in this section, any hearing conducted under this section shall be conducted in accordance with chapter 54.[1]

(b) (1) The commissioner shall approve a plan of division unless the commissioner finds that: (A) The interest of any policyholder or interest holder will not be adequately protected; or (B) the proposed division constitutes a fraudulent transfer under sections 52-552a to 52-552*l*, inclusive.

(2) With respect to the dividing insurer, the commissioner shall: (A) Apply sections 52-552a to 52-552*l*, inclusive, to the dividing insurer only in its capacity as a resulting insurer if the dividing insurer will survive the proposed division; and (B) not apply sections 52-552a to 52-552*l*, inclusive, to the dividing insurer if the dividing insurer will not survive the proposed division.

(3) With respect to each resulting insurer, the commissioner shall, in applying sections 52-552a to 52-552*l*, inclusive, treat: (A) The resulting insurer as a debtor; (B) liabilities allocated to the resulting insurer as obligations incurred by a debtor; (C) the resulting insurer as not having received a reasonably equivalent value in exchange for incurring such obligations; and (D) property allocated to the resulting insurer as remaining property.

(c) Except for a plan of division and any materials incorporated by reference into or otherwise made a part of such plan, all information, documents, materials and copies thereof submitted to, obtained by or disclosed to the commissioner in connection with proceedings under this section shall be confidential and shall not be available for public inspection.

(d) All expenses incurred by the commissioner in connection with proceedings under this section, including expenses for the services of any attorneys, actuaries, accountants and other experts not otherwise a part of the commissioner's staff as may be reasonably necessary to assist the commissioner in reviewing the proposed division, shall be paid by the dividing insurer filing the plan of division. A dividing insurer may allocate expenses described in this subsection in a plan of division in the same manner as any other liability.

(e) If the commissioner approves a plan of division, the commissioner shall issue a certificate of approval to the dividing insurer on a form prescribed by the commissioner.

(f) The commissioner shall not approve a plan of division unless the commissioner issues to each new insurer that will be created by the proposed division a license to transact insurance business in this state pursuant to section 38a-41. The commissioner may waive application of this subsection to a new insurer that will not survive a merger under subsection (d) of section 38a-153.

C.G.S. § 38a-156v

§ 38a-156v. Certificate of division

(a) After a plan of division has been adopted and approved under sections 38a-156r to 38a-156u, inclusive, an officer or duly authorized representative of the dividing insurer shall sign a certificate of division.

(b) The certificate of division shall set forth: (1) The name of the dividing insurer; (2) a statement disclosing whether the dividing insurer will survive the division; (3) the name of each new insurer that will be created by the division; (4) the date on which the division is to be effective, which shall not be more than ninety days after the dividing insurer has filed the certificate of division with the Secretary of the State; (5) a statement that the division was approved by the dividing insurer in accordance with section 38a-156t; (6) a statement that the division was approved by the commissioner in accordance with section 38a-156u; (7) a statement that the dividing insurer provided, not later than ten business days after the dividing insurer filed the plan of division with the commissioner, reasonable notice to each reinsurer that is party to a reinsurance contract allocated in the plan of division; (8) if the dividing insurer is a filing entity and will survive the division, any amendment to its public organic document approved as part of the plan of division; (9) for each new insurer created by the division that is a filing entity, its public organic document, provided the public organic document need not state the name or address of an incorporator of a corporation, organizer of a limited liability company or similar person with respect to any other type of entity; (10) if a new insurer is a domestic limited liability partnership, its certificate of limited liability partnership; and (11) a reasonable description of the capital, surplus, other property and policies and other liabilities of the dividing insurer that are to be allocated to each resulting insurer.

(c) The public organic document, if any, of each new insurer must satisfy the requirements of the laws of this state, provided such document need not be signed or include any provision that need not be included in a restatement of such document.

(d) A certificate of division is effective when filed with the Secretary of the State or on such other date specified in the plan of division, whichever is later, provided a certificate of division shall become effective not more than ninety days after it is filed with the Secretary of the State. A division is effective when the relevant certificate of division is effective.

C.G.S. § 38a-156w

§ 38a-156w. Effect of division

(a) When a division becomes effective pursuant to subsection (d) of section 38a-156v: (1) If the dividing insurer has survived the division: (A) It continues to exist; (B) its public organic document, if any, shall be amended as provided in the certificate of division; and (C) its private organic rules, if any, shall be amended as provided in the plan of division; (2) if the dividing insurer has not survived the division, its separate existence ceases to exist; (3) each new insurer: (A) Comes into existence; (B) shall hold any capital, surplus and other property allocated to it as a successor to the dividing insurer, and not by transfer, whether directly or indirectly; (C) its public organic document, if any, and private organic rules, if any, shall be effective; and (D) if it is a limited liability partnership, its certificate of limited liability partnership shall be effective; (4) capital, surplus and other property of the dividing insurer: (A) That is allocated by the plan of division either: (i) Vests in the new insurers as provided in the plan of division; or (ii) remains vested in the dividing insurer; (B) that is not allocated by the plan of division: (i) Remains vested in the dividing insurer, if the dividing insurer survives the division; or (ii) is allocated to and vests equally in the resulting insurers as tenants in common, if the dividing insurer does not survive the division; or (C) vests as provided in this subsection without transfer, reversion or impairment; (5) a resulting insurer to which a cause of action is allocated as provided in subdivision (4) of this subsection may be substituted or added in any pending action or proceeding to which the dividing insurer is a party when the division becomes effective; (6) the policies and other liabilities of the dividing insurer are allocated between or among the resulting insurers as provided in section 38a-156x and the resulting insurers to which policies or other liabilities are allocated are liable for those policies and other liabilities as successors to the dividing insurer, and not by transfer, whether directly or indirectly; and (7) the interests in the dividing insurer that are to be converted or canceled in the division are converted or canceled, and the interest holders of those interests are entitled only to the rights provided to them under the plan of division and any appraisal rights they may have pursuant to section 38a-156y.

(b) Except as provided in the organic law or organic rules of the dividing insurer, the division does not give rise to any rights that an interest holder, governor or third party would have upon a dissolution, liquidation or winding up of the dividing insurer.

(c) The allocation to a new insurer of capital, surplus or other property that is collateral covered by an effective financing statement shall not be effective until a new financing statement naming the new insurer as a debtor is effective under sections 42a-9-101 to 42a-9-809, inclusive.

(d) Unless otherwise provided in the plan of division, the interests in and any securities of each new insurer shall be distributed to: (1) The dividing insurer, if it survives the division; or (2) the

holders of the common interest or other residuary interest of the dividing insurer that do not assert appraisal rights, pro rata, if the dividing insurer does not survive the division.

C.G.S. § 38a-156x

§ 38a-156x. Responsibility and liability of resulting insurers

(a) Except as provided in this section, when a division becomes effective, a resulting insurer is responsible: (1) Individually for the policies and other liabilities the resulting insurer issues, undertakes or incurs in its own name after the division; (2) individually for the policies and other liabilities of the dividing insurer that are allocated to or remain the liability of that resulting insurer to the extent specified in the plan of division; and (3) jointly and severally with the other resulting insurers for the policies and other liabilities of the dividing insurer that are not allocated by the plan of division.

(b) If a division breaches an obligation of the dividing insurer, all of the resulting insurers are liable, jointly and severally, for the breach, but the validity and effectiveness of the division shall not be affected by the breach.

(c) A direct or indirect allocation of capital, surplus, property, or policies or other liabilities in a division is not a distribution for purposes of the organic law of the dividing insurer or any of the resulting insurers.

(d) Liens, security interests and other charges on the capital, surplus or other property of the dividing insurer are not impaired by the division, notwithstanding any otherwise enforceable allocation of policies or other liabilities of the dividing insurer.

(e) If the dividing insurer is bound by a security agreement governed by Article 9 of title 42a, or Article 9 of the Uniform Commercial Code as enacted in any other jurisdiction, and the security agreement provides that the security interest attaches to after-acquired collateral, each resulting insurer is bound by the security agreement.

(f) Except as provided in the plan of division and specifically approved by the commissioner, an allocation of a policy or other liability does not: (1) Affect the rights under other law of a policyholder or creditor owed payment on the policy, or payment of any other type of liability or performance of the obligation that creates the liability, except that those rights are available only against a resulting insurer responsible for the policy, liability or obligation under this section; or (2) release or reduce the obligation of a reinsurer, surety or guarantor of the policy, liability or obligation.

C.G.S. § 38a-156y

§ 38a-156y. Appraisal rights

(a) A shareholder of a dividing insurer is entitled to appraisal rights and to obtain payment of the fair value of that shareholder’s shares, pursuant to sections 33-855 to 33-868, inclusive, if the dividing insurer is a business corporation.

(b) (1) An interest holder of a dividing insurer that is not a business corporation is entitled to contractual appraisal rights in connection with a division to the extent provided: (A) In the dividing insurer's organic rules; (B) in the plan of division; or (C) by action of its governors.

(2) If an interest holder is entitled to contractual appraisal rights under subdivision (1) of this subsection and the organic law of the dividing insurer does not provide procedures for the conduct of an appraisal rights proceeding, sections 33-855 to 33-868, inclusive, shall apply to the extent practicable or as otherwise provided in the insurer's organic rules or plan of division.

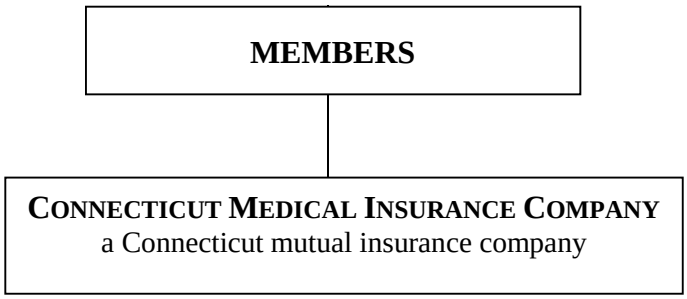
C.G.S. § 38a-156z

§ 38a-156z. Regulations

The commissioner may adopt such regulations, in accordance with chapter 54,[1] as are necessary to carry out the provisions of sections 38a-156r to 38a-156y, inclusive.

Exhibit B
Connecticut Medical Insurance Company Corporate Structure

Before Reorganization: Current CMIC Structure



After Reorganization: Proposed Mutual Holding Company Structure