

**18.07.01 – RULES ~~PERTAINING TO ACQUISITIONS OF~~ FOR ACQUIRING CONTROL, INSURANCE
HOLDING COMPANY SYSTEMS AND MUTUAL INSURANCE HOLDING COMPANIES**

000. LEGAL AUTHORITY.

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

001. ~~TITLE AND SCOPE.~~

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

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

002. -- 009. (RESERVED)

010. DEFINITIONS.

~~In addition to the These definitions set forth supplement those in Chapter 38, Title 41, Idaho Code, the following definitions apply: ()~~

01. Affiliated Person. ()

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

b. Any person, five percent (5%) or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such an other person; or ()

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

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

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

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

04. Interested Person. Interested person ~~of another person~~ means: ()

a. An affiliated person of such another person or company; or ()

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

c. Any person, partner or employee of any person who, at any time since the beginning of the in a company's last two completed fiscal years ~~of such company,~~ has acted as acted as legal counsel for such company the ()

company's lawyer; or ()

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

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

06. **Limited Application.** ~~An application by a~~ domestic mutual insurance ~~company for reorganization~~ company's application to reorganize as a ~~mutual insurance holding company which~~ MHC that will hold, at all times, ~~one hundred percent (100%)~~ all of the stock of its insurance subsidiaries. ()

07. **Member of the Immediate Family.** Any parent, ~~spouse of a parent, child, spouse of a child, spouse, brother or sister, and includes~~ or child, and their spouses, siblings, including step and adoptive relationships. ()

08. **Mutual Insurance Holding Company or MHC.** A mutual insurance holding company ~~formed pursuant to under~~ Section 41-3824, Idaho Code, ~~and this chapter.~~ ()

09. **Plan of Reorganization.** A plan to reorganize a domestic mutual insurance company by forming a ~~mutual insurance holding company~~ MHC.
_____ ()

10. **Standard Application.** ~~An application by a~~ A domestic mutual insurance ~~company for reorganization~~ company's application to ~~a mutual insurance holding company which~~ reorganize as a MHC that may sell interests in its subsidiaries to third parties. ()

~~1211.~~ **Stock.** Any security ~~evidencing~~ showing an equity interest in the issuing entity. ()

~~1312.~~ **Stock Offering.** Any proposed sale, exchange, transfer or ~~other~~ change of ownership of stock or of securities convertible into, or exchangeable or exercisable for, stock. "Stock offering" does not mean: ()

a. An offering of preferred stock ~~which~~ without ordinary voting rights that is not convertible or exchangeable into common stock ~~and which has no ordinary voting rights;~~ or ()

b. A stock transfer ~~of stock~~ between ~~any of~~ entities in a MHC system, including the following: ()

~~i. A mutual insurance holding company; or~~ ()

~~ii. An insurance company subsidiary of a mutual insurance holding company; or~~ ()

~~iii. An MHC, intermediate holding company~~ subsidiary of a mutual, and any insurance ~~holding company; or~~ ()

~~iv. An insurance company subsidiary of an intermediate holding company subsidiary to a mutual insurance holding company~~ subsidiaries. ()

~~1413.~~ **Ultimate Controlling Person.** ~~That~~ A person ~~who is~~ not controlled by ~~any other~~ another person. ()

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

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

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

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

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

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

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

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

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

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

014. FORMS -- ADDITIONAL INFORMATION AND EXHIBITS.

In addition to ~~the information~~ expressly prescribed ~~to be included on necessary Forms~~ information, the Director may request additional information necessary for clarification. The filer may file exhibits ~~in addition to~~ besides those expressly necessary by the statement, clearly indicating ~~clearly the referred~~ subject matter. ~~Changes~~ matters to which they refer. ~~At the top of the cover page for changes~~ to content in necessary Forms ~~include the following phrase on the top of the cover page~~ state "Change No. [insert number] to" and date of the change. ()

015. SUBSIDIARIES OF DOMESTIC INSURERS.

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

016. ACQUISITION OF CONTROL -- STATEMENT FILING.

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

017. AMENDMENTS TO AMENDING FORM A.

The applicant ~~needs to~~ will promptly advise the Director of ~~any~~ changes in ~~the~~ Form A information arising after ~~the date when the information~~ it was ~~furnished~~, filed but ~~prior to~~ before the Director's disposition of the application. ()

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

01. Name of the Domestic Insurer. ~~If the person being acquired is deemed to be~~ Insurer's Name. ~~If a~~ "domestic insurer" under Section 41-3804(1)(d), Idaho Code, ~~the name of is being acquired, then include in the application's cover page~~ the domestic ~~insurer on the cover page is stated as~~ insurer's name in this format: "ABC Insurance Company, a subsidiary of XYZ Holding Company." ()

02. References to Insurer. Where a Section 41-3804(1)(d) insurer is acquired, Form A's references to "the insurer" ~~contained in Form A refers to~~ mean both the domestic subsidiary insurer and the acquired person. ()

019. PRE-ACQUISITION NOTIFICATION.

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

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

020. ANNUAL REGISTRATION OF INSURERS -- STATEMENT FILING.

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

021. SUMMARY OF REGISTRATION -- STATEMENT FILING.

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

022. AMENDMENTS TO AMENDING FORM B.

01. Amendment to Amending Form B. ~~Amendments~~ An insurer will file any amendments to Form B ~~will be filed~~ within fifteen (15) days after the end of any month in which there is a material change to the information ~~provided~~ in the annual registration ~~statement~~. ()

02. Form B Format. Amendments are filed ~~in the on~~ Form B ~~format with~~ including only ~~the~~ amended items ~~reported. Each amendment will include at the.~~ ~~The~~ top of the cover page ~~for each amendment will state~~ “Amendment No. [insert number] to Form B for [insert year]” and ~~indicate~~ the date of the change, not the date of the original filings. ()

023. ALTERNATIVE AND CONSOLIDATED REGISTRATIONS.

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

- a. The ~~statement or report~~ ~~filing~~ contains substantially similar information prescribed on Form B; and ()
- b. The ~~filing insurer~~ ~~filer~~ is the principal insurance company in the insurance holding company system. ()

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

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

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

024. DISCLAIMERS AND TERMINATION OF REGISTRATION.

01. Information Requisite. A disclaimer of affiliation or a request for termination of registration, on the basis that a person does not, or will not, upon the taking of some proposed action, control another person (~~hereinafter referred to as~~ the “subject”), will ~~contain the following information~~ ~~state:~~ ()

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

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

025. TRANSACTIONS SUBJECT TO PRIOR NOTICE - NOTICE FILING.

01. Form D. ~~An~~ When an insurer ~~prescribed to give notice~~ notifies the Department of a proposed transaction ~~pursuant to section~~ under Section 41-3810, Idaho Code, the insurer will furnish ~~verify~~ the ~~needed~~ information in Subsection 025.02 on Form D. ()

02. Agreements. ~~Agreements~~ Terms for cost sharing services and management services ~~are~~ will at a minimum ~~and as applicable~~: ()

a. Identify the person providing services and the nature of such services; ()

b. Set forth the methods to allocate costs; ()

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

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

e. State that the insurer will maintain oversight for functions provided to the insurer by the affiliate and that the insurer will monitor services annually for quality assurance; ()

f. Define books and records of the insurer to include all books and records developed or maintained under or related to the agreement; ()

g. Specify that all books and records of the insurer are and remain the property of the insurer and are subject to control of the insurer; ()

h. State that all funds and invested assets of the insurer are the exclusive property of the insurer, held for the benefit of the insurer and are subject to the control of the insurer; ()

i. Include standards for termination of the agreement with and without cause; ()

j. Include provisions for indemnification of the insurer in the event of gross negligence or willful misconduct on the part of the affiliate providing the services; ()

k. Specify that, if the insurer is placed in receivership or seized by the Director under Title 41, Chapter 33, Idaho Code: ()

i. All of the rights of the insurer under the agreement extend to the Director; and ()

ii. All books and records will immediately be made available to the Director, and will be turned over to the Director immediately upon the Director's request; ()

l. Specify that the affiliate has no automatic right to terminate the agreement if the insurer is placed in receivership pursuant to Title 41, Chapter 33, Idaho Code; and ()

m. Specify that the affiliate will continue to maintain any systems, programs, or other infrastructure notwithstanding a seizure by the Director under Title 41, Chapter 33, Idaho Code, and will make them available to the Director, for so long as the affiliate continues to receive timely payment for services rendered. ()

026. ENTERPRISE RISK REPORT.

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

027. EXTRAORDINARY DIVIDENDS AND OTHER DISTRIBUTIONS.

01. Request for Approval. Requests ~~for approval of~~to approve extraordinary dividends or ~~any~~ other extraordinary distribution to shareholders will include the following: ()

a. The amount of the proposed dividend; ()

b. The date established for payment ~~of the dividend~~; ()

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

d. ~~The calculations determining that~~Calculations showing the proposed dividend is extraordinary. ~~The work paper needs to include the following information, which includes:~~ ()

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

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

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

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

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

f. ~~A statement of the effect of the~~The proposed ~~dividend distribution's effect~~ on the insurer's surplus and the reasonableness of surplus in relation to the insurer's outstanding liabilities and the adequacy of surplus relative to the insurer's financial needs. ()

02. Other Dividends/Distributions. Subject to Section 41-3812, Idaho Code, ~~each registered insurer reports~~insurers report to the Director all dividends and other shareholder distributions ~~to shareholders~~ within fifteen (15) business days ~~following after~~ the declaration thereof, including the ~~same~~ information ~~prescribed by~~from ~~Subsections Paragraph~~ 027.01.d. ()

028. ADEQUACY OF SURPLUS. ~~Factors Besides the factors~~ in Section 41-3811, Idaho Code, ~~are not an exhaustive list and no single factor is controlling. The~~ Director ~~will~~may consider ~~the net effect of all factors and~~ other factors bearing on the insurer's financial condition. No one (1) factor is controlling. Comparing other insurers' surplus, the Director will consider the extent to which each factor varies among companies. ~~The Director's determination of~~When determining the quality and liquidity of an insurer's investments in subsidiaries the Director will include a consideration of the individual subsidiary and may discount or disallow its valuation ~~to the extent as~~ individual investments warrant. ()

029. -- 050. (RESERVED)

051. ~~MUTUAL HOLDING COMPANY~~MHC APPLICATION - CONTENT - PROCESS.

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

02. Application Information to Be Contained in Application. ~~The application is.~~ Applications are filed in duplicate and will include:
()

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

052. HEARING NOTICE OF HEARING.

01. Scheduling. A hearing will be held after ~~receipt and review by~~ the Director of has received and reviewed the application. ()

02. Evidence to Be Presented at Hearing. The applicant will provide evidence that the application is complete, and complies with Idaho law, and ~~the requirements for~~ that all reorganization ~~have been~~ requirements are fulfilled. ()

03. Hearing Notice of Hearing. The Department will ~~provide notice of the hearing to~~ notify known interested parties about the hearing at least twenty (20) days ~~prior to the hearing~~ before it occurs. ()

053. PLAN OF REORGANIZATION.

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

02. Limited Application. A limited application ~~plan of reorganization needs to~~ Plan will include: ()

- a. Establishing ~~a~~ MHC with at least one (1) stock insurance company subsidiary or one (1)

intermediary stock holding company with a stock insurance company subsidiary, the share of which is held exclusively by the mutual insurance holding company; ()

b. Protection of existing policyholders' interests; ()

c. Providing existing and future policyholder membership in the MHC; ()

d. The number of policyholder members of the board of directors of the MHC; ()

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

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

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

h. Other matters the applicant deems appropriate. ()

03. Standard Application. A standard application Plan includes: ()

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

b. ~~Protection of~~Protecting existing policyholders' interests; ()

c. Providing existing and future policyholder membership in the MHC; ()

d. The number of policyholder members ~~of~~on the MHC's board of directors ~~of the MHC mutual~~; ()

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

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

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

h. The plan for a stock offering ~~in accordance with~~per this rule; and ()

i. Other matters the applicant deems appropriate. ()

054. DUTIES OF THE DIRECTOR.

01. Jurisdiction. The Director ~~will retain~~retains jurisdiction over the MHC and any intermediate holding company subsidiaries with stock insurance company subsidiaries. ()

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

a. Modifications. The Director may prescribe modifications ~~of~~to the proposed ~~plan of reorganization~~Plan. Prescribed modifications are accepted by filing amendments to the proposed ~~plan of reorganization~~Plan with the Director within thirty (30) days after the Director's order is issued. ~~Failure to file~~The Application will be denied if the prescribed amendments ~~will result in denial of the plan~~are not filed. ()

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

c. ~~Revocation of~~Revoking approval. The Director may revoke ~~a Plan's~~ approval or conditional approval ~~of an applicant's plan of reorganization in the event if~~ the Director finds the applicant has ~~failed to comply~~not complied with the ~~plan of reorganization~~Plan. The Director may compel ~~completion of a plan of reorganization~~the applicant to complete a Plan unless the ~~plan is~~applicant has wholly abandoned ~~in its entirety, in accordance~~the Plan consistent with the applicant's governance provisions ~~for governance~~. The Director retains jurisdiction over the applicant until ~~a plan of reorganization has been~~the Plan is completed. ()

d. Completion ~~Notice of completion.~~ Upon ~~completion of all elements of a plan of reorganization~~completing the Plan, the applicant ~~provides~~files a notice of completion ~~to~~with the Director. ()

055. REGULATION - COMPLIANCE.

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

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

03. **Annual Financial Statement.** ~~An~~A MHC ~~Each~~ will annually file a financial statement by June 1 including: ()

a. An income statement; ()

b. A balance sheet; ()

c. A cash flow statement; ()

d. The status of any closed block formed ~~as a result~~because of the Plan; ()

e. An asset investment plan; and ()

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

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

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

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

Domestic mutual insurance companies may merge their policyholders' interests into ~~an~~ MHC by filing ~~with the Director~~ a compliant joint application with the MHC ~~that complies with the provisions of this chapter~~. This ~~provision~~ also applies to foreign mutual insurance companies or a foreign health service corporation, which, if a domestic corporation, would be organized under Title 41, Chapter 28, Idaho Code. ()

057. MERGERS OF MUTUAL INSURANCE HOLDING COMPANIES.

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

058. STOCK OFFERINGS.

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

02. Application for Stock Offering Contents. ()

a. A description of the stock ~~intended to be offered by~~ the applicant would offer, and of all shareholder rights; ()

b. The total number of shares authorized to be issued, the estimated number requested to offer, and the intended date or range of dates for the offer; ()

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

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

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

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

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

h. Any other information ~~requested by~~ the Director requests. ()

03. Prescribed Provisions. The stock offering plan ~~needs to include the following provisions~~ will state: ()

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

stock; ()

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

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

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

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

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

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

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

07. Approval. The Director may approve the stock offering plan ~~may be approved~~ if: ()

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

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

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

09. Subsequent Offerings of Publicly Traded Stock. ()

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

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

ii. The intended date of sale; ()

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

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

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

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

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

059. BANNED MHC - PRACTICES.

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

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

03. Avoidance of Provisions of Avoiding this Chapter. Transferring legal or beneficial ownership of stock to another person ~~not in compliance with~~avoidance of this chapter. ()

060. ~~REGULATION OF~~REGULATING HOLDING COMPANY SYSTEM.

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

061. ~~REPORTING OF~~ STOCK OWNERSHIP AND TRANSACTIONS.

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

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

062. -- 999. (RESERVED)