COMPARISON OF
WISCONSIN AND IOWA
INSURANCE REGULATION

	WISCONSIN	IOWA
Accreditation	Accredited state	Accredited state
Examination Authority	Under Wis. Stat. § 601.43, Commissioner may determine nature, scope and frequency of examinations; however, under Wis. Adm. Code § Ins 50.50, examinations must be performed at a minimum of every five years. Under § 601.43(1)(b) and (c), the Commissioner has complete access to an insurer's books and records and the books and records of certain persons connected to the insurer. Wis. Stat. § 601.43 provides that the examination may cover all aspects of the insurer's assets, condition, affairs and operation, and may involve or be supplemented by review of audit procedures performed by accountants. Examinations include but are not limited to examinations on compliance with the Wisconsin Insurance Code, targeted examinations of specified areas, or comprehensive examinations. Wisconsin law is substantially similar to the NAIC model.	Under Iowa Code ("IC") Chapter 507, the Commissioner has authority to conduct an examination of any insurer as often as the Commissioner deems appropriate but, at a minimum, must conduct an examination of each Iowa domestic insurer not less than once every five years. The Commissioner has discretion in scheduling and determining the nature, scope and frequency of examinations and shall consider the matters set forth in the NAIC Examiners' Handbook in exercising that discretion. In conducting examinations, examiners are to observe guidelines and procedures set forth in the NAIC Examiners' Handbook. Examiners will have access to all books and records and any and all computer or other recordings relating to property, assets, business and affairs of the insurer. The Commissioner may retain attorneys, appraisers, actuaries, accountants or other professionals to assist in the examination, with the fees of such professionals to be paid by the insurer. The Iowa law is substantially similar to the NAIC model act.

Capital and Surplus Requirements	Wis. Adm. Code Ins ch. 51, subch. I, is substantially similar to the NAIC Risk Based Capital for Insurers Model Act. Subch. II contains Wisconsin's compulsory and security surplus standards, which also apply and creates a formula for the determination of compulsory and security surplus based on line of insurance written. Initial capital and surplus requirements are set in Wis. Stat. § 611.19 at $2,000,000 permanent surplus and $1,000,000 initial expendable surplus. The Commissioner has the authority to adjust the capital and surplus requirements for individual insurers.	IC Section 508.5 (applicable to life insurers) and IC Section 515.8 (applicable to all other insurers) provide that a stock insurance company shall maintain minimum capital and surplus of $5 million or, if greater, the amount of capital required under the risk-based capital requirements of IC Chapter 521E. IC Section 508.9 (applicable to life insurers) and Section 515.12 (applicable to all other insurers) provide that a mutual insurance company shall maintain minimum surplus of $5 million or, if greater, the amount of surplus required under the risk-based capital requirements of IC Chapter 521E. IC Chapter 521E, containing risk-based capital requirements, is substantially similar to the NAIC model act.
Accounting Practices and Procedures	Wis. Adm. Code Ins § 50.20 requires insurers to file annual financial statements with the Commissioner on the appropriate NAIC statement blank and prepared in accordance with the NAIC instructions and accounting practices or procedures prescribed or permitted by the NAIC manual by March 1 of each year.	IC Section 508.11 (applicable to life insurers) and IC Section 515.63 (applicable to all other insurers) mandate the filing of annual financial statements with the Commissioner by March 1 of each year. Under Iowa Administrative Code ("IAC") Regulation 191-5.15, the annual financial statements must conform to the annual statement instructions of the NAIC accounting practices and procedures manual. In addition, IAC Regulation 191-5.3 mandates the filing with the Commissioner of quarterly financial statements in accordance with NAIC instructions and accounting practices no later than 45 days after the close of each calendar quarter.
Corrective Action	In addition to the corrective action required under Wis. Adm. Code Ins ch. 50, subch. I (RBC action levels), Wis. Adm. Code Ins § 51.60 provides that an	The Commissioner is granted broad powers under IC Chapter 507C (Iowa's insolvency law) to pursue various corrective measures and proceedings with

	insurer that is in violation of Ins ch. 51, subch. II (compulsory and security surplus requirements) is in financially hazardous condition and may be subject to any of the proceedings in Wis. Stats. ch. 645 (liquidation act) regardless of whether the insurer is in compliance with Wis. Adm. Code Ins ch. 50, subch. I. (RBC requirements). Wis. Adm. Code Ins § 51.60 gives the commissioner the authority to take action under Wis. Stats. ch. 645 even though action is not permitted or required under the RBC requirements in subch. II of Ins ch. 51.	respect to supervision, rehabilitation and liquidation of insurers. In particular, the Commissioner is granted authority under IAC Regulation 191-5.24 to mandate corrective action by order if the Commissioner determines that the continued operation of the insurer may be hazardous to the policyholders or the general public. The Commissioner is also granted authority under the risk-based capital requirements of IC Chapter 521E to pursue corrective action which the Commissioner has determined is necessary to enforce the risk-based capital requirements.
Valuation of Investments	Wis. Adm. Code Ins § 6.20(10) provides the Commissioner will follow the security valuations contained in "Valuations of Securities," issued by the Committee on Valuation of Securities of the NAIC in implementing Wis. Adm. Code Ins § 6.20 (investment limitations).	IC Section 511.8(17) and IAC Regulation 191-5.27 (applicable to life insurers) set forth rules for valuation of securities holdings and includes valuation methods for specific securities, but provides that no "valuation under this rule shall be inconsistent with any applicable valuation method formulated or approved by the NAIC". IC Section 515.35(1)(d) (applicable to all other insurers) provides that investments must be valued in accordance with the valuation procedures established by the NAIC, unless the Commissioner requires or finds another method of valuation reasonable under the circumstances.
Holding Company System Regulation	Wisconsin's holding company system regulation found in Wis. Stat. §§ 617.01 through 617.25 and Wis. Adm. Code Ins §§ 40.01 through 40.19 is substantially the same as the NAIC Model Insurance Holding Company System Regulatory Act and related model regulation. However, Wisconsin's definition of "extraordinary dividend" is "the lesser of" rather than	Insurance holding company systems are regulated by IC Chapter 521A and IAC Regulation 191-45. The Iowa law and regulations are substantially similar to the NAIC model act and regulations. Matters covered include: (i) regulation of activities of subsidiaries; (ii) requirement for approval by the Commissioner of any "change in control" of a

	"the greater of." That is, an extraordinary dividend is one that, combined with all other dividends over the 12 previous months, exceeds the *lesser* of the following: (a) for life insurers: (i) 10% of the insurer's surplus as of the preceding December 31, or (ii) the total net income of the insurer for the calendar year preceding the date of the dividend or distribution minus realized capital gains for that year. (b) for all other insurers: (i) 10% of the insurer's surplus as of the preceding December 31, or (ii) the greater of (X) net income for the calendar year preceding the date of the dividend distribution minus realized capital gains for that year and (Y) aggregate of the net income of the insurer for the 3 calendar years preceding the date of the dividend or distribution minus realized capital gains for those calendar years and minus dividends and distributions made within the first 2 of the preceding 3 calendar years.	domestic insurer (Form A); (iii) filing of annual registration statements (Form B and Form C); (iv) imposing standards on transactions between affiliates within the holding company system and requiring prior notice of affiliate transactions exceeding specified financial thresholds (Form D); and (v) requiring prior notice of extraordinary dividends, with extraordinary dividends being defined as any dividend or distribution that, when combined with all other dividends or distributions paid within the previous 12 months, exceeds the greater of: (a) 10% of surplus as of the previous year end; and (b) the net gain from operations (for life insurers) or the net income (for all other insurers) for the 12 month period ending as of the previous year end.
Risk Limitation	Wis. Adm. Code Ins § 6.72 provides that no single risk assumed by any insurance company may exceed 10% of the insurer's surplus. There are exceptions for assessable mutuals, title insurers and "mutual companies organized for the insurance or guaranty of depositors or deposits in banks or trust companies."	IC Section 515.49 provides, with respect to insurers other than life insurers, that no single risk assumed may exceed 10% of the insurer's surplus. IAC Regulation 191-5.5 provides that a property and casualty insurer may not cause the ratio of its net written premiums to surplus to exceed 3 to 1 without approval of the Commissioner.
Investment Regulations	Wis. Stat. §§ 620.22, 620.23 and Wis. Adm. Code Ins § 6.20(8) list the permitted classes of investments and limitations for funds applied toward an insurer's RBC	IC Section 511.8, applicable to life insurers, lists the permitted classes of investments in which an insurer must have its "legal reserve" invested. These

	and compulsory and security surplus requirements. These restrictions do not apply to funds in excess of those used to meet compulsory and security surplus requirements.	requirements do not apply to the investment of funds in excess of an insurer's "legal reserve". "Legal reserve" is defined as the net present value of all outstanding policies and contracts involving life contingencies. IC Section 515.35, applicable to insurers other than life insurers, provides that the insurer must invest its funds in specified investments and no others, except that up to 5% of its admitted assets may be invested in securities or property of any kind without restriction.
Regulation of Liabilities and Reserves	Wis. Stat. § 623.21 gives the Commissioner the authority to order an insurer to adjust its reserves if the Commissioner believes that the reserves are not sufficient compared to the insurer's obligations. See also "Actuarial Opinion Requirements" below.	IAC Regulation 191-5.24 provides that if the Commissioner determines that the continued operation of an insurer may be hazardous to the policyholders or the general public, the Commissioner may issue an order requiring the insurer to take, or refrain from taking, certain action, including increasing its capital and surplus, reducing or suspending the volume of business being accepted, reducing potential liability for policy benefits through reinsurance, suspending or limiting the payment of dividends, or limiting or withdrawing from certain investments or discontinuing certain investment practices.
Regulation of Ceded Insurance	Wis. Adm. Code Ins ch. 52 contains credit for reinsurance provisions substantially similar to the NAIC Model Law on Credit for Reinsurance and Credit for Reinsurance Model Regulation. Wis. Adm. Code Ins ch. 55 contains the life and health reinsurance requirements and is applicable only to domestic life and health insurers and	IC Chapter 521B and IAC Regulation 191-5.33 provide credit for reinsurance under conditions substantially similar to the NAIC model act and regulation.

	Wisconsin-licensed life and health insurers whose state of domicile does not have a substantially similar law. It also applies to Wisconsin-licensed property and casualty insurers that write health insurance and whose state of domicile does not have a substantially similar law.	
Audit Requirements	Wis. Adm. Code Ins § 50.05 requires insurers to file an independent annual audit of their financial statements by June 1 of each year. Under Wis. Adm. Code Ins § 50.07, the audit must be performed by an independent certified public accountant who meets the qualifications in Wis. Adm. Code Ins § 50.08 and who has been designated by the insurer to the Commissioner as the insurer's independent auditor. The auditor's work papers and communications relating to the audit must be made available to the commissioner. Under Wis. Adm. Code Ins § 50.30, insurers are required to file an actuarial opinion from a qualified actuary with their annual statements.	IAC Regulation 191-5.25 requires an insurer to file with the Commissioner an annual audited financial statement accompanied by an independent auditors' report no later than June 1 of each year. The independent auditor must meet certain qualifications and be designated by the insurer in a filing with the Commissioner. An insurer is also required to notify the Commissioner within a specified period of any change in auditors and whether there was any disagreement with the auditor within the 24 months preceding such change. All work papers must be made available to the Commissioner. The regulation is substantially similar to the NAIC model regulation on the subject.
Actuarial Opinion Requirements	Wis. Adm. Code Ins § 50.30 requires all domestic property & casualty insurers to provide an actuarial opinion on reserve adequacy with the company's annual statement. The section also gives the Commissioner the authority to hire an actuary at the company's expense to review the opinion. (Applicable to life insurance companies doing business in Wisconsin.) Wis. Adm. Code, Ins ch. 50, subch. IV, requires that an actuarial opinion be submitted with the company's annual report certifying that the reserves are (1) computed appropriately, (2)	IC Section 508.36 requires all life insurers to provide an actuarial opinion on reserve adequacy in the annual statement. The opinion must certify that the reserves are (i) computed appropriately; (ii) based on assumptions that satisfy contract provisions; (iii) consistent with prior reported amounts; and (iv) in compliance with Iowa law. The opinion must also indicate whether the reserves make adequate provision for the insurer's obligations under its policies and contracts. IAC Regulation 191-5.34 establishes standards for the asset adequacy analysis and memorandum upon

	are based on assumptions that satisfy contract provisions, (3) are consistent with prior reported amounts, and (4) comply with applicable Wisconsin law. The actuarial opinion must opine as to whether the reserves make adequate provision for the company's obligations under its policies and contracts. The company's aggregate reserves for all policies, contracts and benefits may not be less than the aggregate reserves determined by the actuary. (Applicable to life insurance companies doing business in Wisconsin.) Wis. Adm. Code, Ins ch. 50, subch. V, prescribes the standards and guidelines under which the actuarial opinion must be rendered. The asset adequacy analysis must be based on standards set by the actuarial standards board and the additional standards enumerated in Wis. Adm. Code ch. Ins 50. The analysis must apply to all in-force business on the statement date regardless of where or when issued. If the actuarial analysis determines that additional reserves should be held by the company, the company is required to establish such reserves.	which the opinion must be based. IAC Regulation 191-5.29 provides, with respect to property and casualty insurers, that an actuarial opinion completed by a qualified actuary with respect to loss and loss adjustment expense reserves must be included with the annual statement in accordance with the annual statement instructions handbook of the NAIC.
Receivership Law	Wis. Stat. ch. 645 contains Wisconsin's liquidation act. It provides grounds for both rehabilitation and liquidation. Chapter 645 also gives the Commissioner the authority to issue such summary orders as are reasonably necessary to correct, eliminate or remedy conduct that would subject the insurer to formal delinquency proceedings under ch. 645. Chapter 645 also gives the commissioner the authority to request, and any Wisconsin circuit court the authority to issue ex parte and without a hearing, a	Iowa's insolvency law is found in IC Chapter 507C which provides for supervision, rehabilitation and liquidation of insurers. With respect to supervision, if the Commissioner determines an insurer has committed or is about to commit any act or practice that would subject it to delinquency proceedings, the Commissioner may enter such orders as are reasonably necessary to correct, eliminate or remedy the conduct or condition. Chapter 507C also grants the Commissioner the authority to seek a seizure

	seizure order if the Commissioner alleges a ground that would justify a formal delinquency proceeding against the insurer. Order of distribution is from first to last: administration costs, loss claims, federal government claims and interest, injury and property damage claims against the insurer that are not under policies, wages, unearned premiums and small loss claims, residual classification, judgments, interest on claims already paid, miscellaneous subordinated claims, bonds, contribution notes, proprietary claims.	order if the Commissioner alleges a ground that would justify a formal delinquency proceeding against the insurer. Such orders may be issued by an Iowa District Court on an ex-parte basis without a prior hearing. The statute also specifies grounds for rehabilitation of an insurer and the powers of the Commission in its capacity as the rehabilitator of the insurer. Chapter 507C also specifies grounds for liquidation, the process for entry of liquidation orders and the powers of the Commission in its capacity as the liquidator. For purposes of distribution, claims are divided into nine classes, with Class 1 consisting of the costs and expenses of administration, followed by Class 2 including all claims under policies, followed by the remaining classes.
Guaranty Fund Law	Wis. Stat., ch. 646 is the enabling act for the Wisconsin Insurance Security Fund, Wisconsin's guaranty association. Under Wisconsin law, property and casualty, life and health are all in the WISF governed by the same chapter. The law is substantially similar to the guaranty association laws in many other states. The WISF covers all licensed insurers writing direct insurance except fraternals, assessable mutuals, mutual municipal insurers, gift annuity issuers, limited service health organizations, miscellaneous insurers and motor clubs under Wis. Stat. ch. 616, state insurance funds under Wis. Stat. chs. 604 to 607, risk retention groups, service corporations that offer	Iowa's guaranty fund for life insurers is found in IC Chapter 508C providing for the Iowa Life and Health Insurance Guaranty Association. Iowa's guaranty fund for all other insurers is found in IC Chapter 515B providing for the Iowa Insurance Guaranty Association. Both guaranty laws are substantially similar to guaranty association laws of other states, in that they establish the guaranty association, provide for a board of directors, specify powers and duties of the association and establish a process for assessing member insurers. Both laws are substantially similar to the NAIC model act.

	only dental and vision care, nondomestic insurers that are not licensed in Wisconsin, risk-sharing plans under Wis. Stat. chs. 149 and 619, and the patients compensation fund under Wis. Stat. § 655.27. In addition, the guaranty association excludes an array of kinds of insurance similar to what most guaranty associations exclude. The board consists of industry members plus the commissioner of insurance, the attorney general and the state treasurer. The WISF has a cap of $300,000 for a "single risk, loss or life," except that there is no limit on worker's compensation claims. Chapter 646 also has a net worth provision which applies to insureds that have a net worth of $10,000,000 at the end of their fiscal year immediately prior to the date of the liquidation order. The net worth provision applicable to first-party claims is an exclusion. The net worth provision applicable to third-party claims is a recovery provision.	
NAIC Filings	Wis. Adm. Code Ins § 50.25 requires insurers to file a copy of their annual statements with the NAIC by March 1 of each year. Insurers are also required to file their quarterly financial statements with the NAIC within 45 days after the end of each quarter.	IAC Regulations 191-5.3 and 5.26 require insurers to file with the NAIC a copy of their annual statements by March 1 of each year and copies of their quarterly financial statements within 45 days after the end of each calendar quarter.

Regulation of Managing General Agents and Producer-Controlled Insurers	Wis. Adm. Code Ins ch. 41 is Wisconsin's managing general agents regulation and is substantially similar to the NAIC's Managing General Agents Model Act. The provisions apply to all lines of business. Wis Adm. Code Ins ch. 45 is Wisconsin's producer-controlled regulation and is substantially similar to the NAIC's Producer Controlled Insurer Model Act. The producer-controlled regulation applies only to property and casualty insurers.	Managing general agents are regulated by IC Chapter 510 which is substantially similar to the NAIC model act. The provisions apply to all lines of business. Producer-controlled insurers are regulated by IC Chapter 510A which applies only to property and casualty insurers. The law is substantially similar to the NAIC model act.
Mutual Holding Company Law	Wisconsin's mutual holding company law is found in Wis. Stat. ch. 644. Generally, the law permits the formation of a holding company, the conversion of a mutual insurance company to a stock insurance company, and the transfer of the policyholder membership interests and rights in surplus to the mutual holding company. The policyholders' rights under their policies remain in the converted insurance company and are unchanged in the restructuring. In addition, the members of the mutual holding company have all of the voting rights that they had as policyholders of the mutual insurance company. The law requires the company to adopt a mutual holding company plan and to submit that plan to the Commissioner for approval prior to submitting it to the policyholders for a vote. The law sets out the requirements for the plan which must include a description of the plan for the sale of voting stock or a statement that the company has no plans to sell voting stock.	Iowa's mutual holding company law is found in IC Section 521A.14. The law provides a process whereby a mutual insurance company, upon approval of the Commissioner, may reorganize by forming a mutual insurance holding company and continuing its existence as a stock insurance company subsidiary of the mutual insurance holding company. The membership interests of the policyholders, including voting rights, are transferred to and become membership interests in the mutual holding company. Contractual rights of policyholders under policies issued by the reorganized insurer remain with the insurer and continue unchanged. Under IAC Regulation 191-46, the mutual insurer is required to adopt a plan of reorganization and to submit the plan of reorganization to the Commissioner for approval either on a "limited" application or on a "standard" application. The limited application involves the basic reorganization of a mutual insurer into a mutual insurance holding

	The restructuring requires a hearing by the Commissioner. The Commissioner must take into consideration whether the restructuring would be detrimental to the safety and soundness of the converting insurance company or the contractual rights and reasonable expectations of the policyholders. Once approved by the Commissioner, the plan is put to a vote of the policyholders. Voting is in accordance with the converting company's articles and bylaws. Only proxies specifically related to the mutual holding company plan may be used. The required vote to approve the plan must be at least a majority of policyholders voting on the issue. After restructuring, each new policyholder of the converted insurance company automatically becomes a member of the mutual holding company. If the mutual holding company plan does not include a plan for the sale of stock of the converted insurance company or an intermediate holding company, then the company must get both Commissioner and mutual holding company member approval for the issuance of stock. The Commissioner must also approve the price of the stock, or the procedure for setting the price, as fair and equitable to the issuing company. If the converted insurance company is a life company, the commissioner is also required to find the dividend plan fair and equitable to policyholders. At no time may the mutual holding company own less than 51%	company system, while a standard application contemplates the reorganization followed by a sale of stock of the reorganized insurer or an intermediate holding company. The regulation specifies the contents of the plan of reorganization and application (which is required to include Form A information). Following submission of these materials, the Commission is required to hold a hearing at which, among other things, the Commissioner will inquire into whether the interests of the existing policyholders are properly protected and the reorganization is fair and equitable to the policyholders. The Commissioner may require, as a condition to approval, such modifications to the plan as the Commissioner finds necessary for the protection of the policyholders' interests. The plan must also be submitted to a vote of the policyholders in accordance with the articles of incorporation and bylaws of the insurer. The mutual insurance holding company must at all times own a majority of the voting of the reorganized insurer. Special rules apply in the event of a proposed sale of stock of the reorganized insurer or of an intermediate holding company. Iowa's demutualization law for life insurers would apply to the demutualization of a mutual insurance holding company that resulted from the reorganization of a mutual life insurer.

	of the stock of the converted insurance company or the intermediate holding company. Mutual holding company members must be afforded subscription rights. During the first year after restructuring to a mutual holding company, directors and officers are prohibited from owning any stock in the converted insurance company or any intermediate holding company (except to the extent that they are also members of the mutual holding company). Thereafter, legal and beneficial ownership is limited to 5% of any class of voting stock for any individual officer and director and 10% for all officers and directors in the aggregate. Any director and officer stock option plan must first be approved by the mutual holding company members by a majority of members voting on the issue. Generally, Wisconsin's demutualization law applies to a mutual holding company that wishes to convert to a stock company.	
Demutualization Law	Wisconsin's demutualization law is found in Wis. Stat. § 611.76. The Board of Directors adopts a plan of conversion which it then files with the Commissioner. The Commissioner holds a hearing and can disapprove the plan only on a finding that the plan violates the law or is contrary to the interests of the policyholders or the public. In making that determination, the Commissioner may consider	Iowa's demutualization law for life insurers is found in IC Chapter 508B. A separate demutualization law for property and casualty insurers is found in IC Chapter 515G. Under the demutualization law for life insurers, a mutual life insurer may become a stock company by adopting a plan of conversion, submitting the plan

	whether the restructuring would be detrimental to the safety and soundness of the insurer or the contractual rights and reasonable expectations of the policyholders. If the Commissioner approves, the plan is presented to the policyholders for their approval. An affirmative vote of a majority of policyholders voting on the issue is sufficient to adopt the plan. Once the Commissioner receives the company's request for approval of conversion, the Commissioner must order an examination and an appraisal of the company. An appraisal committee of at least three qualified and disinterested persons is appointed by the Commissioner. The appraisal committee must consider the company's assets and liabilities, the value of the marketing organization, goodwill, the going-concern value and any other factor having an influence on the value of the corporation, including the estimated amount needed to maintain dividend scales in the case of a mutual life company. Each person who is/was a policyholder over the preceding five years is entitled without additional payment to the number of shares of the new corporation that his or her equitable share of the value of the converted corporation will purchase as determined by the ratio of the premiums that he/she has paid in the last five years to the total amount of premiums collected by the company for the last five years. The equitable share of policyholders of a mutual life	to the Commissioner for approval and obtaining approval of the plan by a vote of the policyholders. The law provides both for a "straight" demutualization in which the mutual insurer becomes a stock insurer owned, in whole or in part, by its policyholders or a "sponsored" demutualization in which the mutual insurer becomes a stock insurer and merges with another stock company. The Commissioner will review the plan and has the discretion to order a hearing as part of the approval process. The Commissioner is required to approve the plan if it complies with all provisions of Iowa law, is fair and equitable to the mutual insurer and its policyholders and if the reorganized company will have the capital and surplus deemed to be reasonably necessary for its future solvency. The plan must also be submitted to and approved by a vote of two-thirds of the policyholders voting on the plan. The policyholder meeting, including notice and quorum requirements, is to be conducted in accordance with the insurer's articles and bylaws. The policyholders entitled to vote on the plan are those whose policies were in force on the date of adoption of the plan. The consideration to be issued in the demutualization may consist of common stock, cash or other consideration or a combination of the foregoing. Each policyholder whose policy has been in force for at least one year prior to the date of

	insurance company can be based on a formula which fairly reflects the policyholder's interest in the company, including premiums paid, cash surrender values, policy loans, reserves, surplus, benefits payable and other relevant factors. The equitable share can be provided to the policyholders in the form of common stock, cash, increased benefits, lower premiums or a combination of those forms. Mutual life insurance companies may establish a stock holding company and distribute policyholders' equitable share of the company in shares of the stock holding company. For property and casualty companies and life companies that convert and form a holding company with shares of the holding company issued to policyholders, no new stock may be issued until all policyholder subscription rights have been filled. In addition, policyholder/shareholders have preemptive rights for five years following the demutualization. For property and casualty companies, no policyholder may receive a distribution of shares in excess of the total of all premium payments made by the member with interest at the legal rate compounded annually. If the company is valued in excess of the aggregate of all policyholders' equitable shares, then the excess is distributed in shares to the state's common school fund. Except on approval of the Commissioner, the directors and officers of a converting mutual life	adoption of the plan is entitled to the consideration to be provided to policyholders under the plan, provided the policyholder's membership interest arose from a policy in force on the effective date of conversion and such interest has been held continuously for at least one year prior to the date of adoption of the plan. Certain restrictions exist with respect to the acquisition of shares of the reorganized company following the effective date of the plan.

	insurance company may not, in the aggregate, acquire control of more than 5% of the common stock of the converted insurer or a holding company formed to hold the converted insurer.	