All,

We have a quick question in connection with the determination of the ultimate parent entity. X is a wholly-owned subsidiary of Y, a corporation that is a mutual insurance holding company that is owned 100% by its policyholders. The policyholders vote to elect the directors of Y. Each policyholder is entitled to one vote regardless of the number of policies or the amount of insurance held by such member. Y does not have and is not authorized to issue capital stock (i.e., Y does not have any "voting securities" under Rule 801.1(f)(1)(i)).
Our question is whether the insurance policies are considered “voting securities” under Rule 801.1(f)(1)(i). Although they entitle a member to vote for the election of directors, the insurance policies do not appear to be a “security” as used in the rule (i.e., a “security” which at present entitles an owner or holder to vote for the election of directors).

If the policies are not voting securities, we then look to the other test for “control” of a corporation under Rule 801.1(b). No person has the contractual right to designate 50% or more of the directors of Y. As a consequence, no person “controls” Y and Y is its own ultimate parent entity.

Thank you for your assistance and cooperation.