



HOUSE BILL No. 4521

March 7, 1995, Introduced by Rep. Llewellyn and referred to the Committee on Insurance.

A bill to amend section 5901 of Act No. 218 of the Public Acts of 1956, entitled as amended "The insurance code of 1956," as added by Act No. 22 of the Public Acts of 1987, being section 500.5901 of the Michigan Compiled Laws; and to add sections 5903, 5905, 5907, 5909, 5911, 5913, 5915, 5917, 5919, 5921, 5923, 5925, and 5927.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 5901 of Act No. 218 of the Public Acts
2 of 1956, as added by Act No. 22 of the Public Acts of 1987, being
3 section 500.5901 of the Michigan Compiled Laws, is amended and
4 sections 5903, 5905, 5907, 5909, 5911, 5913, 5915, 5917, 5919,
5 5921, 5923, 5925, and 5927 are added to read as follows:

6 Sec. 5901. ~~-(1) Any domestic mutual insurer may submit to~~
7 ~~the commissioner a petition and plan to convert, without~~

1 ~~reincorporation, into a domestic stock insurer pursuant to the~~
2 ~~requirements of this section.~~

3 ~~(2) The petition and plan shall set forth, with specificity,~~
4 ~~the terms and the conditions of the proposed conversion and shall~~
5 ~~do all of the following:~~

6 ~~(a) Certify that the plan has been adopted by a majority~~
7 ~~vote of the board of directors of the insurer.~~

8 ~~(b) Certify that the plan and the proposed conversion will~~
9 ~~not be prejudicial to the policyholders of the insurer.~~

10 ~~(c) Specify the method and basis for the issuance of the~~
11 ~~capital stock of the converted stock insurer.~~

12 ~~(d) Provide copies of proposed amendments to the insurer's~~
13 ~~articles of incorporation and bylaws to effectuate the~~
14 ~~conversion.~~

15 ~~(3) The commissioner shall preliminarily approve the conver-~~
16 ~~sion after receiving the information provided in subsection (2).~~

17 ~~(4) After securing the preliminary approval from the commis-~~
18 ~~sioner, the insurer shall do all of the following:~~

19 ~~(a) Give notice, either personally or through mailing at~~
20 ~~least 21 days before the time fixed for the meeting, to the last~~
21 ~~known postal address of each policyholder, that the question of~~
22 ~~the conversion will be voted upon at a regular or special meeting~~
23 ~~of the policyholders, which notice shall fairly but briefly~~
24 ~~describe the proposed conversion plan.~~

25 ~~(b) Approve the conversion plan, along with any necessary~~
26 ~~amendments to the insurer's articles of incorporation and bylaws,~~
27 ~~at the regular or a special meeting held in pursuance of the call~~

~~1 and notice by the affirmative vote of not less than 2/3 of the
2 policyholders voting in person or by proxy.~~

~~3 (c) Submit the conversion plan, together with proper proof
4 that it has been approved by the policyholders, as provided in
5 this section, to the commissioner for final approval. This con-
6 version plan shall not become effective until the commissioner,
7 in his or her discretion, issues an amended certificate of
8 authority to the petitioner.~~

~~9 (5) The issuance of the amended certificate of authority is
10 the act of conversion, and the mutual insurer at once becomes a
11 stock insurer and is no longer a mutual insurer. The conversion
12 into a stock insurer shall not affect any suits, rights, or con-
13 tracts of the mutual insurer. In all other respects the rights
14 and properties of the mutual insurer shall continue to be the
15 property of the resulting stock insurer which shall remain bound
16 by all the obligations and liabilities of the mutual insurer.
17 The stock insurer shall be deemed to have been organized at the
18 time the converted mutual insurer was originally organized.~~

~~19 (6) Notwithstanding the requirements of subsection (4)(a)
20 and (b), in the event of insolvency of the insurer, its board of
21 directors by a majority vote may, in its petition, request that
22 the commissioner waive the requirements imposing notice to and
23 policyholder approval for the planned conversion. Such petition
24 shall specify both of the following:~~

~~25 (a) The method and basis for the issuance of the converted
26 insurer's shares of its capital stock to an independent party in
27 connection with an investment by such independent party in an~~

1 ~~amount sufficient to restore the insurer to a sound financial~~
2 ~~condition.~~

3 ~~(b) That the conversion shall be accomplished without dis-~~
4 ~~tribution to the past, present, or future policyholders, if the~~
5 ~~commissioner finds that the value of the insurer, due to insol-~~
6 ~~veny, is insufficient to warrant any such distribution.~~

7 ~~(7) If the commissioner, upon review of the plan of conver-~~
8 ~~sion and after a financial examination, finds that the domestic~~
9 ~~mutual insurer no longer meets statutory requirements with~~
10 ~~respect to capital, surplus, deposits, and assets, the commis-~~
11 ~~sioner may, by a written order, waive the requirements of subsec-~~
12 ~~tion (4)(a) and (b).~~

13 ~~(8) A domestic mutual insurer may by majority vote of its~~
14 ~~directors and with the approval of the commissioner abandon such~~
15 ~~plan for conversion at any time before the issuance of the final~~
16 ~~order of the commissioner. Upon such abandonment all rights and~~
17 ~~obligations arising out of the plan shall terminate and the~~
18 ~~insurer shall continue to conduct its business as a domestic~~
19 ~~mutual insurer as though no such plan had ever been adopted.~~

20 AS USED IN THIS CHAPTER:

21 (A) "CONVERTED STOCK COMPANY" MEANS A MICHIGAN DOMICILED
22 STOCK INSURANCE COMPANY THAT CONVERTED FROM A MICHIGAN DOMICILED
23 MUTUAL COMPANY PURSUANT TO THIS CHAPTER.

24 (B) "ELIGIBLE MEMBER" MEANS A MEMBER WHOSE POLICY IS IN
25 FORCE ON THE DATE THE MUTUAL COMPANY'S BOARD OF DIRECTORS ADOPTS
26 A PLAN OF CONVERSION. A PERSON INSURED UNDER A GROUP POLICY IS
27 NOT AN ELIGIBLE MEMBER. A PERSON WHOSE POLICY BECOMES EFFECTIVE

1 AFTER THE BOARD OF DIRECTORS ADOPTS THE PLAN BUT BEFORE THE
2 PLAN'S EFFECTIVE DATE IS NOT AN ELIGIBLE MEMBER BUT HAS THE
3 RIGHTS ESTABLISHED UNDER SECTION 5919.

4 (C) "PLAN OF CONVERSION" OR "PLAN" MEANS A PLAN ADOPTED BY A
5 MICHIGAN DOMESTIC MUTUAL COMPANY'S BOARD OF DIRECTORS PURSUANT TO
6 THIS CHAPTER TO CONVERT THE MUTUAL COMPANY INTO A MICHIGAN DOMI-
7 CILED STOCK COMPANY.

8 SEC. 5903. (1) A MUTUAL COMPANY SEEKING TO CONVERT TO A
9 STOCK COMPANY SHALL ADOPT, BY THE AFFIRMATIVE VOTE OF NOT LESS
10 THAN 2/3 OF ITS BOARD OF DIRECTORS, A PLAN OF CONVERSION CONSIS-
11 TENT WITH THE REQUIREMENTS OF SECTIONS 5905 TO 5915. AT ANY TIME
12 BEFORE APPROVAL OF A PLAN BY THE COMMISSIONER, THE MUTUAL COM-
13 PANY, BY THE AFFIRMATIVE VOTE OF NOT LESS THAN 2/3 OF ITS BOARD
14 OF DIRECTORS, MAY AMEND OR WITHDRAW THE PLAN.

15 (2) BEFORE A MUTUAL COMPANY'S ELIGIBLE MEMBERS MAY VOTE ON
16 APPROVAL OF A PLAN, A MUTUAL COMPANY WHOSE BOARD OF DIRECTORS HAS
17 ADOPTED A PLAN SHALL SUBMIT ALL OF THE FOLLOWING DOCUMENTS TO THE
18 COMMISSIONER:

19 (A) THE PLAN OF CONVERSION, INCLUDING THE INDEPENDENT EVALU-
20 ATION OF PRO FORMA MARKET VALUE REQUIRED BY SECTION 5905.

21 (B) THE FORM OF NOTICE REQUIRED BY SUBSECTION (5).

22 (C) ANY PROXIES TO BE SOLICITED FROM ELIGIBLE MEMBERS PURSU-
23 ANT TO SUBSECTION (6).

24 (D) THE FORM OF NOTICE REQUIRED BY SECTION 5919(1) TO PER-
25 SONS WHOSE POLICIES ARE ISSUED AFTER ADOPTION OF THE PLAN BUT
26 BEFORE ITS EFFECTIVE DATE.

1 (E) THE PROPOSED ARTICLES OF INCORPORATION AND BYLAWS OF THE
2 CONVERTED STOCK COMPANY.

3 (3) THE COMMISSIONER SHALL APPROVE OR DISAPPROVE THE PLAN BY
4 NOT LATER THAN 60 DAYS AFTER THE FILING OF THE DOCUMENTS UNDER
5 SUBSECTION (2). THE COMMISSIONER SHALL APPROVE THE PLAN IF HE OR
6 SHE FINDS ALL OF THE FOLLOWING:

7 (A) THE PLAN COMPLIES WITH THIS CHAPTER.

8 (B) THE PLAN WILL NOT PREJUDICE THE INTERESTS OF THE
9 MEMBERS.

10 (C) THE PLAN'S METHOD OF ALLOCATING SUBSCRIPTION RIGHTS IS
11 FAIR AND EQUITABLE.

12 (4) THE COMMISSIONER MAY RETAIN, AT THE MUTUAL COMPANY'S
13 EXPENSE, ANY QUALIFIED EXPERT NOT OTHERWISE A PART OF THE
14 COMMISSIONER'S STAFF TO ASSIST IN REVIEWING THE PLAN AND THE
15 INDEPENDENT EVALUATION OF THE PRO FORMA MARKET VALUE REQUIRED
16 UNDER SECTION 5905.

17 (5) ALL ELIGIBLE MEMBERS SHALL BE GIVEN NOTICE OF THE
18 MEMBERS' MEETING TO VOTE UPON THE PLAN. THE NOTICE SHALL BRIEFLY
19 BUT FAIRLY DESCRIBE THE PROPOSED CONVERSION PLAN, SHALL INFORM
20 THE MEMBER OF HIS OR HER RIGHT TO VOTE UPON THE PLAN, AND SHALL
21 BE MAILED TO EACH MEMBER'S LAST KNOWN ADDRESS, AS SHOWN ON THE
22 MUTUAL COMPANY'S RECORDS, AT LEAST 21 DAYS BEFORE THE TIME FIXED
23 FOR THE MEETING. IF THE MEETING TO VOTE UPON THE PLAN IS HELD
24 DURING THE MUTUAL COMPANY'S ANNUAL MEETING OF POLICYHOLDERS, ONLY
25 1 COMBINED NOTICE OF MEETING IS REQUIRED.

26 (6) THE PLAN SHALL BE ADOPTED UPON RECEIVING THE AFFIRMATIVE
27 VOTE OF AT LEAST 2/3 OF THE VOTES CAST BY ELIGIBLE MEMBERS.

1 MEMBERS ENTITLED TO VOTE UPON THE PROPOSED PLAN MAY VOTE IN
2 PERSON OR BY PROXY. ANY PROXIES TO BE SOLICITED FROM ELIGIBLE
3 MEMBERS SHALL BE FILED WITH AND APPROVED BY THE COMMISSIONER.
4 THE NUMBER OF VOTES EACH ELIGIBLE MEMBER MAY CAST SHALL BE DETER-
5 MINED BY THE MUTUAL COMPANY'S BYLAWS. IF THE BYLAWS ARE SILENT,
6 EACH ELIGIBLE MEMBER MAY CAST 1 VOTE.

7 (7) THE REVISED ARTICLES SHALL BE CONSIDERED AT THE MEETING
8 OF THE POLICYHOLDERS CALLED FOR THE PURPOSE OF ADOPTING THE PLAN
9 OF CONVERSION AND SHALL REQUIRE FOR ADOPTION THE AFFIRMATIVE VOTE
10 OF AT LEAST 2/3 OF THE VOTES CAST BY ELIGIBLE MEMBERS.

11 (8) AFTER THE ELIGIBLE MEMBERS HAVE APPROVED THE PLAN, THE
12 CONVERTED STOCK COMPANY SHALL FILE BOTH OF THE FOLLOWING DOCU-
13 MENTS WITH THE COMMISSIONER:

14 (A) THE MINUTES OF THE MEETING OF THE MEMBERS AT WHICH THE
15 PLAN WAS VOTED UPON.

16 (B) THE REVISED ARTICLES OF INCORPORATION AND BYLAWS OF THE
17 CONVERTED STOCK COMPANY.

18 SEC. 5905. (1) THE FOLLOWING PROVISIONS SHALL BE INCLUDED
19 IN THE PLAN:

20 (A) THE REASONS FOR THE PROPOSED CONVERSION.

21 (B) THE EFFECT OF THE CONVERSION ON EXISTING POLICIES,
22 INCLUDING ALL OF THE FOLLOWING:

23 (i) A PROVISION THAT ALL POLICIES IN FORCE ON THE EFFECTIVE
24 DATE OF CONVERSION CONTINUE TO REMAIN IN FORCE UNDER THE TERMS OF
25 THE POLICIES, EXCEPT THAT ANY VOTING RIGHTS OF THE POLICYHOLDERS
26 PROVIDED FOR UNDER THE POLICIES OR UNDER THIS CHAPTER ARE
27 EXTINGUISHED ON THE EFFECTIVE DATE OF THE CONVERSION.

1 (ii) A PROVISION THAT HOLDERS OF PARTICIPATING POLICIES IN
2 EFFECT ON THE DATE OF CONVERSION CONTINUE TO HAVE THE RIGHT TO
3 RECEIVE DIVIDENDS AS PROVIDED IN THE PARTICIPATING POLICIES, IF
4 ANY.

5 (iii) A PROVISION THAT, EXCEPT FOR THE MUTUAL COMPANY'S LIFE
6 POLICIES, GUARANTEED RENEWABLE ACCIDENT AND HEALTH POLICIES, AND
7 GUARANTEED RENEWABLE, NONCANCELABLE ACCIDENT AND HEALTH POLICIES,
8 UPON THE RENEWAL DATE OF A PARTICIPATING POLICY, THE CONVERTED
9 STOCK COMPANY MAY ISSUE THE INSURED A NONPARTICIPATING POLICY AS
10 A SUBSTITUTE FOR THE PARTICIPATING POLICY.

11 (C) THE SUBSCRIPTION RIGHTS TO ELIGIBLE MEMBERS, INCLUDING
12 BOTH OF THE FOLLOWING:

13 (i) A PROVISION THAT EACH ELIGIBLE MEMBER IS TO RECEIVE,
14 WITHOUT PAYMENT, NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PURCHASE
15 A PORTION OF THE CAPITAL STOCK OF THE CONVERTED STOCK COMPANY.
16 AS AN ALTERNATIVE TO SUBSCRIPTION RIGHTS IN THE CONVERTED STOCK
17 COMPANY, THE PLAN MAY PROVIDE THAT EACH ELIGIBLE MEMBER IS TO
18 RECEIVE, WITHOUT PAYMENT, NONTRANSFERABLE SUBSCRIPTION RIGHTS TO
19 PURCHASE A PORTION OF THE CAPITAL STOCK OF 1 OF THE FOLLOWING:

20 (A) A CORPORATION ORGANIZED FOR THE PURPOSE OF PURCHASING
21 AND HOLDING ALL THE STOCK OF THE CONVERTED STOCK COMPANY.

22 (B) AN UNAFFILIATED CORPORATION THAT WILL PURCHASE ALL THE
23 STOCK OF THE CONVERTED STOCK COMPANY.

24 (C) A STOCK INSURANCE COMPANY INTO WHICH THE MUTUAL COMPANY
25 WILL BE MERGED.

26 (ii) A PROVISION THAT THE SUBSCRIPTION RIGHTS SHALL BE
27 ALLOCATED IN WHOLE SHARES AMONG THE ELIGIBLE MEMBERS USING A FAIR

1 AND EQUITABLE FORMULA. THIS FORMULA MAY BUT NEED NOT TAKE INTO
2 ACCOUNT HOW THE DIFFERENT CLASSES OF POLICIES OF THE ELIGIBLE
3 MEMBERS CONTRIBUTED TO THE SURPLUS OF THE MUTUAL COMPANY OR ANY
4 OTHER FACTORS THAT MAY BE FAIR OR EQUITABLE.

5 (2) THE PLAN SHALL PROVIDE A FAIR AND EQUITABLE MEANS FOR
6 ALLOCATING SHARES OF CAPITAL STOCK IN THE EVENT OF AN OVERSUB-
7 SCRIPTION TO SHARES BY ELIGIBLE MEMBERS EXERCISING SUBSCRIPTION
8 RIGHTS RECEIVED UNDER SUBSECTION (1)(C).

9 (3) THE PLAN SHALL PROVIDE THAT ANY SHARES OF CAPITAL STOCK
10 NOT SUBSCRIBED TO BY ELIGIBLE MEMBERS EXERCISING SUBSCRIPTION
11 RIGHTS RECEIVED UNDER SUBSECTION (1)(C) SHALL BE SOLD IN A PUBLIC
12 OFFERING THROUGH AN UNDERWRITER. IF THE NUMBER OF SHARES OF CAP-
13 ITAL STOCK NOT SUBSCRIBED BY ELIGIBLE MEMBERS IS SO SMALL IN
14 NUMBER THAT IT DOES NOT WARRANT THE EXPENSE OF A PUBLIC OFFERING,
15 THE PLAN OF CONVERSION MAY PROVIDE FOR PURCHASING UNSUBSCRIBED
16 SHARES BY A PRIVATE PLACEMENT OR OTHER ALTERNATIVE METHOD
17 APPROVED BY THE COMMISSIONER THAT IS FAIR AND EQUITABLE TO ELIGI-
18 BLE MEMBERS.

19 (4) THE PLAN SHALL SET THE TOTAL PRICE OF THE CAPITAL STOCK
20 EQUAL TO THE ESTIMATED PRO FORMA MARKET VALUE OF THE CONVERTED
21 STOCK COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT IS PARTIC-
22 IPATING IN THE CONVERSION PLAN, AS PROVIDED IN SUBSECTION
23 (1)(C)(i)(A), (B), OR (C) BASED UPON AN INDEPENDENT EVALUATION BY
24 A QUALIFIED EXPERT. THIS PRO FORMA MARKET VALUE MAY BE THAT
25 VALUE THAT IS ESTIMATED TO BE NECESSARY TO ATTRACT FULL SUBSCRIP-
26 TION FOR THE SHARES, AS INDICATED BY THE INDEPENDENT EVALUATION.

1 (5) THE PLAN SHALL SET THE PURCHASE PRICE PER SHARE OF
2 CAPITAL STOCK EQUAL TO ANY REASONABLE AMOUNT.

3 SEC. 5907. (1) THE PLAN SHALL PROVIDE THAT A MUTUAL LIFE
4 INSURANCE COMPANY'S PARTICIPATING LIFE POLICIES IN FORCE ON THE
5 EFFECTIVE DATE OF THE CONVERSION SHALL BE OPERATED BY THE CON-
6 VERTED STOCK COMPANY FOR DIVIDEND PURPOSES AS A CLOSED BLOCK OF
7 PARTICIPATING BUSINESS, EXCEPT THAT ANY AND ALL CLASSES OF GROUP
8 PARTICIPATING POLICIES MAY BE EXCLUDED FROM THE CLOSED BLOCK.

9 (2) THE PLAN SHALL ESTABLISH 1 OR MORE SEGREGATED ACCOUNTS
10 FOR THE BENEFIT OF THE CLOSED BLOCK OF BUSINESS AND SHALL ALLO-
11 CATE TO THOSE SEGREGATED ACCOUNTS ENOUGH ASSETS OF THE MUTUAL
12 COMPANY SO THAT THE ASSETS TOGETHER WITH THE REVENUE FROM THE
13 CLOSED BLOCK OF BUSINESS ARE SUFFICIENT TO SUPPORT THE CLOSED
14 BLOCK, INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF CLAIMS,
15 EXPENSES, TAXES, AND ANY DIVIDENDS THAT ARE PROVIDED FOR UNDER
16 THE TERMS OF THE PARTICIPATING POLICIES, WITH APPROPRIATE ADJUST-
17 MENTS IN THE DIVIDENDS FOR EXPERIENCE CHANGES. THE ASSETS ALLO-
18 CATED TO THE CLOSED BLOCK OF BUSINESS AT ITS ESTABLISHMENT SHALL
19 BE AT LEAST EQUAL TO THE AMOUNT OF RESERVES THEN HELD IN CONNec-
20 TION WITH THE CLOSED BLOCK OF BUSINESS OR THE MINIMUM RESERVE
21 PERMITTED BY STATUTE OR REGULATION FOR THE CLOSED BLOCK OF BUSI-
22 NESS, WHICHEVER IS GREATER.

23 (3) THE AMOUNT OF ASSETS ALLOCATED TO THE SEGREGATED
24 ACCOUNTS OF THE CLOSED BLOCK SHALL BE BASED UPON THE MUTUAL LIFE
25 INSURANCE COMPANY'S LAST ANNUAL STATEMENT, UPDATED TO THE EFFEC-
26 TIVE DATE OF THE CONVERSION.

1 (4) THE CONVERTED STOCK COMPANY SHALL KEEP A SEPARATE
2 ACCOUNTING FOR THE CLOSED BLOCK AND SHALL MAKE AND INCLUDE IN THE
3 ANNUAL STATEMENT TO BE FILED WITH THE COMMISSIONER EACH YEAR A
4 SEPARATE STATEMENT SHOWING THE GAINS, LOSSES, AND EXPENSES PROP-
5 ERLY ATTRIBUTABLE TO THE CLOSED BLOCK.

6 (5) THE COMMISSIONER MAY WAIVE THE REQUIREMENT FOR ESTAB-
7 LISHING A CLOSED BLOCK OF BUSINESS IF IT IS IN THE BEST INTERESTS
8 OF POLICYHOLDERS TO DO SO. THE COMMISSIONER MAY PERMIT DISCON-
9 TINUING A SEGREGATED ACCOUNT IF ITS SIZE DOES NOT WARRANT THE
10 EXPENSE OF MAINTAINING THE SEGREGATED ACCOUNT.

11 (6) THIS SECTION APPLIES ONLY TO MUTUAL LIFE INSURANCE
12 COMPANIES.

13 SEC. 5909. (1) THE PLAN SHALL PROVIDE THAT ANY PERSON OR
14 GROUP OF PERSONS ACTING IN CONCERT SHALL NOT ACQUIRE, THROUGH
15 PUBLIC OFFERING OR SUBSCRIPTION RIGHTS, MORE THAN 5% OF THE CAPI-
16 TAL STOCK OF THE CONVERTED STOCK COMPANY OR THE STOCK OF ANOTHER
17 CORPORATION THAT IS PARTICIPATING IN THE CONVERSION PLAN, AS PRO-
18 VIDED IN SECTION 5905(1)(C)(i)(A), (B), OR (C), FOR 5 YEARS FROM
19 THE EFFECTIVE DATE OF THE PLAN, EXCEPT WITH THE APPROVAL OF THE
20 COMMISSIONER. THIS LIMITATION DOES NOT APPLY TO ANY ENTITY THAT
21 IS TO PURCHASE 100% OF THE CAPITAL STOCK OF THE CONVERTED COMPANY
22 AS PART OF THE PLAN OF CONVERSION APPROVED BY THE COMMISSIONER.

23 (2) THE PLAN SHALL PROVIDE THAT NO DIRECTOR OR OFFICER OR
24 PERSON ACTING IN CONCERT WITH A DIRECTOR OR OFFICER OF THE MUTUAL
25 COMPANY SHALL ACQUIRE ANY CAPITAL STOCK OF THE CONVERTED STOCK
26 COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT IS PARTICIPATING
27 IN THE CONVERSION PLAN, AS PROVIDED IN SECTION 5905(1)(C)(i)(A),

1 (B), OR (C), FOR 3 YEARS AFTER THE EFFECTIVE DATE OF THE PLAN,
2 EXCEPT THROUGH A BROKER/DEALER, WITHOUT THE PERMISSION OF THE
3 COMMISSIONER. THIS PROVISION DOES NOT PROHIBIT THE DIRECTORS AND
4 OFFICERS FROM PURCHASING STOCK THROUGH SUBSCRIPTION RIGHTS
5 RECEIVED IN THE PLAN PURSUANT TO SECTION 5911(1) OR FROM PARTICI-
6 PATING IN A TAX QUALIFIED STOCK BENEFIT PLAN PURSUANT TO SECTION
7 5913.

8 (3) STOCK OPTIONS FOR THE CONVERTED STOCK INSURANCE COMPANY
9 OR THE STOCK OF ANOTHER CORPORATION THAT IS PARTICIPATING IN THE
10 CONVERSION PLAN, AS PROVIDED IN SECTION 5905(1)(C)(i)(A), (B), OR
11 (C), SHALL NOT BE MADE AVAILABLE TO THE DIRECTORS OR OFFICERS OF
12 THE COMPANY DURING THE 2-YEAR PERIOD FOLLOWING THE EFFECTIVE DATE
13 OF THE PLAN IF THE AGGREGATE STOCK HOLDINGS OF DIRECTORS AND
14 OFFICERS EXCEED, OR WOULD EXCEED IF THE OPTIONS WERE EXERCISED,
15 25% OF THE TOTAL NUMBER OF SHARES ISSUED BY THE CONVERTED COMPANY
16 IF TOTAL ASSETS OF THE COMPANY ARE LESS THAN \$50,000,000.00, OR
17 15% OF THE TOTAL NUMBER OF SHARES ISSUED FOR THE CONVERTED COM-
18 PANY IF TOTAL ASSETS ARE MORE THAN \$500,000,000.00. FOR CON-
19 VERTED COMPANIES WITH TOTAL ASSETS OF OR BETWEEN \$50,000,000.00
20 AND \$500,000,000.00, THE COMPANY SIZE THRESHOLD FOR LIMITING
21 STOCK OPTIONS SHALL BE INTERPOLATED.

22 SEC. 5911. (1) THE PLAN MAY PROVIDE THAT THE DIRECTORS AND
23 OFFICERS OF THE MUTUAL COMPANY SHALL RECEIVE, WITHOUT PAYMENT,
24 NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PURCHASE CAPITAL STOCK OF
25 THE CONVERTED STOCK COMPANY OR THE STOCK OF ANOTHER CORPORATION
26 THAT IS PARTICIPATING IN THE CONVERSION PLAN, AS PROVIDED IN
27 SECTION 5905(1)(C)(i)(A), (B), OR (C). THESE SUBSCRIPTION RIGHTS

1 SHALL BE ALLOCATED AMONG THE DIRECTORS AND OFFICERS BY A FAIR AND
2 EQUITABLE FORMULA.

3 (2) THE TOTAL NUMBER OF SHARES THAT MAY BE PURCHASED UNDER
4 SUBSECTION (1) SHALL NOT EXCEED 25% OF THE TOTAL NUMBER OF SHARES
5 TO BE ISSUED FOR A MUTUAL COMPANY IF TOTAL ASSETS OF THE COMPANY
6 ARE LESS THAN \$50,000,000.00 OR 15% OF THE TOTAL NUMBER OF SHARES
7 TO BE ISSUED FOR A MUTUAL COMPANY IF TOTAL ASSETS OF THE COMPANY
8 ARE MORE THAN \$500,000,000.00. FOR MUTUAL COMPANIES WITH TOTAL
9 ASSETS OF OR BETWEEN \$50,000,000.00 AND \$500,000,000.00, THE PER-
10 CENTAGE OF THE TOTAL NUMBER OF SHARES THAT MAY BE PURCHASED SHALL
11 BE INTERPOLATED.

12 (3) STOCK PURCHASED BY A DIRECTOR OR OFFICER UNDER SUBSEC-
13 TION (1) MAY NOT BE SOLD WITHIN 1 YEAR AFTER THE EFFECTIVE DATE
14 OF THE CONVERSION.

15 SEC. 5913. THE PLAN MAY ALLOCATE TO A TAX-QUALIFIED
16 EMPLOYEE BENEFIT PLAN NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PUR-
17 CHASE UP TO 10% OF THE CAPITAL STOCK OF THE CONVERTED STOCK COM-
18 PANY OR THE STOCK OF ANOTHER CORPORATION THAT IS PARTICIPATING IN
19 THE CONVERSION PLAN, AS PROVIDED IN SECTION 5905(1)(C)(i)(A),
20 (B), OR (C). THIS EMPLOYEE BENEFIT PLAN IS ENTITLED TO EXERCISE
21 ITS SUBSCRIPTION RIGHTS REGARDLESS OF THE TOTAL NUMBER OF SHARES
22 PURCHASED BY OTHER PERSONS.

23 SEC. 5915. THE BOARD OF DIRECTORS MAY ADOPT A PLAN OF CON-
24 VERSION THAT DOES NOT RELY IN WHOLE OR IN PART UPON ISSUING NON-
25 TRANSFERABLE SUBSCRIPTION RIGHTS TO MEMBERS TO PURCHASE STOCK OF
26 THE CONVERTED STOCK COMPANY IF THE COMMISSIONER FINDS THAT THE
27 PLAN DOES NOT PREJUDICE THE INTERESTS OF THE MEMBERS, IS FAIR AND

1 EQUITABLE, AND IS NOT INCONSISTENT WITH THE PURPOSE AND INTENT OF
2 THIS CHAPTER. AN ALTERNATIVE PLAN MAY INCLUDE THE MERGER OF A
3 DOMESTIC MUTUAL INSURER INTO A DOMESTIC OR FOREIGN STOCK INSURER,
4 ISSUING STOCK OR CASH TO POLICYHOLDERS INSTEAD OF SUBSCRIPTION
5 RIGHTS, OR ANOTHER PLAN APPROVED BY THE COMMISSIONER. THE
6 COMMISSIONER MAY RETAIN, AT THE MUTUAL COMPANY'S EXPENSE, ANY
7 QUALIFIED EXPERT NOT OTHERWISE A PART OF THE COMMISSIONER'S STAFF
8 TO ASSIST IN REVIEWING WHETHER THE PLAN MAY BE APPROVED BY THE
9 COMMISSIONER.

10 SEC. 5917. A PLAN IS EFFECTIVE WHEN THE COMMISSIONER HAS
11 APPROVED THE PLAN, THE ELIGIBLE MEMBERS HAVE APPROVED THE PLAN,
12 AND THE REVISED ARTICLES OF INCORPORATION HAVE BEEN ADOPTED.

13 SEC. 5919. (1) ALL MEMBERS WHOSE POLICIES BECOME EFFECTIVE
14 AFTER THE PROPOSED PLAN HAS BEEN ADOPTED BY THE BOARD OF DIREC-
15 TORS AND BEFORE THE EFFECTIVE DATE OF THE PLAN SHALL BE GIVEN
16 WRITTEN NOTICE OF THE PLAN OF CONVERSION ON OR BEFORE THE
17 FORTY-FIFTH DAY AFTER THE EFFECTIVE DATE OF THE PLAN. THE NOTICE
18 SHALL SPECIFY THE MEMBER'S RIGHT TO RESCIND OR CANCEL THE
19 MEMBER'S POLICY, AS PROVIDED IN SUBSECTION (2). A COPY OF THE
20 DESCRIPTION OF THE PLAN PROVIDED TO MEMBERS PURSUANT TO SECTION
21 5903(5) SHALL ACCOMPANY THE NOTICE. THE FORM OF THE NOTICE SHALL
22 BE FILED WITH AND APPROVED BY THE COMMISSIONER.

23 (2) A MEMBER OF A LIFE OR HEALTH INSURANCE COMPANY ENTITLED
24 TO RECEIVE THE NOTICE DESCRIBED IN SUBSECTION (1) IS ENTITLED TO
25 RESCIND THE MEMBER'S POLICY AND RECEIVE A FULL REFUND OF ANY
26 AMOUNTS PAID FOR THE POLICY OR CONTRACT WITHIN 10 DAYS AFTER HE
27 OR SHE HAS RECEIVED THE NOTICE. EACH MEMBER OF A PROPERTY OR

1 CASUALTY INSURANCE COMPANY ENTITLED TO RECEIVE THE NOTICE
2 PROVIDED FOR IN SUBSECTION (1) SHALL BE ADVISED OF THE MEMBER'S
3 RIGHT OF CANCELLATION AND TO A PRO RATA REFUND OF UNEARNED
4 PREMIUMS.

5 SEC. 5921. (1) UPON CONVERTING A MUTUAL COMPANY TO A CON-
6 VERTED STOCK COMPANY UNDER THIS CHAPTER, THE CORPORATE EXISTENCE
7 OF THE MUTUAL COMPANY IS CONTINUED IN THE CONVERTED STOCK
8 COMPANY. ALL THE RIGHTS, FRANCHISES, AND INTERESTS OF THE MUTUAL
9 COMPANY IN AND TO EVERY SPECIES OF PROPERTY, REAL, PERSONAL, AND
10 MIXED, AND ANY ACCOMPANYING THINGS IN ACTION, ARE TRANSFERRED TO
11 AND VESTED IN THE CONVERTED STOCK COMPANY, WITHOUT ANY DEED OR
12 TRANSFER. IN ADDITION, THE CONVERTED STOCK COMPANY HAS ASSUMED
13 ALL THE OBLIGATIONS AND LIABILITIES OF THE MUTUAL COMPANY.

14 (2) THE DIRECTORS AND OFFICERS OF THE MUTUAL COMPANY, UNLESS
15 OTHERWISE SPECIFIED IN THE PLAN OF CONVERSION, SHALL SERVE AS
16 DIRECTORS AND OFFICERS OF THE CONVERTED STOCK COMPANY UNTIL NEW
17 DIRECTORS AND OFFICERS OF THE CONVERTED STOCK COMPANY ARE DULY
18 ELECTED PURSUANT TO THE ARTICLES OF INCORPORATION AND BYLAWS OF
19 THE CONVERTED STOCK COMPANY.

20 SEC. 5923. (1) A DIRECTOR, OFFICER, AGENT, OR EMPLOYEE OF
21 THE MUTUAL COMPANY OR ANY OTHER PERSON SHALL NOT RECEIVE ANY FEE,
22 COMMISSION, OR OTHER VALUABLE CONSIDERATION, OTHER THAN HIS OR
23 HER USUAL REGULAR SALARY OR COMPENSATION, FOR AIDING, PROMOTING,
24 OR ASSISTING IN A CONVERSION UNDER THIS CHAPTER EXCEPT AS PRO-
25 VIDED FOR IN THE PLAN APPROVED BY THE COMMISSIONER.

26 (2) ALL THE COSTS AND EXPENSES CONNECTED WITH A PLAN OF
27 CONVERSION SHALL BE PAID FOR OR REIMBURSED BY THE MUTUAL COMPANY

1 OR THE CONVERTED STOCK COMPANY. HOWEVER, IF THE PLAN PROVIDES
2 EITHER FOR AN UNAFFILIATED CORPORATION TO PURCHASE AND HOLD ALL
3 THE STOCK OF THE CONVERTED STOCK COMPANY OR FOR THE MERGER OF THE
4 MUTUAL COMPANY INTO A STOCK COMPANY, THE UNAFFILIATED CORPORATION
5 OR STOCK COMPANY SHALL PAY FOR OR REIMBURSE ALL THE COSTS AND
6 EXPENSES CONNECTED WITH THE PLAN.

7 SEC. 5925. (1) IF THE MUTUAL COMPANY COMPLIES SUBSTANTIALLY
8 AND IN GOOD FAITH WITH THE NOTICE REQUIREMENTS OF THIS CHAPTER,
9 THE MUTUAL COMPANY'S FAILURE TO GIVE A MEMBER THE REQUIRED NOTICE
10 DOES NOT IMPAIR THE VALIDITY OF ANY ACTION TAKEN UNDER THIS
11 CHAPTER.

12 (2) ANY ACTION CHALLENGING THE VALIDITY OF OR ARISING OUT OF
13 ACTS TAKEN OR PROPOSED TO BE TAKEN UNDER THIS CHAPTER SHALL BE
14 COMMENCED WITHIN 30 DAYS AFTER THE EFFECTIVE DATE OF THE PLAN.

15 SEC. 5927. (1) IF A MUTUAL INSURER BECOMES INSOLVENT, ITS
16 BOARD OF DIRECTORS BY A MAJORITY VOTE MAY REQUEST IN ITS PETITION
17 THAT THE COMMISSIONER WAIVE THE REQUIREMENTS IMPOSING NOTICE TO
18 AND POLICYHOLDER APPROVAL OF THE PLANNED CONVERSION. THE PETI-
19 TION SHALL SPECIFY BOTH OF THE FOLLOWING:

20 (A) THE METHOD AND BASIS FOR THE ISSUANCE OF THE CONVERTED
21 INSURER'S SHARES OF ITS CAPITAL STOCK TO AN INDEPENDENT PARTY IN
22 CONNECTION WITH AN INVESTMENT BY THE INDEPENDENT PARTY IN AN
23 AMOUNT SUFFICIENT TO RESTORE THE INSURER TO A SOUND FINANCIAL
24 CONDITION.

25 (B) THAT THE CONVERSION SHALL BE ACCOMPLISHED WITHOUT CON-
26 sideration to the past, present, or future policyholders, if the

1 COMMISSIONER FINDS THAT THE VALUE OF THE INSURER, DUE TO THE
2 INSOLVENCY, IS INSUFFICIENT TO WARRANT CONSIDERATION.

3 (2) IF THE COMMISSIONER, UPON REVIEW OF THE PLAN OF CONVER-
4 SION AND AFTER A FINANCIAL EXAMINATION, FINDS THAT THE MUTUAL
5 INSURER NO LONGER MEETS STATUTORY REQUIREMENTS WITH RESPECT TO
6 CAPITAL, SURPLUS, DEPOSITS, AND ASSETS, THE COMMISSIONER MAY
7 WAIVE, BY A WRITTEN ORDER, THE REQUIREMENTS OF SECTION 5903(6).



HOUSE BILL No. 4521

March 7, 1995, Introduced by Rep. Llewellyn and referred to the Committee on Insurance.

A bill to amend section 5901 of Act No. 218 of the Public Acts of 1956, entitled as amended "The insurance code of 1956," as added by Act No. 22 of the Public Acts of 1987, being section 500.5901 of the Michigan Compiled Laws; and to add sections 5903, 5905, 5907, 5909, 5911, 5913, 5915, 5917, 5919, 5921, 5923, 5925, and 5927.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 5901 of Act No. 218 of the Public Acts
2 of 1956, as added by Act No. 22 of the Public Acts of 1987, being
3 section 500.5901 of the Michigan Compiled Laws, is amended and
4 sections 5903, 5905, 5907, 5909, 5911, 5913, 5915, 5917, 5919,
5 5921, 5923, 5925, and 5927 are added to read as follows:

6 Sec. 5901. ~~-(1) Any domestic mutual insurer may submit to~~
7 ~~the commissioner a petition and plan to convert, without~~

1 ~~reincorporation, into a domestic stock insurer pursuant to the~~
2 ~~requirements of this section.~~

3 ~~(2) The petition and plan shall set forth, with specificity,~~
4 ~~the terms and the conditions of the proposed conversion and shall~~
5 ~~do all of the following:~~

6 ~~(a) Certify that the plan has been adopted by a majority~~
7 ~~vote of the board of directors of the insurer.~~

8 ~~(b) Certify that the plan and the proposed conversion will~~
9 ~~not be prejudicial to the policyholders of the insurer.~~

10 ~~(c) Specify the method and basis for the issuance of the~~
11 ~~capital stock of the converted stock insurer.~~

12 ~~(d) Provide copies of proposed amendments to the insurer's~~
13 ~~articles of incorporation and bylaws to effectuate the~~
14 ~~conversion.~~

15 ~~(3) The commissioner shall preliminarily approve the conver-~~
16 ~~sion after receiving the information provided in subsection (2).~~

17 ~~(4) After securing the preliminary approval from the commis-~~
18 ~~sioner, the insurer shall do all of the following:~~

19 ~~(a) Give notice, either personally or through mailing at~~
20 ~~least 21 days before the time fixed for the meeting, to the last~~
21 ~~known postal address of each policyholder, that the question of~~
22 ~~the conversion will be voted upon at a regular or special meeting~~
23 ~~of the policyholders, which notice shall fairly but briefly~~
24 ~~describe the proposed conversion plan.~~

25 ~~(b) Approve the conversion plan, along with any necessary~~
26 ~~amendments to the insurer's articles of incorporation and bylaws,~~
27 ~~at the regular or a special meeting held in pursuance of the call~~

~~1 and notice by the affirmative vote of not less than 2/3 of the
2 policyholders voting in person or by proxy.~~

~~3 (c) Submit the conversion plan, together with proper proof
4 that it has been approved by the policyholders, as provided in
5 this section, to the commissioner for final approval. This con-
6 version plan shall not become effective until the commissioner,
7 in his or her discretion, issues an amended certificate of
8 authority to the petitioner.~~

~~9 (5) The issuance of the amended certificate of authority is
10 the act of conversion, and the mutual insurer at once becomes a
11 stock insurer and is no longer a mutual insurer. The conversion
12 into a stock insurer shall not affect any suits, rights, or con-
13 tracts of the mutual insurer. In all other respects the rights
14 and properties of the mutual insurer shall continue to be the
15 property of the resulting stock insurer which shall remain bound
16 by all the obligations and liabilities of the mutual insurer.
17 The stock insurer shall be deemed to have been organized at the
18 time the converted mutual insurer was originally organized.~~

~~19 (6) Notwithstanding the requirements of subsection (4)(a)
20 and (b), in the event of insolvency of the insurer, its board of
21 directors by a majority vote may, in its petition, request that
22 the commissioner waive the requirements imposing notice to and
23 policyholder approval for the planned conversion. Such petition
24 shall specify both of the following:~~

~~25 (a) The method and basis for the issuance of the converted
26 insurer's shares of its capital stock to an independent party in
27 connection with an investment by such independent party in an~~

1 ~~amount sufficient to restore the insurer to a sound financial~~
2 ~~condition.~~

3 ~~(b) That the conversion shall be accomplished without dis-~~
4 ~~tribution to the past, present, or future policyholders, if the~~
5 ~~commissioner finds that the value of the insurer, due to insol-~~
6 ~~veny, is insufficient to warrant any such distribution.~~

7 ~~(7) If the commissioner, upon review of the plan of conver-~~
8 ~~sion and after a financial examination, finds that the domestic~~
9 ~~mutual insurer no longer meets statutory requirements with~~
10 ~~respect to capital, surplus, deposits, and assets, the commis-~~
11 ~~sioner may, by a written order, waive the requirements of subsec-~~
12 ~~tion (4)(a) and (b).~~

13 ~~(8) A domestic mutual insurer may by majority vote of its~~
14 ~~directors and with the approval of the commissioner abandon such~~
15 ~~plan for conversion at any time before the issuance of the final~~
16 ~~order of the commissioner. Upon such abandonment all rights and~~
17 ~~obligations arising out of the plan shall terminate and the~~
18 ~~insurer shall continue to conduct its business as a domestic~~
19 ~~mutual insurer as though no such plan had ever been adopted.~~

20 AS USED IN THIS CHAPTER:

21 (A) "CONVERTED STOCK COMPANY" MEANS A MICHIGAN DOMICILED
22 STOCK INSURANCE COMPANY THAT CONVERTED FROM A MICHIGAN DOMICILED
23 MUTUAL COMPANY PURSUANT TO THIS CHAPTER.

24 (B) "ELIGIBLE MEMBER" MEANS A MEMBER WHOSE POLICY IS IN
25 FORCE ON THE DATE THE MUTUAL COMPANY'S BOARD OF DIRECTORS ADOPTS
26 A PLAN OF CONVERSION. A PERSON INSURED UNDER A GROUP POLICY IS
27 NOT AN ELIGIBLE MEMBER. A PERSON WHOSE POLICY BECOMES EFFECTIVE

1 AFTER THE BOARD OF DIRECTORS ADOPTS THE PLAN BUT BEFORE THE
2 PLAN'S EFFECTIVE DATE IS NOT AN ELIGIBLE MEMBER BUT HAS THE
3 RIGHTS ESTABLISHED UNDER SECTION 5919.

4 (C) "PLAN OF CONVERSION" OR "PLAN" MEANS A PLAN ADOPTED BY A
5 MICHIGAN DOMESTIC MUTUAL COMPANY'S BOARD OF DIRECTORS PURSUANT TO
6 THIS CHAPTER TO CONVERT THE MUTUAL COMPANY INTO A MICHIGAN DOMI-
7 CILED STOCK COMPANY.

8 SEC. 5903. (1) A MUTUAL COMPANY SEEKING TO CONVERT TO A
9 STOCK COMPANY SHALL ADOPT, BY THE AFFIRMATIVE VOTE OF NOT LESS
10 THAN 2/3 OF ITS BOARD OF DIRECTORS, A PLAN OF CONVERSION CONSIS-
11 TENT WITH THE REQUIREMENTS OF SECTIONS 5905 TO 5915. AT ANY TIME
12 BEFORE APPROVAL OF A PLAN BY THE COMMISSIONER, THE MUTUAL COM-
13 PANY, BY THE AFFIRMATIVE VOTE OF NOT LESS THAN 2/3 OF ITS BOARD
14 OF DIRECTORS, MAY AMEND OR WITHDRAW THE PLAN.

15 (2) BEFORE A MUTUAL COMPANY'S ELIGIBLE MEMBERS MAY VOTE ON
16 APPROVAL OF A PLAN, A MUTUAL COMPANY WHOSE BOARD OF DIRECTORS HAS
17 ADOPTED A PLAN SHALL SUBMIT ALL OF THE FOLLOWING DOCUMENTS TO THE
18 COMMISSIONER:

19 (A) THE PLAN OF CONVERSION, INCLUDING THE INDEPENDENT EVALU-
20 ATION OF PRO FORMA MARKET VALUE REQUIRED BY SECTION 5905.

21 (B) THE FORM OF NOTICE REQUIRED BY SUBSECTION (5).

22 (C) ANY PROXIES TO BE SOLICITED FROM ELIGIBLE MEMBERS PURSU-
23 ANT TO SUBSECTION (6).

24 (D) THE FORM OF NOTICE REQUIRED BY SECTION 5919(1) TO PER-
25 SONS WHOSE POLICIES ARE ISSUED AFTER ADOPTION OF THE PLAN BUT
26 BEFORE ITS EFFECTIVE DATE.

1 (E) THE PROPOSED ARTICLES OF INCORPORATION AND BYLAWS OF THE
2 CONVERTED STOCK COMPANY.

3 (3) THE COMMISSIONER SHALL APPROVE OR DISAPPROVE THE PLAN BY
4 NOT LATER THAN 60 DAYS AFTER THE FILING OF THE DOCUMENTS UNDER
5 SUBSECTION (2). THE COMMISSIONER SHALL APPROVE THE PLAN IF HE OR
6 SHE FINDS ALL OF THE FOLLOWING:

7 (A) THE PLAN COMPLIES WITH THIS CHAPTER.

8 (B) THE PLAN WILL NOT PREJUDICE THE INTERESTS OF THE
9 MEMBERS.

10 (C) THE PLAN'S METHOD OF ALLOCATING SUBSCRIPTION RIGHTS IS
11 FAIR AND EQUITABLE.

12 (4) THE COMMISSIONER MAY RETAIN, AT THE MUTUAL COMPANY'S
13 EXPENSE, ANY QUALIFIED EXPERT NOT OTHERWISE A PART OF THE
14 COMMISSIONER'S STAFF TO ASSIST IN REVIEWING THE PLAN AND THE
15 INDEPENDENT EVALUATION OF THE PRO FORMA MARKET VALUE REQUIRED
16 UNDER SECTION 5905.

17 (5) ALL ELIGIBLE MEMBERS SHALL BE GIVEN NOTICE OF THE
18 MEMBERS' MEETING TO VOTE UPON THE PLAN. THE NOTICE SHALL BRIEFLY
19 BUT FAIRLY DESCRIBE THE PROPOSED CONVERSION PLAN, SHALL INFORM
20 THE MEMBER OF HIS OR HER RIGHT TO VOTE UPON THE PLAN, AND SHALL
21 BE MAILED TO EACH MEMBER'S LAST KNOWN ADDRESS, AS SHOWN ON THE
22 MUTUAL COMPANY'S RECORDS, AT LEAST 21 DAYS BEFORE THE TIME FIXED
23 FOR THE MEETING. IF THE MEETING TO VOTE UPON THE PLAN IS HELD
24 DURING THE MUTUAL COMPANY'S ANNUAL MEETING OF POLICYHOLDERS, ONLY
25 1 COMBINED NOTICE OF MEETING IS REQUIRED.

26 (6) THE PLAN SHALL BE ADOPTED UPON RECEIVING THE AFFIRMATIVE
27 VOTE OF AT LEAST 2/3 OF THE VOTES CAST BY ELIGIBLE MEMBERS.

1 MEMBERS ENTITLED TO VOTE UPON THE PROPOSED PLAN MAY VOTE IN
2 PERSON OR BY PROXY. ANY PROXIES TO BE SOLICITED FROM ELIGIBLE
3 MEMBERS SHALL BE FILED WITH AND APPROVED BY THE COMMISSIONER.
4 THE NUMBER OF VOTES EACH ELIGIBLE MEMBER MAY CAST SHALL BE DETER-
5 MINED BY THE MUTUAL COMPANY'S BYLAWS. IF THE BYLAWS ARE SILENT,
6 EACH ELIGIBLE MEMBER MAY CAST 1 VOTE.

7 (7) THE REVISED ARTICLES SHALL BE CONSIDERED AT THE MEETING
8 OF THE POLICYHOLDERS CALLED FOR THE PURPOSE OF ADOPTING THE PLAN
9 OF CONVERSION AND SHALL REQUIRE FOR ADOPTION THE AFFIRMATIVE VOTE
10 OF AT LEAST 2/3 OF THE VOTES CAST BY ELIGIBLE MEMBERS.

11 (8) AFTER THE ELIGIBLE MEMBERS HAVE APPROVED THE PLAN, THE
12 CONVERTED STOCK COMPANY SHALL FILE BOTH OF THE FOLLOWING DOCU-
13 MENTS WITH THE COMMISSIONER:

14 (A) THE MINUTES OF THE MEETING OF THE MEMBERS AT WHICH THE
15 PLAN WAS VOTED UPON.

16 (B) THE REVISED ARTICLES OF INCORPORATION AND BYLAWS OF THE
17 CONVERTED STOCK COMPANY.

18 SEC. 5905. (1) THE FOLLOWING PROVISIONS SHALL BE INCLUDED
19 IN THE PLAN:

20 (A) THE REASONS FOR THE PROPOSED CONVERSION.

21 (B) THE EFFECT OF THE CONVERSION ON EXISTING POLICIES,
22 INCLUDING ALL OF THE FOLLOWING:

23 (i) A PROVISION THAT ALL POLICIES IN FORCE ON THE EFFECTIVE
24 DATE OF CONVERSION CONTINUE TO REMAIN IN FORCE UNDER THE TERMS OF
25 THE POLICIES, EXCEPT THAT ANY VOTING RIGHTS OF THE POLICYHOLDERS
26 PROVIDED FOR UNDER THE POLICIES OR UNDER THIS CHAPTER ARE
27 EXTINGUISHED ON THE EFFECTIVE DATE OF THE CONVERSION.

1 (ii) A PROVISION THAT HOLDERS OF PARTICIPATING POLICIES IN
2 EFFECT ON THE DATE OF CONVERSION CONTINUE TO HAVE THE RIGHT TO
3 RECEIVE DIVIDENDS AS PROVIDED IN THE PARTICIPATING POLICIES, IF
4 ANY.

5 (iii) A PROVISION THAT, EXCEPT FOR THE MUTUAL COMPANY'S LIFE
6 POLICIES, GUARANTEED RENEWABLE ACCIDENT AND HEALTH POLICIES, AND
7 GUARANTEED RENEWABLE, NONCANCELABLE ACCIDENT AND HEALTH POLICIES,
8 UPON THE RENEWAL DATE OF A PARTICIPATING POLICY, THE CONVERTED
9 STOCK COMPANY MAY ISSUE THE INSURED A NONPARTICIPATING POLICY AS
10 A SUBSTITUTE FOR THE PARTICIPATING POLICY.

11 (C) THE SUBSCRIPTION RIGHTS TO ELIGIBLE MEMBERS, INCLUDING
12 BOTH OF THE FOLLOWING:

13 (i) A PROVISION THAT EACH ELIGIBLE MEMBER IS TO RECEIVE,
14 WITHOUT PAYMENT, NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PURCHASE
15 A PORTION OF THE CAPITAL STOCK OF THE CONVERTED STOCK COMPANY.
16 AS AN ALTERNATIVE TO SUBSCRIPTION RIGHTS IN THE CONVERTED STOCK
17 COMPANY, THE PLAN MAY PROVIDE THAT EACH ELIGIBLE MEMBER IS TO
18 RECEIVE, WITHOUT PAYMENT, NONTRANSFERABLE SUBSCRIPTION RIGHTS TO
19 PURCHASE A PORTION OF THE CAPITAL STOCK OF 1 OF THE FOLLOWING:

20 (A) A CORPORATION ORGANIZED FOR THE PURPOSE OF PURCHASING
21 AND HOLDING ALL THE STOCK OF THE CONVERTED STOCK COMPANY.

22 (B) AN UNAFFILIATED CORPORATION THAT WILL PURCHASE ALL THE
23 STOCK OF THE CONVERTED STOCK COMPANY.

24 (C) A STOCK INSURANCE COMPANY INTO WHICH THE MUTUAL COMPANY
25 WILL BE MERGED.

26 (ii) A PROVISION THAT THE SUBSCRIPTION RIGHTS SHALL BE
27 ALLOCATED IN WHOLE SHARES AMONG THE ELIGIBLE MEMBERS USING A FAIR

1 AND EQUITABLE FORMULA. THIS FORMULA MAY BUT NEED NOT TAKE INTO
2 ACCOUNT HOW THE DIFFERENT CLASSES OF POLICIES OF THE ELIGIBLE
3 MEMBERS CONTRIBUTED TO THE SURPLUS OF THE MUTUAL COMPANY OR ANY
4 OTHER FACTORS THAT MAY BE FAIR OR EQUITABLE.

5 (2) THE PLAN SHALL PROVIDE A FAIR AND EQUITABLE MEANS FOR
6 ALLOCATING SHARES OF CAPITAL STOCK IN THE EVENT OF AN OVERSUB-
7 SCRIPTION TO SHARES BY ELIGIBLE MEMBERS EXERCISING SUBSCRIPTION
8 RIGHTS RECEIVED UNDER SUBSECTION (1)(C).

9 (3) THE PLAN SHALL PROVIDE THAT ANY SHARES OF CAPITAL STOCK
10 NOT SUBSCRIBED TO BY ELIGIBLE MEMBERS EXERCISING SUBSCRIPTION
11 RIGHTS RECEIVED UNDER SUBSECTION (1)(C) SHALL BE SOLD IN A PUBLIC
12 OFFERING THROUGH AN UNDERWRITER. IF THE NUMBER OF SHARES OF CAP-
13 ITAL STOCK NOT SUBSCRIBED BY ELIGIBLE MEMBERS IS SO SMALL IN
14 NUMBER THAT IT DOES NOT WARRANT THE EXPENSE OF A PUBLIC OFFERING,
15 THE PLAN OF CONVERSION MAY PROVIDE FOR PURCHASING UNSUBSCRIBED
16 SHARES BY A PRIVATE PLACEMENT OR OTHER ALTERNATIVE METHOD
17 APPROVED BY THE COMMISSIONER THAT IS FAIR AND EQUITABLE TO ELIGI-
18 BLE MEMBERS.

19 (4) THE PLAN SHALL SET THE TOTAL PRICE OF THE CAPITAL STOCK
20 EQUAL TO THE ESTIMATED PRO FORMA MARKET VALUE OF THE CONVERTED
21 STOCK COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT IS PARTIC-
22 IPATING IN THE CONVERSION PLAN, AS PROVIDED IN SUBSECTION
23 (1)(C)(i)(A), (B), OR (C) BASED UPON AN INDEPENDENT EVALUATION BY
24 A QUALIFIED EXPERT. THIS PRO FORMA MARKET VALUE MAY BE THAT
25 VALUE THAT IS ESTIMATED TO BE NECESSARY TO ATTRACT FULL SUBSCRIP-
26 TION FOR THE SHARES, AS INDICATED BY THE INDEPENDENT EVALUATION.

1 (5) THE PLAN SHALL SET THE PURCHASE PRICE PER SHARE OF
2 CAPITAL STOCK EQUAL TO ANY REASONABLE AMOUNT.

3 SEC. 5907. (1) THE PLAN SHALL PROVIDE THAT A MUTUAL LIFE
4 INSURANCE COMPANY'S PARTICIPATING LIFE POLICIES IN FORCE ON THE
5 EFFECTIVE DATE OF THE CONVERSION SHALL BE OPERATED BY THE CON-
6 VERTED STOCK COMPANY FOR DIVIDEND PURPOSES AS A CLOSED BLOCK OF
7 PARTICIPATING BUSINESS, EXCEPT THAT ANY AND ALL CLASSES OF GROUP
8 PARTICIPATING POLICIES MAY BE EXCLUDED FROM THE CLOSED BLOCK.

9 (2) THE PLAN SHALL ESTABLISH 1 OR MORE SEGREGATED ACCOUNTS
10 FOR THE BENEFIT OF THE CLOSED BLOCK OF BUSINESS AND SHALL ALLO-
11 CATE TO THOSE SEGREGATED ACCOUNTS ENOUGH ASSETS OF THE MUTUAL
12 COMPANY SO THAT THE ASSETS TOGETHER WITH THE REVENUE FROM THE
13 CLOSED BLOCK OF BUSINESS ARE SUFFICIENT TO SUPPORT THE CLOSED
14 BLOCK, INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF CLAIMS,
15 EXPENSES, TAXES, AND ANY DIVIDENDS THAT ARE PROVIDED FOR UNDER
16 THE TERMS OF THE PARTICIPATING POLICIES, WITH APPROPRIATE ADJUST-
17 MENTS IN THE DIVIDENDS FOR EXPERIENCE CHANGES. THE ASSETS ALLO-
18 CATED TO THE CLOSED BLOCK OF BUSINESS AT ITS ESTABLISHMENT SHALL
19 BE AT LEAST EQUAL TO THE AMOUNT OF RESERVES THEN HELD IN CONNec-
20 TION WITH THE CLOSED BLOCK OF BUSINESS OR THE MINIMUM RESERVE
21 PERMITTED BY STATUTE OR REGULATION FOR THE CLOSED BLOCK OF BUSI-
22 NESS, WHICHEVER IS GREATER.

23 (3) THE AMOUNT OF ASSETS ALLOCATED TO THE SEGREGATED
24 ACCOUNTS OF THE CLOSED BLOCK SHALL BE BASED UPON THE MUTUAL LIFE
25 INSURANCE COMPANY'S LAST ANNUAL STATEMENT, UPDATED TO THE EFFEC-
26 TIVE DATE OF THE CONVERSION.

1 (4) THE CONVERTED STOCK COMPANY SHALL KEEP A SEPARATE
2 ACCOUNTING FOR THE CLOSED BLOCK AND SHALL MAKE AND INCLUDE IN THE
3 ANNUAL STATEMENT TO BE FILED WITH THE COMMISSIONER EACH YEAR A
4 SEPARATE STATEMENT SHOWING THE GAINS, LOSSES, AND EXPENSES PROP-
5 ERLY ATTRIBUTABLE TO THE CLOSED BLOCK.

6 (5) THE COMMISSIONER MAY WAIVE THE REQUIREMENT FOR ESTAB-
7 LISHING A CLOSED BLOCK OF BUSINESS IF IT IS IN THE BEST INTERESTS
8 OF POLICYHOLDERS TO DO SO. THE COMMISSIONER MAY PERMIT DISCON-
9 TINUING A SEGREGATED ACCOUNT IF ITS SIZE DOES NOT WARRANT THE
10 EXPENSE OF MAINTAINING THE SEGREGATED ACCOUNT.

11 (6) THIS SECTION APPLIES ONLY TO MUTUAL LIFE INSURANCE
12 COMPANIES.

13 SEC. 5909. (1) THE PLAN SHALL PROVIDE THAT ANY PERSON OR
14 GROUP OF PERSONS ACTING IN CONCERT SHALL NOT ACQUIRE, THROUGH
15 PUBLIC OFFERING OR SUBSCRIPTION RIGHTS, MORE THAN 5% OF THE CAPI-
16 TAL STOCK OF THE CONVERTED STOCK COMPANY OR THE STOCK OF ANOTHER
17 CORPORATION THAT IS PARTICIPATING IN THE CONVERSION PLAN, AS PRO-
18 VIDED IN SECTION 5905(1)(C)(i)(A), (B), OR (C), FOR 5 YEARS FROM
19 THE EFFECTIVE DATE OF THE PLAN, EXCEPT WITH THE APPROVAL OF THE
20 COMMISSIONER. THIS LIMITATION DOES NOT APPLY TO ANY ENTITY THAT
21 IS TO PURCHASE 100% OF THE CAPITAL STOCK OF THE CONVERTED COMPANY
22 AS PART OF THE PLAN OF CONVERSION APPROVED BY THE COMMISSIONER.

23 (2) THE PLAN SHALL PROVIDE THAT NO DIRECTOR OR OFFICER OR
24 PERSON ACTING IN CONCERT WITH A DIRECTOR OR OFFICER OF THE MUTUAL
25 COMPANY SHALL ACQUIRE ANY CAPITAL STOCK OF THE CONVERTED STOCK
26 COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT IS PARTICIPATING
27 IN THE CONVERSION PLAN, AS PROVIDED IN SECTION 5905(1)(C)(i)(A),

1 (B), OR (C), FOR 3 YEARS AFTER THE EFFECTIVE DATE OF THE PLAN,
2 EXCEPT THROUGH A BROKER/DEALER, WITHOUT THE PERMISSION OF THE
3 COMMISSIONER. THIS PROVISION DOES NOT PROHIBIT THE DIRECTORS AND
4 OFFICERS FROM PURCHASING STOCK THROUGH SUBSCRIPTION RIGHTS
5 RECEIVED IN THE PLAN PURSUANT TO SECTION 5911(1) OR FROM PARTICI-
6 PATING IN A TAX QUALIFIED STOCK BENEFIT PLAN PURSUANT TO SECTION
7 5913.

8 (3) STOCK OPTIONS FOR THE CONVERTED STOCK INSURANCE COMPANY
9 OR THE STOCK OF ANOTHER CORPORATION THAT IS PARTICIPATING IN THE
10 CONVERSION PLAN, AS PROVIDED IN SECTION 5905(1)(C)(i)(A), (B), OR
11 (C), SHALL NOT BE MADE AVAILABLE TO THE DIRECTORS OR OFFICERS OF
12 THE COMPANY DURING THE 2-YEAR PERIOD FOLLOWING THE EFFECTIVE DATE
13 OF THE PLAN IF THE AGGREGATE STOCK HOLDINGS OF DIRECTORS AND
14 OFFICERS EXCEED, OR WOULD EXCEED IF THE OPTIONS WERE EXERCISED,
15 25% OF THE TOTAL NUMBER OF SHARES ISSUED BY THE CONVERTED COMPANY
16 IF TOTAL ASSETS OF THE COMPANY ARE LESS THAN \$50,000,000.00, OR
17 15% OF THE TOTAL NUMBER OF SHARES ISSUED FOR THE CONVERTED COM-
18 PANY IF TOTAL ASSETS ARE MORE THAN \$500,000,000.00. FOR CON-
19 VERTED COMPANIES WITH TOTAL ASSETS OF OR BETWEEN \$50,000,000.00
20 AND \$500,000,000.00, THE COMPANY SIZE THRESHOLD FOR LIMITING
21 STOCK OPTIONS SHALL BE INTERPOLATED.

22 SEC. 5911. (1) THE PLAN MAY PROVIDE THAT THE DIRECTORS AND
23 OFFICERS OF THE MUTUAL COMPANY SHALL RECEIVE, WITHOUT PAYMENT,
24 NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PURCHASE CAPITAL STOCK OF
25 THE CONVERTED STOCK COMPANY OR THE STOCK OF ANOTHER CORPORATION
26 THAT IS PARTICIPATING IN THE CONVERSION PLAN, AS PROVIDED IN
27 SECTION 5905(1)(C)(i)(A), (B), OR (C). THESE SUBSCRIPTION RIGHTS

1 SHALL BE ALLOCATED AMONG THE DIRECTORS AND OFFICERS BY A FAIR AND
2 EQUITABLE FORMULA.

3 (2) THE TOTAL NUMBER OF SHARES THAT MAY BE PURCHASED UNDER
4 SUBSECTION (1) SHALL NOT EXCEED 25% OF THE TOTAL NUMBER OF SHARES
5 TO BE ISSUED FOR A MUTUAL COMPANY IF TOTAL ASSETS OF THE COMPANY
6 ARE LESS THAN \$50,000,000.00 OR 15% OF THE TOTAL NUMBER OF SHARES
7 TO BE ISSUED FOR A MUTUAL COMPANY IF TOTAL ASSETS OF THE COMPANY
8 ARE MORE THAN \$500,000,000.00. FOR MUTUAL COMPANIES WITH TOTAL
9 ASSETS OF OR BETWEEN \$50,000,000.00 AND \$500,000,000.00, THE PER-
10 CENTAGE OF THE TOTAL NUMBER OF SHARES THAT MAY BE PURCHASED SHALL
11 BE INTERPOLATED.

12 (3) STOCK PURCHASED BY A DIRECTOR OR OFFICER UNDER SUBSEC-
13 TION (1) MAY NOT BE SOLD WITHIN 1 YEAR AFTER THE EFFECTIVE DATE
14 OF THE CONVERSION.

15 SEC. 5913. THE PLAN MAY ALLOCATE TO A TAX-QUALIFIED
16 EMPLOYEE BENEFIT PLAN NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PUR-
17 CHASE UP TO 10% OF THE CAPITAL STOCK OF THE CONVERTED STOCK COM-
18 PANY OR THE STOCK OF ANOTHER CORPORATION THAT IS PARTICIPATING IN
19 THE CONVERSION PLAN, AS PROVIDED IN SECTION 5905(1)(C)(i)(A),
20 (B), OR (C). THIS EMPLOYEE BENEFIT PLAN IS ENTITLED TO EXERCISE
21 ITS SUBSCRIPTION RIGHTS REGARDLESS OF THE TOTAL NUMBER OF SHARES
22 PURCHASED BY OTHER PERSONS.

23 SEC. 5915. THE BOARD OF DIRECTORS MAY ADOPT A PLAN OF CON-
24 VERSION THAT DOES NOT RELY IN WHOLE OR IN PART UPON ISSUING NON-
25 TRANSFERABLE SUBSCRIPTION RIGHTS TO MEMBERS TO PURCHASE STOCK OF
26 THE CONVERTED STOCK COMPANY IF THE COMMISSIONER FINDS THAT THE
27 PLAN DOES NOT PREJUDICE THE INTERESTS OF THE MEMBERS, IS FAIR AND

1 EQUITABLE, AND IS NOT INCONSISTENT WITH THE PURPOSE AND INTENT OF
2 THIS CHAPTER. AN ALTERNATIVE PLAN MAY INCLUDE THE MERGER OF A
3 DOMESTIC MUTUAL INSURER INTO A DOMESTIC OR FOREIGN STOCK INSURER,
4 ISSUING STOCK OR CASH TO POLICYHOLDERS INSTEAD OF SUBSCRIPTION
5 RIGHTS, OR ANOTHER PLAN APPROVED BY THE COMMISSIONER. THE
6 COMMISSIONER MAY RETAIN, AT THE MUTUAL COMPANY'S EXPENSE, ANY
7 QUALIFIED EXPERT NOT OTHERWISE A PART OF THE COMMISSIONER'S STAFF
8 TO ASSIST IN REVIEWING WHETHER THE PLAN MAY BE APPROVED BY THE
9 COMMISSIONER.

10 SEC. 5917. A PLAN IS EFFECTIVE WHEN THE COMMISSIONER HAS
11 APPROVED THE PLAN, THE ELIGIBLE MEMBERS HAVE APPROVED THE PLAN,
12 AND THE REVISED ARTICLES OF INCORPORATION HAVE BEEN ADOPTED.

13 SEC. 5919. (1) ALL MEMBERS WHOSE POLICIES BECOME EFFECTIVE
14 AFTER THE PROPOSED PLAN HAS BEEN ADOPTED BY THE BOARD OF DIREC-
15 TORS AND BEFORE THE EFFECTIVE DATE OF THE PLAN SHALL BE GIVEN
16 WRITTEN NOTICE OF THE PLAN OF CONVERSION ON OR BEFORE THE
17 FORTY-FIFTH DAY AFTER THE EFFECTIVE DATE OF THE PLAN. THE NOTICE
18 SHALL SPECIFY THE MEMBER'S RIGHT TO RESCIND OR CANCEL THE
19 MEMBER'S POLICY, AS PROVIDED IN SUBSECTION (2). A COPY OF THE
20 DESCRIPTION OF THE PLAN PROVIDED TO MEMBERS PURSUANT TO SECTION
21 5903(5) SHALL ACCOMPANY THE NOTICE. THE FORM OF THE NOTICE SHALL
22 BE FILED WITH AND APPROVED BY THE COMMISSIONER.

23 (2) A MEMBER OF A LIFE OR HEALTH INSURANCE COMPANY ENTITLED
24 TO RECEIVE THE NOTICE DESCRIBED IN SUBSECTION (1) IS ENTITLED TO
25 RESCIND THE MEMBER'S POLICY AND RECEIVE A FULL REFUND OF ANY
26 AMOUNTS PAID FOR THE POLICY OR CONTRACT WITHIN 10 DAYS AFTER HE
27 OR SHE HAS RECEIVED THE NOTICE. EACH MEMBER OF A PROPERTY OR

1 CASUALTY INSURANCE COMPANY ENTITLED TO RECEIVE THE NOTICE
2 PROVIDED FOR IN SUBSECTION (1) SHALL BE ADVISED OF THE MEMBER'S
3 RIGHT OF CANCELLATION AND TO A PRO RATA REFUND OF UNEARNED
4 PREMIUMS.

5 SEC. 5921. (1) UPON CONVERTING A MUTUAL COMPANY TO A CON-
6 VERTED STOCK COMPANY UNDER THIS CHAPTER, THE CORPORATE EXISTENCE
7 OF THE MUTUAL COMPANY IS CONTINUED IN THE CONVERTED STOCK
8 COMPANY. ALL THE RIGHTS, FRANCHISES, AND INTERESTS OF THE MUTUAL
9 COMPANY IN AND TO EVERY SPECIES OF PROPERTY, REAL, PERSONAL, AND
10 MIXED, AND ANY ACCOMPANYING THINGS IN ACTION, ARE TRANSFERRED TO
11 AND VESTED IN THE CONVERTED STOCK COMPANY, WITHOUT ANY DEED OR
12 TRANSFER. IN ADDITION, THE CONVERTED STOCK COMPANY HAS ASSUMED
13 ALL THE OBLIGATIONS AND LIABILITIES OF THE MUTUAL COMPANY.

14 (2) THE DIRECTORS AND OFFICERS OF THE MUTUAL COMPANY, UNLESS
15 OTHERWISE SPECIFIED IN THE PLAN OF CONVERSION, SHALL SERVE AS
16 DIRECTORS AND OFFICERS OF THE CONVERTED STOCK COMPANY UNTIL NEW
17 DIRECTORS AND OFFICERS OF THE CONVERTED STOCK COMPANY ARE DULY
18 ELECTED PURSUANT TO THE ARTICLES OF INCORPORATION AND BYLAWS OF
19 THE CONVERTED STOCK COMPANY.

20 SEC. 5923. (1) A DIRECTOR, OFFICER, AGENT, OR EMPLOYEE OF
21 THE MUTUAL COMPANY OR ANY OTHER PERSON SHALL NOT RECEIVE ANY FEE,
22 COMMISSION, OR OTHER VALUABLE CONSIDERATION, OTHER THAN HIS OR
23 HER USUAL REGULAR SALARY OR COMPENSATION, FOR AIDING, PROMOTING,
24 OR ASSISTING IN A CONVERSION UNDER THIS CHAPTER EXCEPT AS PRO-
25 VIDED FOR IN THE PLAN APPROVED BY THE COMMISSIONER.

26 (2) ALL THE COSTS AND EXPENSES CONNECTED WITH A PLAN OF
27 CONVERSION SHALL BE PAID FOR OR REIMBURSED BY THE MUTUAL COMPANY

1 OR THE CONVERTED STOCK COMPANY. HOWEVER, IF THE PLAN PROVIDES
2 EITHER FOR AN UNAFFILIATED CORPORATION TO PURCHASE AND HOLD ALL
3 THE STOCK OF THE CONVERTED STOCK COMPANY OR FOR THE MERGER OF THE
4 MUTUAL COMPANY INTO A STOCK COMPANY, THE UNAFFILIATED CORPORATION
5 OR STOCK COMPANY SHALL PAY FOR OR REIMBURSE ALL THE COSTS AND
6 EXPENSES CONNECTED WITH THE PLAN.

7 SEC. 5925. (1) IF THE MUTUAL COMPANY COMPLIES SUBSTANTIALLY
8 AND IN GOOD FAITH WITH THE NOTICE REQUIREMENTS OF THIS CHAPTER,
9 THE MUTUAL COMPANY'S FAILURE TO GIVE A MEMBER THE REQUIRED NOTICE
10 DOES NOT IMPAIR THE VALIDITY OF ANY ACTION TAKEN UNDER THIS
11 CHAPTER.

12 (2) ANY ACTION CHALLENGING THE VALIDITY OF OR ARISING OUT OF
13 ACTS TAKEN OR PROPOSED TO BE TAKEN UNDER THIS CHAPTER SHALL BE
14 COMMENCED WITHIN 30 DAYS AFTER THE EFFECTIVE DATE OF THE PLAN.

15 SEC. 5927. (1) IF A MUTUAL INSURER BECOMES INSOLVENT, ITS
16 BOARD OF DIRECTORS BY A MAJORITY VOTE MAY REQUEST IN ITS PETITION
17 THAT THE COMMISSIONER WAIVE THE REQUIREMENTS IMPOSING NOTICE TO
18 AND POLICYHOLDER APPROVAL OF THE PLANNED CONVERSION. THE PETI-
19 TION SHALL SPECIFY BOTH OF THE FOLLOWING:

20 (A) THE METHOD AND BASIS FOR THE ISSUANCE OF THE CONVERTED
21 INSURER'S SHARES OF ITS CAPITAL STOCK TO AN INDEPENDENT PARTY IN
22 CONNECTION WITH AN INVESTMENT BY THE INDEPENDENT PARTY IN AN
23 AMOUNT SUFFICIENT TO RESTORE THE INSURER TO A SOUND FINANCIAL
24 CONDITION.

25 (B) THAT THE CONVERSION SHALL BE ACCOMPLISHED WITHOUT CON-
26 sideration to the past, present, or future policyholders, if the

1 COMMISSIONER FINDS THAT THE VALUE OF THE INSURER, DUE TO THE
2 INSOLVENCY, IS INSUFFICIENT TO WARRANT CONSIDERATION.

3 (2) IF THE COMMISSIONER, UPON REVIEW OF THE PLAN OF CONVER-
4 SION AND AFTER A FINANCIAL EXAMINATION, FINDS THAT THE MUTUAL
5 INSURER NO LONGER MEETS STATUTORY REQUIREMENTS WITH RESPECT TO
6 CAPITAL, SURPLUS, DEPOSITS, AND ASSETS, THE COMMISSIONER MAY
7 WAIVE, BY A WRITTEN ORDER, THE REQUIREMENTS OF SECTION 5903(6).