

**SUBSTITUTE FOR
SENATE BILL NO. 808**

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending sections 5400, 5402, 5800, 5901, 5905, 5911, 5913,
and 5915 (MCL 500.5400, 500.5402, 500.5800, 500.5901, 500.5905,
500.5911, 500.5913, and 500.5915), section 5800 as amended by
1998 PA 457, sections 5901 and 5915 as amended by 1998 PA 121,
and sections 5905, 5911, and 5913 as added by 1995 PA 215, and by
adding sections 5403 and 5803 and chapter 60.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 5400. This chapter applies only to domestic mutual
2 life and disability insurers ~~heretofore or hereafter formed~~
3 other than cooperative insurers as identified in chapter 64 AND
4 TO MUTUAL HOLDING COMPANIES RESULTING FROM THE REORGANIZATION OF
5 THOSE MUTUAL INSURERS.

SB0808, As Passed House, February 8, 2000

Senate Bill No. 808

2

1 Sec. 5402. A domestic mutual insurer for the transaction of
2 life insurance, or for THE transaction of life and disability
3 insurance, may be formed ~~in accordance with the applicable pro-~~
4 ~~visions of~~ PURSUANT TO chapter 50 ~~(organization of domestic~~
5 ~~stock and mutual insurers)~~ AND MAY BE REORGANIZED PURSUANT TO
6 CHAPTERS 59 AND 60.

7 SEC. 5403. A MUTUAL HOLDING COMPANY RESULTING FROM A REOR-
8 GANIZATION UNDER CHAPTER 60 SHALL BE CONSIDERED A DOMESTIC MUTUAL
9 INSURANCE COMPANY UNDER THIS ACT EXCEPT THAT THE MUTUAL HOLDING
10 COMPANY SHALL NOT BE ISSUED A CERTIFICATE OF AUTHORITY TO ISSUE
11 POLICIES OR TRANSACT THE BUSINESS OF INSURANCE.

12 Sec. 5800. (1) This chapter applies only to domestic mutual
13 insurers transacting property, casualty, disability, and other
14 insurances AND TO MUTUAL HOLDING COMPANIES RESULTING FROM THE
15 REORGANIZATION OF THOSE MUTUAL INSURERS.

16 (2) This chapter does not apply to any domestic insurer
17 doing business on August 10, 1917, unless the insurer fully com-
18 plies with this chapter and by resolution of its board of direc-
19 tors duly certified to by the president and secretary and filed
20 with and approved by the commissioner elects to adopt the provi-
21 sions of this chapter, in which case the insurer may thereafter
22 effect such kind or kinds of insurance as specified in its arti-
23 cles of incorporation as then or thereafter amended or as may be
24 specified in the resolution.

25 (3) A person ~~or persons~~ incorporating under this chapter
26 after January 1, 1984, is subject to the minimum financial
27 requirements of sections 408 and 410. Any corporation

1 incorporated under this chapter on or before January 1, 1984,
2 shall continue to be subject to the provisions of section
3 5810(3).

4 (4) A DOMESTIC MUTUAL INSURER TRANSACTING PROPERTY, CASUAL-
5 TY, DISABILITY, AND OTHER INSURANCES MAY BE REORGANIZED PURSUANT
6 TO CHAPTERS 59 AND 60.

7 SEC. 5803. A MUTUAL HOLDING COMPANY RESULTING FROM A REOR-
8 GANIZATION UNDER CHAPTER 60 SHALL BE CONSIDERED A DOMESTIC MUTUAL
9 INSURANCE COMPANY UNDER THIS ACT EXCEPT THAT THE MUTUAL HOLDING
10 COMPANY SHALL NOT BE ISSUED A CERTIFICATE OF AUTHORITY TO ISSUE
11 POLICIES OR TRANSACT THE BUSINESS OF INSURANCE.

12 Sec. 5901. As used in this chapter:

13 (a) "Converted stock company" means a Michigan domiciled
14 stock insurance company that converted from a Michigan domiciled
15 mutual company OR A STOCK BUSINESS CORPORATION RESULTING FROM
16 CONVERSION OF A MUTUAL HOLDING COMPANY pursuant to this chapter.

17 (b) "Eligible member" except as otherwise provided in
18 section 5915, means a member whose policy is in force on the date
19 the mutual company's board of directors adopts a plan of
20 conversion. A person insured under a group policy is not an eli-
21 gible member. A person whose policy becomes effective after the
22 board of directors adopts the plan but before the plan's effec-
23 tive date is not an eligible member but has the rights estab-
24 lished under section 5919.

25 (c) "Plan of conversion" or "plan" means a plan adopted by a
26 Michigan domestic mutual company's OR MUTUAL HOLDING COMPANY'S

1 board of directors pursuant to this chapter to convert the mutual
2 company into a Michigan domiciled stock company.

3 Sec. 5905. (1) The following provisions shall be included
4 in the plan:

5 (a) The reasons for the proposed conversion.

6 (b) The effect of the conversion on existing policies,
7 including all of the following:

8 (i) A provision that all policies in force on the effective
9 date of conversion continue to remain in force under the terms of
10 the policies, except that any voting rights of the policyholders
11 provided for under the policies or under this chapter are extin-
12 guished on the effective date of the conversion.

13 (ii) A provision that holders of participating policies in
14 effect on the date of conversion continue to have the right to
15 receive dividends as provided in the participating policies, if
16 any.

17 (iii) A provision that, except for the mutual company's life
18 policies, guaranteed renewable accident and health policies, and
19 guaranteed renewable, noncancelable accident and health policies,
20 upon the renewal date of a participating policy, the converted
21 stock company may issue the insured a nonparticipating policy as
22 a substitute for the participating policy.

23 (c) The subscription rights to eligible members, including
24 both of the following:

25 (i) A provision that each eligible member is to receive,
26 without payment, ~~nontransferable~~ subscription rights to
27 purchase a portion of the capital stock of the converted stock

1 company. SUBSCRIPTION RIGHTS SHALL BE NONTRANSFERABLE UNLESS
2 OTHERWISE PROVIDED IN THE PLAN. A PLAN PROVIDING FOR TRANSFER-
3 ABLE SUBSCRIPTION RIGHTS SHALL INCLUDE WHATEVER TERMS, CONDI-
4 TIONS, AND RESTRICTIONS ON TRANSFERS THAT THE COMMISSIONER DETER-
5 MINES ARE REASONABLY NECESSARY TO PROTECT THE MEMBER'S INTERESTS.
6 As an alternative to subscription rights in the converted stock
7 company, the plan may provide that each eligible member is to
8 receive, without payment, ~~nontransferable~~ subscription rights
9 to purchase a portion of the capital stock of 1 of the
10 following:

11 (A) A corporation organized for the purpose of purchasing
12 and holding all the stock of the converted stock company.

13 (B) An unaffiliated corporation that will purchase all the
14 stock of the converted stock company.

15 (C) A stock insurance company into which the mutual company
16 will be merged.

17 (ii) A provision that the subscription rights shall be allo-
18 cated in whole shares among the eligible members using a fair and
19 equitable formula. This formula may but need not take into
20 account how the different classes of policies of the eligible
21 members contributed to the surplus of the mutual company or any
22 other factors that may be fair or equitable.

23 (2) The plan shall provide a fair and equitable means for
24 allocating shares of capital stock in the event of an oversub-
25 scription to shares by eligible members exercising subscription
26 rights received under subsection (1)(c).

1 (3) The plan shall provide that any shares of capital stock
2 not subscribed to by persons exercising subscription rights
3 received under subsection (1)(c) shall be sold in a public offer-
4 ing through an underwriter. If the number of shares of capital
5 stock not subscribed by eligible members is so small in number
6 that it does not warrant the expense of a public offering, the
7 plan of conversion may provide for purchasing unsubscribed shares
8 by a private placement or other alternative method approved by
9 the commissioner that is fair and equitable to eligible members.

10 (4) The plan shall set the total price of the capital stock
11 equal to the estimated pro forma market value of the converted
12 stock company or the stock of another corporation that is partic-
13 ipating in the conversion plan, as provided in subsection
14 (1)(c)(i)(A), (B), or (C) based upon an independent evaluation by
15 a qualified expert. This pro forma market value may be that
16 value that is estimated to be necessary to attract full subscrip-
17 tion for the shares, as indicated by the independent evaluation.

18 (5) The plan shall set the purchase price per share of capi-
19 tal stock equal to any reasonable amount.

20 (6) The plan shall provide for notice and a clear explana-
21 tion to eligible members of their right to subscribe to stock of
22 the converted stock company or the stock of another corporation
23 that is participating in the conversion plan.

24 Sec. 5911. (1) The plan may provide that the directors and
25 officers of the mutual company shall receive, without payment,
26 ~~nontransferable~~ subscription rights to purchase capital stock
27 of the converted stock company or the stock of another

1 corporation that is participating in the conversion plan, as
2 provided in section 5905(1)(c)(i)(A), (B), or (C). These sub-
3 scription rights shall be allocated among the directors and offi-
4 cers by a fair and equitable formula.

5 (2) The total number of shares that may be purchased under
6 subsection (1) shall not exceed 25% of the total number of shares
7 to be issued for a mutual company if total assets of the company
8 are less than \$50,000,000.00 or 15% of the total number of shares
9 to be issued for a mutual company if total assets of the company
10 are more than \$500,000,000.00. For mutual companies with total
11 assets of or between \$50,000,000.00 and \$500,000,000.00, the per-
12 centage of the total number of shares that may be purchased shall
13 be interpolated.

14 (3) Stock purchased by a director or officer under subsec-
15 tion (1) may not be sold within 1 year after the effective date
16 of the conversion.

17 Sec. 5913. The plan may allocate to a tax-qualified
18 employee benefit plan ~~nontransferable~~ subscription rights to
19 purchase up to 10% of the capital stock of the converted stock
20 company or the stock of another corporation that is participating
21 in the conversion plan, as provided in section 5905(1)(c)(i)(A),
22 (B), or (C). This employee benefit plan is entitled to exercise
23 its subscription rights regardless of the total number of shares
24 purchased by other persons.

25 Sec. 5915. (1) The board of directors may adopt a plan of
26 conversion that does not rely in whole or in part upon issuing
27 ~~nontransferable~~ subscription rights to members to purchase

1 stock of the converted stock company if the commissioner finds
2 that the plan does not prejudice the interests of the members, is
3 fair and equitable, and is not inconsistent with the purpose and
4 intent of this chapter. An alternative plan may include the
5 merger of a domestic mutual insurer into a domestic or foreign
6 stock insurer, issuing stock or cash to policyholders instead of
7 subscription rights, or another plan approved by the
8 commissioner. The commissioner may retain, at the mutual
9 company's expense, any qualified expert not otherwise a part of
10 the commissioner's staff to assist in reviewing whether the plan
11 may be approved by the commissioner.

12 (2) For an alternative plan submitted under subsection (1)
13 by a U.S. branch of an alien insurer, "eligible member" means a
14 policyholder eligible to receive a benefit upon demutualization
15 in accordance with the plan of demutualization approved in, and
16 the demutualization statute and regulations of, the jurisdiction
17 in which the alien insurer is domiciled, and approved by the com-
18 missioner as consistent with the purposes of this chapter. As
19 used in this subsection, "U.S. branch" means a business unit
20 through which insurance is transacted within the United States by
21 an alien insurer that uses this state as a state of entry.

22

CHAPTER 60

23

REORGANIZATION OF MUTUAL INSURERS

24

SEC. 6001. AS USED IN THIS CHAPTER:

25

26 (A) "CONVERTED COMPANY" MEANS A MICHIGAN DOMICILED STOCK
27 INSURANCE COMPANY THAT RESULTS FROM THE REORGANIZATION OF A
MUTUAL COMPANY UNDER THIS CHAPTER.

1 (B) "ELIGIBLE MEMBER" MEANS A MEMBER WHOSE POLICY IS IN
2 FORCE ON THE DATE THE MUTUAL COMPANY'S BOARD OF DIRECTORS ADOPTS
3 A PLAN OF REORGANIZATION UNDER THIS CHAPTER.

4 (C) "INTERMEDIATE HOLDING COMPANY" MEANS A BUSINESS CORPORA-
5 TION SUBSIDIARY OF A MUTUAL HOLDING COMPANY DOMICILED IN THIS
6 STATE, ANY OTHER STATE, OR THE DISTRICT OF COLUMBIA THAT IS
7 AUTHORIZED TO ISSUE 1 OR MORE CLASSES OF CAPITAL STOCK, THE COR-
8 PORATE PURPOSES OF WHICH INCLUDE HOLDING DIRECTLY OR INDIRECTLY
9 THE VOTING STOCK OF A CONVERTED COMPANY.

10 (D) "MEMBER" MEANS A PERSON WHO, ON THE RECORDS OF THE
11 MUTUAL COMPANY AND PURSUANT TO ITS ARTICLES OF INCORPORATION OR
12 BYLAWS, IS CONSIDERED TO BE A HOLDER OF A MEMBERSHIP INTEREST IN
13 THE MUTUAL COMPANY. A PERSON INSURED UNDER A GROUP POLICY IS NOT
14 A MEMBER. ON AND AFTER THE EFFECTIVE DATE OF A REORGANIZATION
15 UNDER THIS CHAPTER, MEMBER MEANS A MEMBER OF THE MUTUAL HOLDING
16 COMPANY CREATED IN THE REORGANIZATION.

17 (E) "MUTUAL HOLDING COMPANY" OR "MHC" MEANS A MUTUAL CORPO-
18 RATION RESULTING FROM A REORGANIZATION OF A MUTUAL COMPANY UNDER
19 THIS CHAPTER.

20 (F) "MUTUAL COMPANY" MEANS A DOMESTIC MUTUAL INSURANCE COM-
21 PANY ORGANIZED UNDER CHAPTER 50, 54, OR 58.

22 (G) "PLAN OF REORGANIZATION" OR "PLAN" MEANS A PLAN ADOPTED
23 PURSUANT TO THIS CHAPTER BY THE BOARD OF DIRECTORS OF A MUTUAL
24 COMPANY FOR THE REORGANIZATION OF THE MUTUAL COMPANY SIMULTA-
25 NEOUSLY INTO BOTH A MUTUAL HOLDING COMPANY AND A CONVERTED COM-
26 PANY EXISTING AS A DIRECT OR INDIRECT STOCK SUBSIDIARY OF THE
27 MUTUAL HOLDING COMPANY.

SB0808, As Passed House, February 8, 2000

Senate Bill No. 808

10

1 (H) "POLICY" MEANS A GROUP OR INDIVIDUAL INSURANCE POLICY OR
2 CONTRACT ISSUED BY A MUTUAL COMPANY. THE TERM POLICY DOES NOT
3 INCLUDE A CERTIFICATE OF INSURANCE ISSUED IN CONNECTION WITH A
4 GROUP POLICY OR CONTRACT.

5 (I) "POLICYHOLDER" MEANS THE HOLDER OF A POLICY OTHER THAN A
6 REINSURANCE CONTRACT.

7 SEC. 6003. (1) UPON APPROVAL OF THE COMMISSIONER, A MUTUAL
8 COMPANY MAY REORGANIZE BY FORMING SIMULTANEOUSLY A MUTUAL HOLDING
9 COMPANY AND CONVERTING THE MUTUAL COMPANY INTO A DIRECT OR INDI-
10 RECT STOCK SUBSIDIARY OF THE MUTUAL HOLDING COMPANY. UNLESS OTH-
11 ERWISE SPECIFICALLY REQUESTED IN A PLAN OF REORGANIZATION FILED
12 WITH THE COMMISSIONER, REORGANIZATION UNDER THIS CHAPTER IS NOT A
13 FULL CONVERSION OF A MUTUAL COMPANY OR OF A MUTUAL HOLDING COM-
14 PANY, AS OTHERWISE AVAILABLE UNDER CHAPTER 59. CHAPTER 59 CON-
15 VERSIONS ARE SEPARATE TRANSACTIONS FROM A REORGANIZATION UNDER
16 THIS CHAPTER, BUT MAY OCCUR WITH OR AS A RESULT OF A REORGANIZA-
17 TION UNDER THIS CHAPTER IF SO REQUESTED IN A PLAN APPROVED BY THE
18 COMMISSIONER UNDER CHAPTER 59.

19 (2) A MUTUAL HOLDING COMPANY FORMED UNDER THIS CHAPTER MAY
20 DEMUTUALIZE BY COMPLYING WITH THE APPLICABLE PROVISIONS OF CHAP-
21 TER 59.

22 SEC. 6005. (1) A MUTUAL COMPANY SEEKING TO REORGANIZE TO A
23 MUTUAL HOLDING COMPANY STRUCTURE SHALL ADOPT, BY THE AFFIRMATIVE
24 VOTE OF NOT LESS THAN 2/3 OF ITS BOARD OF DIRECTORS, A PLAN OF
25 REORGANIZATION UNDER THIS CHAPTER.

26 (2) AT ANY TIME BEFORE APPROVAL OF A PLAN OF REORGANIZATION
27 BY ELIGIBLE MEMBERS, THE MUTUAL COMPANY, BY THE AFFIRMATIVE VOTE

1 OF NOT LESS THAN 2/3 OF ITS BOARD OF DIRECTORS, MAY AMEND OR
2 WITHDRAW THE PLAN.

3 SEC. 6007. A PLAN OF REORGANIZATION SHALL INCLUDE ALL OF
4 THE FOLLOWING:

5 (A) THE REASONS FOR THE PROPOSED REORGANIZATION.

6 (B) THE EFFECT OF THE REORGANIZATION ON EXISTING POLICIES
7 INCLUDING ALL OF THE FOLLOWING:

8 (i) A PROVISION THAT ALL POLICIES IN FORCE ON THE EFFECTIVE
9 DATE OF THE REORGANIZATION CONTINUE TO REMAIN IN FORCE UNDER THE
10 TERMS OF THOSE POLICIES, EXCEPT THAT ANY VOTING OR OTHER MEMBER-
11 SHIP RIGHTS OF THE POLICYHOLDERS PROVIDED FOR UNDER THE POLICIES
12 OR UNDER THIS ACT, AND ANY CONTINGENT LIABILITY POLICY PROVISIONS
13 PERMITTED BY THIS ACT ARE EXTINGUISHED ON THE EFFECTIVE DATE OF
14 THE REORGANIZATION.

15 (ii) A PROVISION THAT HOLDERS OF PARTICIPATING POLICIES IN
16 EFFECT ON THE DATE OF REORGANIZATION CONTINUE TO HAVE THE RIGHT
17 TO RECEIVE DIVIDENDS AS PROVIDED IN THE PARTICIPATING POLICIES,
18 IF ANY.

19 (iii) A PROVISION THAT, EXCEPT FOR A MUTUAL COMPANY'S LIFE
20 POLICIES, GUARANTEED RENEWABLE ACCIDENT AND HEALTH POLICIES, AND
21 NONCANCELABLE ACCIDENT AND HEALTH POLICIES, THE CONVERTED COMPANY
22 MAY ISSUE THE INSURED A NONPARTICIPATING POLICY AS A SUBSTITUTE
23 FOR THE PARTICIPATING POLICY UPON THE RENEWAL DATE OF A PARTICI-
24 PATING POLICY.

25 (C) THE DETAILED PLANS FOR GRANTING MEMBERSHIP INTERESTS TO
26 CURRENT AND FUTURE POLICYHOLDERS OF THE CONVERTED COMPANY.

1 (D) INFORMATION SUFFICIENT TO DEMONSTRATE THAT THE FINANCIAL
2 CONDITION OF THE CONVERTED COMPANY WILL NOT BE DIMINISHED BY THE
3 PLAN.

4 (E) A DESCRIPTION OF ANY CURRENT PLANS OR ANY PROPOSAL
5 APPROVED BY THE MUTUAL COMPANY BOARD TO ISSUE SHARES OF AN INTER-
6 MEDIATE HOLDING COMPANY OR SHARES OF THE CONVERTED COMPANY TO THE
7 PUBLIC OR TO OTHER PERSONS WHO ARE NOT DIRECT OR INDIRECT SUBSID-
8 IARIES OF THE MUTUAL HOLDING COMPANY.

9 (F) THE IDENTITY OF THE PROPOSED OFFICERS AND DIRECTORS OF
10 THE MUTUAL HOLDING COMPANY AND EACH INTERMEDIATE HOLDING COMPANY,
11 IF ANY, TOGETHER WITH OTHER BIOGRAPHICAL INFORMATION AS THE COM-
12 MISSIONER REQUESTS.

13 (G) OTHER INFORMATION AS THE COMMISSIONER REQUESTS OR PRE-
14 SCRIBES BY RULE.

15 SEC. 6009. (1) A PLAN OF REORGANIZATION SHALL PROVIDE THAT
16 A MUTUAL LIFE INSURANCE COMPANY'S PARTICIPATING LIFE POLICIES IN
17 FORCE ON THE EFFECTIVE DATE OF THE CONVERSION SHALL BE OPERATED
18 BY THE CONVERTED COMPANY FOR DIVIDEND PURPOSES AS A CLOSED BLOCK
19 OF PARTICIPATING BUSINESS EXCEPT THAT ANY OR ALL CLASSES OF GROUP
20 PARTICIPATING POLICIES MAY BE EXCLUDED FROM THE CLOSED BLOCK.

21 (2) THE PLAN SHALL ESTABLISH 1 OR MORE SEGREGATED ACCOUNTS
22 FOR THE BENEFIT OF THE CLOSED BLOCK OF BUSINESS AND SHALL ALLO-
23 CATE TO THOSE SEGREGATED ACCOUNTS ENOUGH ASSETS OF THE MUTUAL
24 COMPANY SO THAT THE ASSETS TOGETHER WITH THE REVENUE FROM THE
25 CLOSED BLOCK OF BUSINESS ARE SUFFICIENT TO SUPPORT THE CLOSED
26 BLOCK INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF CLAIMS,
27 EXPENSES, TAXES, AND ANY DIVIDENDS THAT ARE PROVIDED FOR UNDER

1 THE TERMS OF THE PARTICIPATING POLICIES, WITH APPROPRIATE
2 ADJUSTMENTS IN THE DIVIDENDS FOR EXPERIENCE CHANGES.

3 (3) THE PLAN SHALL BE ACCOMPANIED BY AN ACTUARIAL OPINION AS
4 TO THE ADEQUACY OF RESERVES OR ASSETS BY A QUALIFIED ACTUARY OR
5 AN APPOINTED ACTUARY WHO MEETS THE STANDARDS REQUIRED UNDER THIS
6 ACT OR UNDER REGULATIONS ESTABLISHED UNDER THIS ACT FOR THE SUB-
7 MISSION OF ACTUARIAL OPINIONS. THE ACTUARIAL OPINION SHALL
8 RELATE TO THE ADEQUACY OF THE ASSETS ALLOCATED TO THE SEGREGATED
9 ACCOUNTS IN SUPPORT OF THE CLOSED BLOCK OF BUSINESS. THE ACTUAR-
10 IAL OPINION SHALL BE BASED ON METHODS OF ANALYSIS CONSIDERED
11 APPROPRIATE FOR THOSE PURPOSES BY THE ACTUARIAL STANDARDS BOARD
12 AND AS CERTIFIED BY THE COMMISSIONER. THE AMOUNT OF ASSETS ALLO-
13 CATED TO THE SEGREGATED ACCOUNTS OF THE CLOSED BLOCK SHALL BE
14 BASED UPON THE MUTUAL LIFE INSURANCE COMPANY'S LAST ANNUAL STATE-
15 MENT THAT IS UPDATED TO THE EFFECTIVE DATE OF THE
16 REORGANIZATION.

17 (4) THE CONVERTED COMPANY SHALL KEEP A SEPARATE ACCOUNTING
18 FOR THE CLOSED BLOCK AND SHALL MAKE AND INCLUDE IN THE ANNUAL
19 STATEMENT TO BE FILED WITH THE COMMISSIONER EACH YEAR A SEPARATE
20 STATEMENT SHOWING THE GAINS, LOSSES, AND EXPENSES PROPERLY
21 ATTRIBUTABLE TO THE CLOSED BLOCK.

22 (5) UPON THE COMMISSIONER'S APPROVAL, ASSETS ALLOCATED TO
23 THE CLOSED BLOCK THAT ARE IN EXCESS OF THE AMOUNT OF ASSETS NEC-
24 ESSARY TO SUPPORT THE REMAINING POLICIES IN THE CLOSED BLOCK
25 SHALL PERIODICALLY REVERT TO THE BENEFIT OF THE CONVERTED
26 COMPANY.

1 (6) THE COMMISSIONER MAY WAIVE THE REQUIREMENT FOR THE
2 ESTABLISHMENT OR CONTINUATION OF A CLOSED BLOCK OF BUSINESS IF
3 THE COMMISSIONER CONSIDERS IT TO BE IN THE BEST INTEREST OF THE
4 PARTICIPATING POLICYHOLDERS OF A CONVERTED COMPANY TO DO SO.

5 (7) THIS SECTION APPLIES ONLY TO MUTUAL LIFE INSURANCE
6 COMPANIES.

7 SEC. 6011. (1) AFTER ADOPTION BY THE MUTUAL COMPANY'S BOARD
8 OF DIRECTORS AND PRIOR TO THE MEMBERS' APPROVAL OF THE PLAN OF
9 REORGANIZATION, A MUTUAL COMPANY SHALL FILE ALL OF THE FOLLOWING
10 DOCUMENTS WITH THE COMMISSIONER FOR REVIEW AND APPROVAL:

11 (A) THE PLAN OF REORGANIZATION.

12 (B) THE FORM OF NOTICE REQUIRED BY SECTION 6013 FOR ELIGIBLE
13 MEMBERS TO VOTE ON THE PLAN.

14 (C) ANY PROXIES TO BE SOLICITED FROM ELIGIBLE MEMBERS AND
15 ANY OTHER SOLICITING MATERIALS.

16 (D) THE PROPOSED ARTICLES OF INCORPORATION AND BYLAWS OF THE
17 MUTUAL HOLDING COMPANY, EACH INTERMEDIATE HOLDING COMPANY, IF
18 ANY, AND THE REVISED ARTICLES OF INCORPORATION AND BYLAWS OF THE
19 CONVERTED COMPANY.

20 (2) THE COMMISSIONER MAY HOLD A HEARING TO REVIEW A PLAN OF
21 REORGANIZATION. THE COMMISSIONER SHALL APPROVE THE PLAN UPON
22 FINDING BOTH OF THE FOLLOWING:

23 (A) THE PLAN COMPLIES WITH THIS CHAPTER.

24 (B) THE PLAN IS FAIR AND EQUITABLE TO THE INTERESTS OF THE
25 POLICYHOLDERS.

1 (3) THE COMMISSIONER SHALL APPROVE OR DISAPPROVE A PLAN BY
2 NOT LATER THAN 90 DAYS AFTER THE FILING OF THE DOCUMENTS UNDER
3 SUBSECTION (1).

4 (4) THE COMMISSIONER MAY CONDITIONALLY APPROVE A PLAN IF HE
5 OR SHE DETERMINES THAT CONDITIONS ARE REASONABLY NECESSARY TO
6 PROTECT POLICYHOLDER INTERESTS. THE CONDITIONS MAY INCLUDE, BUT
7 ARE NOT LIMITED TO, THE FOLLOWING:

8 (A) PRIOR APPROVAL OF ANY CONCURRENT OR SUBSEQUENT ACQUISI-
9 TION, MERGER, OR FORMATION OF AFFILIATE ENTITIES OF THE MUTUAL
10 HOLDING COMPANY.

11 (B) PRIOR APPROVAL OF THE CAPITAL STRUCTURE OF OR ANY
12 CHANGES TO THE CAPITAL STRUCTURE OF ANY INTERMEDIATE HOLDING
13 COMPANY.

14 (C) PRIOR APPROVAL OF ANY INITIAL PUBLIC OFFERING OR OF ANY
15 OTHER ISSUANCE OF EQUITY OR DEBT SECURITIES OF AN INTERMEDIATE
16 HOLDING COMPANY OR OF THE CONVERTED COMPANY IN A PRIVATE SALE OR
17 PUBLIC OFFERING.

18 (D) PRIOR APPROVAL OF THE EXPANSION OF THE MUTUAL HOLDING
19 INSURANCE COMPANY SYSTEM INTO LINES OF BUSINESS, INDUSTRIES, OR
20 OPERATIONS FOR WHICH IT WAS NOT LICENSED OR AUTHORIZED AT THE
21 TIME OF THE REORGANIZATION.

22 (E) LIMITATIONS ON DIVIDENDS AND DISTRIBUTIONS IF THE EFFECT
23 WOULD BE TO REDUCE CAPITAL AND SURPLUS OF THE CONVERTED COMPANY,
24 IN ADDITION TO ANY LIMITATIONS THAT MAY OTHERWISE BE AUTHORIZED
25 BY LAW.

26 (F) LIMITATIONS ON THE PLEDGE OR ENCUMBRANCE OF THE STOCK OF
27 THE CONVERTED COMPANY.

1 (5) THE COMMISSIONER MAY RETAIN, AT THE MUTUAL COMPANY'S
2 EXPENSE, ANY QUALIFIED EXPERT NOT OTHERWISE A PART OF THE
3 COMMISSIONER'S STAFF TO ASSIST IN REVIEWING THE PLAN OF
4 REORGANIZATION.

5 SEC. 6013. (1) ALL ELIGIBLE MEMBERS SHALL BE GIVEN NOTICE
6 OF THE MEMBERS' MEETING TO VOTE UPON THE PLAN OF REORGANIZATION.
7 THE NOTICE SHALL BRIEFLY BUT FAIRLY DESCRIBE THE PROPOSED PLAN,
8 INCLUDING IDENTIFYING IN REASONABLE DETAIL THE BENEFITS AND
9 RISKS, AND SHALL INFORM THE MEMBER OF MEMBER RIGHTS TO VOTE ON
10 THE PLAN. A PLAN SUMMARY OR COPY OF THE PLAN SHALL ACCOMPANY THE
11 NOTICE. THE NOTICE SHALL BE MAILED TO EACH MEMBER'S LAST KNOWN
12 ADDRESS SHOWN ON THE MUTUAL COMPANY'S RECORDS, WITHIN 45 DAYS
13 AFTER THE COMMISSIONER'S APPROVAL OF THE PLAN. THE MEETING TO
14 VOTE UPON THE PLAN SHALL BE SET FOR A DATE THAT IS NOT LESS THAN
15 45 DAYS AFTER THE DATE WHEN THE NOTICE OF THE MEMBERS' MEETING IS
16 MAILED BY THE MUTUAL COMPANY. IF THE MEETING TO VOTE UPON THE
17 PLAN IS HELD DURING THE MUTUAL COMPANY'S ANNUAL MEETING OF POLI-
18 CYHOLDERS, ONLY 1 COMBINED NOTICE OF MEETING IS REQUIRED.

19 (2) THE PLAN OF REORGANIZATION SHALL BE ADOPTED AT A MEETING
20 WITH A QUORUM PRESENT UPON RECEIVING THE AFFIRMATIVE VOTE OF AT
21 LEAST 2/3 OF THE VOTES CAST BY ELIGIBLE MEMBERS.

22 (3) MEMBERS ENTITLED TO VOTE UPON THE PROPOSED PLAN MAY VOTE
23 IN PERSON OR BY PROXY. CERTIFIED COPIES OF ANY FORMS OF PROXIES
24 TO BE SOLICITED FROM ELIGIBLE MEMBERS, TOGETHER WITH THE RELATED
25 PROXY STATEMENT AND ANY OTHER SOLICITING MATERIALS, SHALL BE
26 FILED WITH THE PLAN AND APPROVED BY THE COMMISSIONER BEFORE THEIR
27 USE.

1 (4) EACH ELIGIBLE MEMBER MAY CAST VOTES UPON EACH MATTER
2 COMING TO A VOTE IN ACCORDANCE WITH ANY RIGHTS OR CLASSIFICATIONS
3 OF MEMBERS AS PROVIDED IN THE MUTUAL INSURER'S ARTICLES OF INCOR-
4 PORATION OR BYLAWS. IF THE ARTICLES OF INCORPORATION OR BYLAWS
5 ARE SILENT, EACH ELIGIBLE MEMBER MAY CAST 1 VOTE.

6 SEC. 6015. AFTER THE ELIGIBLE MEMBERS HAVE APPROVED A PLAN
7 OF REORGANIZATION, THE CONVERTED COMPANY SHALL FILE ALL OF THE
8 FOLLOWING DOCUMENTS WITH THE COMMISSIONER:

9 (A) THE MINUTES OF THE MEMBERS' MEETING AT WHICH THE PLAN OF
10 REORGANIZATION WAS VOTED UPON.

11 (B) THE ARTICLES AND BYLAWS OF THE MUTUAL HOLDING COMPANY
12 AND EACH INTERMEDIATE HOLDING COMPANY, IF ANY, AND THE REVISED
13 ARTICLES OF INCORPORATION AND BYLAWS OF THE CONVERTED COMPANY.

14 SEC. 6017. (1) ADOPTION OF ARTICLES OF INCORPORATION FOR
15 THE MUTUAL HOLDING COMPANY, EACH INTERMEDIATE HOLDING COMPANY, IF
16 ANY, AND REVISED ARTICLES OF INCORPORATION FOR THE CONVERTED COM-
17 PANY IS NECESSARY TO IMPLEMENT THE PLAN OF REORGANIZATION.
18 PROCEDURES FOR ADOPTION OR REVISION OF THESE ARTICLES ARE GOV-
19 ERNED BY THE APPLICABLE PROVISIONS OF THIS ACT OR, IN THE CASE OF
20 AN INTERMEDIATE HOLDING COMPANY, THE BUSINESS CORPORATION LAW OF
21 THE STATE IN WHICH THE INTERMEDIATE HOLDING COMPANY IS
22 INCORPORATED. THE MEMBERS MAY ADOPT REVISED ARTICLES OF INCORPO-
23 RATION AT THE SAME MEETING AT WHICH THE MEMBERS APPROVE THE
24 PLAN.

25 (2) THE ARTICLES OF INCORPORATION OF A MUTUAL HOLDING COM-
26 PANY SHALL INCLUDE ALL OF THE FOLLOWING:

1 (A) THAT IT IS A MUTUAL HOLDING COMPANY ORGANIZED AS AN
2 INSURER UNDER CHAPTER 50, 54, OR 58.

3 (B) THAT THE MUTUAL HOLDING COMPANY MAY HOLD NOT LESS THAN A
4 MAJORITY OF THE SHARES OF VOTING STOCK OF A CONVERTED COMPANY OR
5 AN INTERMEDIATE HOLDING COMPANY, WHICH IN TURN HOLDS DIRECTLY OR
6 INDIRECTLY ALL OF THE VOTING STOCK OF A CONVERTED COMPANY.

7 (C) THAT IT IS NOT AUTHORIZED TO ISSUE ANY CAPITAL STOCK
8 EXCEPT PURSUANT TO A CONVERSION IN ACCORDANCE WITH CHAPTER 59.

9 (D) THAT ITS MEMBERS SHALL HAVE THE RIGHTS SPECIFIED IN THIS
10 CHAPTER AND IN ITS ARTICLES OF INCORPORATION AND BYLAWS.

11 SEC. 6019. (1) A PLAN BECOMES EFFECTIVE WHEN THE COMMIS-
12 SIONER HAS APPROVED THE PLAN, THE MEMBERS HAVE APPROVED THE PLAN,
13 AND THE ARTICLES OF INCORPORATION OF THE MUTUAL HOLDING COMPANY,
14 EACH INTERMEDIATE HOLDING COMPANY, IF ANY, AND THE REVISED ARTI-
15 CLES OF INCORPORATION OF THE CONVERTED COMPANY HAVE BEEN ADOPTED
16 AND FILED WITH THE COMMISSIONER.

17 (2) ALL OF THE FOLLOWING SIMULTANEOUSLY OCCUR WHEN A PLAN OF
18 REORGANIZATION BECOMES EFFECTIVE UNDER THIS CHAPTER:

19 (A) THE MUTUAL COMPANY BECOMES A CONVERTED COMPANY AND THE
20 CORPORATE EXISTENCE OF THE MUTUAL COMPANY CONTINUES IN THE CON-
21 VERTED COMPANY WITH THE ORIGINAL DATE OF INCORPORATION OF THE
22 MUTUAL COMPANY.

23 (B) THE MEMBERSHIP INTERESTS OF THE MUTUAL COMPANY'S POLICY-
24 HOLDERS ARE EXTINGUISHED, AND ALL OF THE MUTUAL COMPANY'S ELIGI-
25 BLE MEMBERS BECOME MEMBERS OF THE MUTUAL HOLDING COMPANY BY AND
26 IN ACCORDANCE WITH THE ARTICLES OF INCORPORATION AND BYLAWS OF

1 THE MUTUAL HOLDING COMPANY AND APPLICABLE PROVISIONS OF THIS
2 CHAPTER AND CHAPTERS 50, 54, AND 58.

3 (C) ALL THE RIGHTS, FRANCHISES, AND INTERESTS OF THE MUTUAL
4 COMPANY IN AND TO EVERY TYPE OF PROPERTY, REAL, PERSONAL, AND
5 MIXED, AND ANY THINGS IN ACTION BELONGING TO IT, ARE TRANSFERRED
6 TO AND VESTED IN THE CONVERTED COMPANY WITHOUT ANY DEED OR
7 TRANSFER.

8 (D) ALL THE OBLIGATIONS AND LIABILITIES OF THE MUTUAL COM-
9 PANY ARE ASSUMED BY THE CONVERTED COMPANY.

10 (E) ALL OF THE SHARES OF THE CAPITAL STOCK OF THE CONVERTED
11 COMPANY SHALL BE ISSUED TO THE MUTUAL HOLDING COMPANY, WHICH AT
12 ALL TIMES SHALL OWN A MAJORITY OF THE SHARES OF THE VOTING STOCK
13 OF THE CONVERTED COMPANY, EXCEPT THAT EITHER AT THE TIME A PLAN
14 IS EFFECTIVE, OR AT A LATER TIME WITH THE COMMISSIONER'S APPROV-
15 AL, 1 OR MORE INTERMEDIATE HOLDING COMPANIES MAY BE CREATED, SO
16 LONG AS THE MUTUAL HOLDING COMPANY AT ALL TIMES OWNS DIRECTLY OR
17 INDIRECTLY A MAJORITY OF THE SHARES OF THE VOTING STOCK OF THE
18 CONVERTED COMPANY.

19 (F) UNLESS OTHERWISE SPECIFIED IN THE PLAN, THE DIRECTORS
20 AND OFFICERS OF THE MUTUAL COMPANY SERVE AS DIRECTORS AND OFFI-
21 CERS OF THE CONVERTED COMPANY UNTIL NEW DIRECTORS AND OFFICERS OF
22 THE CONVERTED COMPANY ARE DULY ELECTED PURSUANT TO THE ARTICLES
23 OF INCORPORATION AND BYLAWS OF THE CONVERTED COMPANY.

24 SEC. 6023. (1) NO MEMBER OF A MUTUAL HOLDING COMPANY MAY
25 TRANSFER MEMBERSHIP IN THE MUTUAL HOLDING COMPANY.

26 (2) A MEMBER OF A MUTUAL HOLDING COMPANY IS NOT PERSONALLY
27 LIABLE FOR THE ACTS, DEBTS, LIABILITIES, OR OBLIGATIONS OF THE

1 MUTUAL HOLDING COMPANY SOLELY BECAUSE OF HIS OR HER MEMBERSHIP
2 STATUS.

3 (3) NO ASSESSMENTS OF ANY KIND MAY BE IMPOSED UPON THE MEM-
4 BERS OF A MUTUAL HOLDING COMPANY BY THE DIRECTORS OR MEMBERS, OR
5 BECAUSE OF ANY LIABILITY, ACT, DEBT, OR OBLIGATION OF THE MUTUAL
6 HOLDING COMPANY OR OF ANY COMPANY OWNED OR CONTROLLED BY THE
7 MUTUAL HOLDING COMPANY.

8 (4) NEITHER A MEMBERSHIP INTEREST IN A DOMESTIC MUTUAL HOLD-
9 ING COMPANY NOR ANY INTERMEDIATE OR TRANSITIONAL STAGES TAKEN
10 PURSUANT TO A PLAN CONSTITUTES THE CREATION, ISSUANCE, OFFER TO
11 SELL, SOLICITATION OF AN OFFER TO BUY, OR THE SALE OF A SECURITY
12 UNDER THE LAWS OF THIS STATE.

13 (5) A MEMBERSHIP INTEREST IN THE MUTUAL HOLDING COMPANY
14 AUTOMATICALLY TERMINATES IF THE POLICY THAT GAVE RISE TO THE MEM-
15 BERSHIP INTEREST IS CANCELED, NONRENEWED, TERMINATED, OR
16 EXPIRES.

17 (6) EXCEPT AS OTHERWISE APPROVED BY THE COMMISSIONER, A MEM-
18 BERSHIP INTEREST IN THE MUTUAL HOLDING COMPANY SHALL BE AUTOMATI-
19 CALLY CREATED WITH A NEW POLICY ISSUED BY THE CONVERTED COMPANY.

20 SEC. 6025. (1) A MUTUAL HOLDING COMPANY HAS THE SAME POWERS
21 GRANTED TO DOMESTIC MUTUAL INSURANCE COMPANIES AND IS SUBJECT TO
22 THE SAME REQUIREMENTS OF THIS ACT APPLICABLE TO MUTUAL COMPANIES
23 THAT ARE NOT INCONSISTENT WITH THE PROVISIONS OF THIS CHAPTER
24 EXCEPT THAT A MUTUAL HOLDING COMPANY DOES NOT HAVE AUTHORITY TO
25 TRANSACT AN INSURANCE BUSINESS. THE COMMISSIONER MAY EXEMPT A
26 MUTUAL HOLDING COMPANY FROM ANY REQUIREMENT OF THIS ACT THAT THE

1 COMMISSIONER FINDS INAPPLICABLE TO A COMPANY THAT IS NOT ISSUING
2 POLICIES OF INSURANCE OR REINSURANCE.

3 (2) NEITHER THE MUTUAL HOLDING COMPANY NOR ANY INTERMEDIATE
4 HOLDING COMPANY SHALL ISSUE OR REINSURE POLICIES OF INSURANCE.

5 (3) WITH THE COMMISSIONER'S APPROVAL AND AS PROVIDED UNDER
6 THIS ACT, A MUTUAL HOLDING COMPANY MAY ENTER INTO AN AFFILIATION,
7 CONSOLIDATION, MERGER, OR ACQUISITION AGREEMENT EITHER AT OR
8 AFTER THE EFFECTIVE DATE OF A REORGANIZATION UNDER THIS CHAPTER
9 WITH ANY MUTUAL INSURANCE COMPANY AUTHORIZED TO DO BUSINESS IN
10 THIS STATE OR WITH ANY MUTUAL HOLDING COMPANY ORGANIZED IN THIS
11 STATE OR ANY OTHER STATE OR THE DISTRICT OF COLUMBIA.

12 (4) THE ASSETS OF A MUTUAL HOLDING COMPANY ORGANIZED UNDER
13 THIS CHAPTER ARE SUBJECT TO A LIEN IN FAVOR OF THE POLICYHOLDERS
14 OF THE CONVERTED COMPANY UNDER SUCH TERMS AS THE COMMISSIONER MAY
15 APPROVE.

16 SEC. 6027. WITHOUT THE COMMISSIONER'S PRIOR APPROVAL, NEI-
17 THER THE CONVERTED COMPANY NOR ANY OTHER PERSON AFFILIATED WITH
18 OR CONTROLLING THE CONVERTED COMPANY SHALL TRANSFER, ASSIGN, OR
19 DIVERT BUSINESS FROM THE CONVERTED COMPANY TO ANY OTHER INSURANCE
20 COMPANY OR AFFILIATE IF THE PURPOSE OR EFFECT OF DOING SO WOULD
21 BE TO REDUCE SIGNIFICANTLY THE NUMBER OF MEMBERS OF THE MUTUAL
22 HOLDING COMPANY. WHAT IS A SIGNIFICANT REDUCTION SHALL BE DETER-
23 MINED BY THE COMMISSIONER AFTER EXAMINATION OF THE CONVERTED
24 COMPANY'S BUSINESS REASONS FOR EFFECTING ANY SUCH TRANSFER,
25 ASSIGNMENT, OR DIVERSION.

26 SEC. 6029. (1) A DIRECTOR, OFFICER, AGENT, OR EMPLOYEE OF
27 THE MUTUAL COMPANY OR ANY OTHER PERSON SHALL NOT RECEIVE ANY FEE,

1 COMMISSION, OR OTHER VALUABLE CONSIDERATION, OTHER THAN HIS OR
2 HER USUAL SALARY AND COMPENSATION, FOR AIDING, PROMOTING, OR
3 ASSISTING IN A REORGANIZATION UNDER THIS CHAPTER, EXCEPT AS PRO-
4 VIDED FOR IN THE PLAN APPROVED BY THE COMMISSIONER.

5 (2) ALL THE COSTS AND EXPENSES CONNECTED WITH A PLAN OF
6 REORGANIZATION SHALL BE PAID FOR OR REIMBURSED BY THE MUTUAL COM-
7 PANY OR THE CONVERTED COMPANY.

8 SEC. 6031. (1) IF A MUTUAL COMPANY COMPLIES SUBSTANTIALLY
9 AND IN GOOD FAITH WITH THE NOTICE REQUIREMENTS OF THIS CHAPTER,
10 THE MUTUAL COMPANY'S FAILURE TO GIVE A MEMBER ANY REQUIRED NOTICE
11 DOES NOT IMPAIR THE VALIDITY OF ANY ACTION TAKEN UNDER THIS
12 CHAPTER. THE COMMISSIONER MAY CONVENE AN APPROPRIATE HEARING AT
13 ANY TIME FOR PURPOSES OF DETERMINING THE EXISTENCE OF GOOD FAITH
14 AND SUBSTANTIAL COMPLIANCE BY THE MUTUAL COMPANY.

15 (2) AN ACTION CHALLENGING THE VALIDITY OF OR ARISING OUT OF
16 ACTS TAKEN OR PROPOSED TO BE TAKEN UNDER THIS CHAPTER, OTHER THAN
17 AN ACTION CHALLENGING THE COMMISSIONER'S DECISION APPROVING OR
18 DISAPPROVING THE PLAN, SHALL BE COMMENCED WITHIN 30 DAYS AFTER
19 THE ELIGIBLE MEMBERS HAVE APPROVED THE PLAN. AN ACTION CHALLENG-
20 ING THE VALIDITY OF THE COMMISSIONER'S DECISION APPROVING OR DIS-
21 APPROVING THE PLAN SHALL BE COMMENCED WITHIN 30 DAYS AFTER THE
22 COMMISSIONER'S DECISION IS ANNOUNCED.