

EMERGENCY BILL

By: Delegate Donoghue

Introduced and read first time: February 13, 1997

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 13, 1997

CHAPTER _____

1 AN ACT concerning

2 ~~Insurance Company Mutual to Stock Conversion Act~~ **Mutual Insurers - Conversion to**
3 **Stock Insurers**

4 FOR the purpose of altering the manner in which certain mutual insurers may convert to
5 stock insurers in the State; ~~establishing certain requirements for a plan of~~
6 ~~conversion to be filed with the Insurance Commissioner; authorizing the plan to~~
7 ~~make certain provisions for members, directors, and officers of the mutual company;~~
8 ~~requiring the filing of certain documents with the Commissioner; establishing~~
9 ~~certain requirements concerning adoption of the plan by certain persons; requiring~~
10 ~~a certain evaluation of the market value of the converting mutual company;~~
11 ~~requiring the Commissioner to approve or disapprove the plan within a certain~~
12 ~~period after filing; requiring certain notice to be sent to members of the mutual~~
13 ~~company who hold certain policies; imposing certain restrictions on acquisition of~~
14 ~~stock of the converted stock company on certain persons and authorizing certain~~
15 ~~exceptions; allowing the Commissioner to waive certain requirements of this Act~~
16 ~~under certain circumstances; defining certain terms; and generally relating to~~
17 ~~conversion of mutual insurance companies repealing the mandatory hearing~~
18 ~~requirement before the Maryland Insurance Commissioner may approve a~~
19 ~~conversion plan under certain circumstances; requiring a conversion plan to include~~
20 ~~certain provisions concerning a holder of a surplus note participating in the~~
21 ~~conversion under certain circumstances; requiring the Commissioner to approve or~~
22 ~~disapprove a conversion plan within a certain period of time; authorizing the~~
23 ~~Commissioner to retain a certain qualified expert under certain circumstances;~~
24 ~~authorizing the Commissioner to hold a hearing on a conversion plan under certain~~
25 ~~circumstances; authorizing the board of directors of a certain mutual insurer to~~
26 ~~petition the Commissioner for a certain waiver under certain circumstances;~~
27 ~~authorizing the Commissioner to waive certain requirements as to a certain mutual~~
28 ~~insurer under certain circumstances; authorizing the Commissioner to adopt certain~~

2

1 regulations concerning the conversion of a mutual insurer under certain
2 circumstances; making this Act an emergency measure; and generally relating to the
3 conversion of a mutual insurer to a stock insurer.

4 BY repealing and reenacting, with amendments,

5 Article - Insurance
6 Section 3-121
7 Annotated Code of Maryland
8 (1995 Volume and 1996 Supplement)
9 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

10 ~~BY adding to~~

11 ~~Article - Insurance~~
12 ~~Section 3-401 through 3-418 and the new subtitle "Subtitle 4. Insurance Company~~
13 ~~Mutual to Stock Conversion"~~
14 ~~Annotated Code of Maryland~~
15 ~~(1995 Volume and 1996 Supplement)~~
16 ~~(As enacted by Chapter 36 of the Acts of the General Assembly of 1995)~~

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
18 MARYLAND, That the Laws of Maryland read as follows:

19 **Article - Insurance**

20 §3-121.

21 (a) A domestic mutual insurer may become a stock insurer under a plan and
22 procedure that is approved by the Commissioner ~~after a hearing.~~

23 (b) The Commissioner may not approve a plan or procedure for conversion of a
24 mutual insurer to a stock insurer unless:

25 (1) the plan or procedure is equitable to the insurer's members;

26 (2) the plan is subject to approval by vote of at least three-fourths of the
27 insurer's current members who vote on the plan in person, by proxy, or by mail at a
28 meeting of members called for that purpose under reasonable notice and procedure
29 approved by the Commissioner;

30 (3) for a life insurer, the right to vote may be limited to members who hold
31 policies, other than term or group policies, that have been in force for at least 1 year;

32 (4) THE PLAN PROVIDES AS TO ANY HOLDER OF A SURPLUS NOTE
33 PARTICIPATING IN THE CONVERSION THAT:

34 (I) THE RIGHTS OF THE HOLDER SHALL BE GOVERNED BY THE
35 TERMS OF THE SURPLUS NOTE; OR

36 (II) IF THE TERMS OF THE SURPLUS NOTE ARE SILENT REGARDING
37 A CONVERSION AND THE HOLDER IS NOT ALSO A MEMBER, THE HOLDER MAY NOT
38 VOTE ON THE PLANNED CONVERSION;

3

1 ~~(4)~~ (5) the equity of each policyholder in the insurer:

2 (i) is determinable under a fair formula approved by the
3 Commissioner; and

4 (ii) is based on not less than the insurer's entire surplus, minus
5 contributed or borrowed surplus funds, plus a reasonable present equity in reserves and
6 in all nonadmitted assets;

7 ~~(5)~~ (6) all current policyholders and all persons that were policyholders of
8 the insurer within 3 years before the date the plan was submitted to the Commissioner are
9 entitled to participate in the purchase of stock or distribution of assets;

10 ~~(6)~~ (7) the plan gives to each policyholder specified in item ~~(5)~~ (6) of this
11 subsection a preemptive right:

12 (i) within a designated reasonable period, to acquire the
13 policyholder's proportionate part of all of the proposed capital stock of the insurer; and

14 (ii) to apply on the purchase of proposed capital stock the amount of
15 the policyholder's equity in the insurer as determined under item ~~(4)~~ (5) of this
16 subsection;

17 ~~(7)~~ (8) stock is offered to policyholders at a price that is not greater than
18 the price at which the stock will be offered to others in the initial offering, but that is not
19 more than double the par value of the stock;

20 ~~(8)~~ (9) the plan provides for payment to each policyholder who elects not
21 to apply the policyholder's equity in the insurer for or on the purchase price of stock to
22 which the policyholder is preemptively entitled, in cash in an amount that equals not less
23 than 50% of the amount of the policyholder's equity that was not used for the purchase of
24 stock, and which payment, together with any stock purchased, constitutes full payment
25 and discharge of the policyholder's equity as an owner of the insurer; and

26 ~~(9)~~ (10) the completed plan provides that the converted insurer will have:

27 (i) paid-in capital stock equal to not less than the minimum paid-in
28 capital required of a domestic stock insurer that transacts like kinds of insurance
29 business; and

30 (ii) surplus funds equal to not less than 100% of the required capital.}

31 (C) WITHIN 60 DAYS OF THE FILING OF A PLAN THAT CONTAINS ALL OF THE
32 INFORMATION REQUIRED UNDER THIS SECTION AND ANY REGULATIONS ADOPTED
33 UNDER THIS SECTION, THE COMMISSIONER SHALL APPROVE OR DISAPPROVE THE
34 PLAN.

35 (D) AT THE EXPENSE OF THE MUTUAL INSURER, THE COMMISSIONER MAY
36 RETAIN ANY QUALIFIED EXPERT WHO IS NOT A PART OF THE STAFF OF THE
37 COMMISSIONER TO ASSIST IN REVIEWING THE PLAN.

1 (E) AFTER WRITTEN NOTICE TO THE MUTUAL INSURER AND ANY OTHER
2 INTERESTED PERSON, THE COMMISSIONER MAY HOLD A HEARING ON WHETHER
3 THE TERMS OF THE PLAN COMPLY WITH THIS SECTION.

4 (F) (1) IF A MUTUAL INSURER IS INSOLVENT OR, IN THE JUDGMENT OF THE
5 COMMISSIONER, IS IN A HAZARDOUS FINANCIAL CONDITION, THE BOARD OF
6 DIRECTORS OF THE MUTUAL INSURER, BY A MAJORITY VOTE, MAY REQUEST BY A
7 PETITION AS PROVIDED UNDER PARAGRAPH (2) OF THIS SUBSECTION THAT THE
8 COMMISSIONER WAIVE THE REQUIREMENTS CONCERNING NOTICE TO, AND
9 APPROVAL BY, POLICYHOLDERS OF THE PLANNED CONVERSION.

10 (2) THE PETITION BY THE BOARD OF DIRECTORS SHALL SPECIFY:

11 (I) THE METHOD AND BASIS FOR ISSUANCE OF THE SHARES OF
12 CAPITAL STOCK OF THE CONVERTED STOCK INSURER TO AN INDEPENDENT PARTY
13 IN CONNECTION WITH AN INVESTMENT BY THE INDEPENDENT PARTY IN AN
14 AMOUNT SUFFICIENT TO RESTORE THE CONVERTED STOCK INSURER TO SOUND
15 FINANCIAL CONDITION; AND

16 (II) IF THE COMMISSIONER FINDS THAT THE VALUE OF THE
17 MUTUAL INSURER IS INSUFFICIENT TO WARRANT FINANCIAL CONSIDERATION,
18 THAT THE CONVERSION SHALL BE ACCOMPLISHED WITHOUT FINANCIAL
19 CONSIDERATION TO PAST, PRESENT, OR FUTURE POLICYHOLDERS.

20 (3) (I) BY WRITTEN ORDER, THE COMMISSIONER MAY WAIVE THE
21 REQUIREMENTS OF SUBSECTION (B)(2) OF THIS SECTION IF THE COMMISSIONER
22 FINDS THAT THE MUTUAL INSURER NO LONGER MEETS STATUTORY
23 REQUIREMENTS WITH RESPECT TO CAPITAL, SURPLUS, DEPOSITS, OR ASSETS.

24 (II) ANY FINDING THAT RESULTS IN A WAIVER UNDER THIS
25 PARAGRAPH SHALL BE MADE AFTER:

26 1. REVIEW OF THE PLAN; AND

27 2. A. AN AUDIT OF THE MUTUAL INSURER'S QUARTERLY
28 OR ANNUAL FINANCIAL STATEMENT; OR

29 B. A FINANCIAL EXAMINATION OF THE MUTUAL INSURER.

30 (G) THE COMMISSIONER MAY ADOPT REGULATIONS TO ENFORCE THE
31 PROVISIONS OF THIS SECTION.

32 ~~SUBTITLE 4. INSURANCE COMPANY MUTUAL TO STOCK CONVERSION.~~

33 ~~3-401.~~

34 ~~(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS~~
35 ~~INDICATED.~~

36 ~~(B) "CONVERTED STOCK COMPANY" MEANS A DOMICILED STOCK INSURANCE~~
37 ~~COMPANY THAT CONVERTED FROM A DOMICILED MUTUAL INSURANCE COMPANY~~
38 ~~UNDER THIS SUBTITLE.~~

1 ~~(C) (1) "ELIGIBLE MEMBER" OR "MEMBER" MEANS A MEMBER OF A~~
2 ~~MUTUAL COMPANY WHOSE POLICY IS IN FORCE ON THE DATE ON WHICH THE~~
3 ~~BOARD OF DIRECTORS ADOPTS A PLAN OF CONVERSION UNDER THIS SUBTITLE.~~

4 ~~(2) "ELIGIBLE MEMBER" OR "MEMBER" DOES NOT INCLUDE:~~

5 ~~(I) A PERSON INSURED UNDER A GROUP POLICY; OR~~

6 ~~(II) A PERSON WHOSE POLICY BECOMES EFFECTIVE AFTER THE~~
7 ~~BOARD OF DIRECTORS ADOPTS THE PLAN BUT BEFORE THE PLAN'S EFFECTIVE~~
8 ~~DATE AND WHO RESCINDS THE POLICY UNDER § 3-408 OF THIS SUBTITLE.~~

9 ~~(D) "PARTICIPATING POLICY" MEANS A POLICY THAT GRANTS A HOLDER THE~~
10 ~~RIGHT TO RECEIVE DIVIDENDS IF, AS, AND WHEN DECLARED BY THE MUTUAL~~
11 ~~COMPANY.~~

12 ~~(E) "PLAN" MEANS A PLAN ADOPTED BY THE BOARD OF DIRECTORS OF A~~
13 ~~MUTUAL COMPANY UNDER THIS ARTICLE TO CONVERT THE MUTUAL COMPANY~~
14 ~~INTO A STOCK COMPANY.~~

15 ~~(F) "POLICY" INCLUDES AN ANNUITY CONTRACT.~~

16 ~~(G) "STOCK COMPANY" MEANS A STOCK INSURANCE COMPANY THAT MEETS~~
17 ~~ALL OF THE CURRENT REQUIREMENTS FOR ADMISSION TO DO BUSINESS AS A~~
18 ~~DOMESTIC INSURER.~~

19 ~~3-402.~~

20 ~~(A) IN ADDITION TO OTHER REQUIREMENTS ESTABLISHED UNDER THIS~~
21 ~~SUBTITLE, TO BECOME EFFECTIVE, A PLAN SHALL:~~

22 ~~(1) MEET THE REQUIREMENTS OF § 3-403 OF THIS SUBTITLE; AND~~

23 ~~(2) HAVE BEEN ADOPTED BY AFFIRMATIVE VOTE OF NOT LESS THAN~~
24 ~~TWO THIRDS OF THE BOARD OF DIRECTORS OF THE MUTUAL INSURER.~~

25 ~~(B) AT ANY TIME BEFORE APPROVAL OF A PLAN BY THE COMMISSIONER, THE~~
26 ~~MUTUAL COMPANY MAY AMEND OR WITHDRAW THE PLAN BY THE AFFIRMATIVE~~
27 ~~VOTE OF NOT LESS THAN TWO THIRDS OF ITS BOARD OF DIRECTORS.~~

28 ~~(C) (1) BEFORE ELIGIBLE MEMBERS MAY VOTE ON APPROVAL OF A PLAN,~~
29 ~~THE BOARD OF DIRECTORS SHALL HAVE ADOPTED THE PLAN AND FILED THE~~
30 ~~FOLLOWING DOCUMENTS WITH THE COMMISSIONER WITHIN 90 DAYS AFTER~~
31 ~~ADOPTION:~~

32 ~~(I) THE PLAN, INCLUDING THE INDEPENDENT EVALUATION OF~~
33 ~~PRO FORMA MARKET VALUE REQUIRED BY § 3-403(D) OF THIS SUBTITLE;~~

34 ~~(II) THE FORM OF NOTICE REQUIRED BY SUBSECTION (G) OF THIS~~
35 ~~SECTION;~~

36 ~~(III) THE FORM OF PROXY TO BE SOLICITED FROM ELIGIBLE~~
37 ~~MEMBERS UNDER SUBSECTION (H) OF THIS SECTION;~~

1 ~~(IV) THE FORM OF NOTICE REQUIRED BY § 3-408 OF THIS SUBTITLE~~
2 ~~TO PERSONS WHOSE POLICIES ARE ISSUED AFTER ADOPTION OF THE PLAN BUT~~
3 ~~BEFORE ITS EFFECTIVE DATE;~~

4 ~~(V) THE PROPOSED AMENDED ARTICLES OF INCORPORATION AND~~
5 ~~BYLAWS OF THE CONVERTED STOCK COMPANY;~~

6 ~~(VI) THE ACQUISITION OF CONTROL STATEMENT, AS REQUIRED BY~~
7 ~~§ 7-304 OF THIS ARTICLE; AND~~

8 ~~(VII) ANY OTHER INFORMATION REQUESTED BY THE~~
9 ~~COMMISSIONER.~~

10 ~~(2) ON FILING OF THE DOCUMENTS ENUMERATED UNDER PARAGRAPH~~
11 ~~(1) OF THIS SUBSECTION, THE MUTUAL COMPANY SHALL SEND TO ELIGIBLE~~
12 ~~MEMBERS A NOTICE ADVISING THEM:~~

13 ~~(I) OF THE ADOPTION AND FILING OF THE PLAN;~~

14 ~~(II) THAT THEY MAY PROVIDE THE COMMISSIONER AND THE~~
15 ~~MUTUAL COMPANY WITH COMMENTS ON THE PLAN WITHIN 30 DAYS AFTER THE~~
16 ~~DATE OF RECEIPT OF THE NOTICE; AND~~

17 ~~(III) THE PROCEDURE FOR FILING COMMENTS.~~

18 ~~(D) (1) WITHIN 60 DAYS AFTER FILING OF DOCUMENTS UNDER SUBSECTION~~
19 ~~(B) OF THIS SECTION, THE COMMISSIONER SHALL:~~

20 ~~(I) APPROVE OR DISAPPROVE THE PLAN; OR~~

21 ~~(II) EXTEND THE TIME FOR APPROVAL OR DISAPPROVAL BY AN~~
22 ~~ADDITIONAL 60 DAYS AFTER GIVING WRITTEN NOTICE TO THE MUTUAL COMPANY.~~

23 ~~(2) THE COMMISSIONER SHALL IMMEDIATELY GIVE WRITTEN NOTICE~~
24 ~~TO THE MUTUAL COMPANY OF ANY DECISION AND, IN THE EVENT OF DISAPPROVAL,~~
25 ~~A STATEMENT IN DETAIL OF THE REASONS FOR THE DECISION.~~

26 ~~(3) A PLAN SHALL BE APPROVED IF THE COMMISSIONER FINDS:~~

27 ~~(I) THE PLAN COMPLIES WITH THIS ARTICLE;~~

28 ~~(II) THE PLAN WILL NOT PREJUDICE THE INTERESTS OF THE~~
29 ~~MEMBERS; AND~~

30 ~~(III) THE METHOD OF ALLOCATING SUBSCRIPTION RIGHTS IS FAIR~~
31 ~~AND EQUITABLE.~~

32 ~~(E) THE COMMISSIONER MAY RETAIN, AT THE MUTUAL COMPANY'S~~
33 ~~EXPENSE, ANY QUALIFIED EXPERT NOT OTHERWISE A PART OF THE~~
34 ~~COMMISSIONER'S STAFF TO ASSIST IN REVIEWING THE PLAN AND CONDUCTING AN~~
35 ~~INDEPENDENT EVALUATION OF THE PRO FORMA MARKET VALUE REQUIRED~~
36 ~~UNDER § 3-403(D) OF THIS SUBTITLE.~~

1 ~~(F) THE COMMISSIONER MAY ORDER A HEARING ON WHETHER THE TERMS~~
2 ~~OF THE PLAN COMPLY WITH THIS ARTICLE AFTER GIVING WRITTEN NOTICE TO THE~~
3 ~~MUTUAL COMPANY AND OTHER INTERESTED PERSONS, ALL OF WHOM HAVE THE~~
4 ~~RIGHT TO APPEAR AT THE HEARING.~~

5 ~~(G) (1) ALL ELIGIBLE MEMBERS SHALL BE SENT NOTICE OF THE MEMBERS'~~
6 ~~MEETING TO VOTE ON THE PLAN.~~

7 ~~(2) THE NOTICE SHALL BRIEFLY BUT FAIRLY DESCRIBE THE PLAN,~~
8 ~~SHALL INFORM THE MEMBER OF THE RIGHT TO VOTE ON THE PLAN, AND SHALL BE~~
9 ~~SENT TO EACH MEMBER'S LAST KNOWN ADDRESS, AS SHOWN ON THE MUTUAL~~
10 ~~COMPANY'S RECORDS, AT LEAST 30 DAYS BEFORE THE TIME FIXED FOR THE~~
11 ~~MEETING.~~

12 ~~(3) IF THE MEETING TO VOTE ON THE PLAN IS HELD DURING THE~~
13 ~~MUTUAL COMPANY'S ANNUAL MEETING OF POLICYHOLDERS, ONLY A COMBINED~~
14 ~~NOTICE OF MEETING IS REQUIRED.~~

15 ~~(H) (1) THE PLAN SHALL BE ADOPTED ON THE AFFIRMATIVE VOTE OF AT~~
16 ~~LEAST TWO THIRDS OF THE VOTES CAST BY ELIGIBLE MEMBERS.~~

17 ~~(2) MEMBERS ENTITLED TO VOTE ON THE PLAN MAY VOTE IN PERSON~~
18 ~~OR BY PROXY.~~

19 ~~(3) THE NUMBER OF VOTES EACH ELIGIBLE MEMBER MAY CAST SHALL~~
20 ~~BE DETERMINED BY THE BYLAWS OF THE MUTUAL COMPANY. IF THE BYLAWS ARE~~
21 ~~SILENT, EACH ELIGIBLE MEMBER MAY CAST ONE VOTE.~~

22 ~~(I) THE AMENDED ARTICLES SHALL BE CONSIDERED AT THE MEETING OF~~
23 ~~THE POLICYHOLDERS CALLED FOR THE PURPOSE OF ADOPTING THE PLAN AND~~
24 ~~SHALL REQUIRE FOR ADOPTION THE AFFIRMATIVE VOTE OF AT LEAST~~
25 ~~TWO THIRDS OF THE VOTES CAST BY ELIGIBLE MEMBERS.~~

26 ~~(J) WITHIN 30 DAYS AFTER ELIGIBLE MEMBERS HAVE APPROVED THE PLAN,~~
27 ~~THE CONVERTED STOCK COMPANY SHALL FILE WITH THE COMMISSIONER:~~

28 ~~(1) THE MINUTES OF THE MEETING OF THE ELIGIBLE MEMBERS AT~~
29 ~~WHICH THE PLAN WAS APPROVED; AND~~

30 ~~(2) THE AMENDED ARTICLES OF INCORPORATION AND BYLAWS OF THE~~
31 ~~CONVERTED STOCK COMPANY.~~

32 3-403.

33 ~~(A) THE FOLLOWING PROVISIONS SHALL BE INCLUDED IN THE PLAN:~~

34 ~~(1) THE REASONS FOR PROPOSED CONVERSION;~~

35 ~~(2) THE EFFECT OF CONVERSION ON EXISTING POLICIES, INCLUDING:~~

36 ~~(i) A PROVISION THAT ALL POLICIES IN FORCE ON THE EFFECTIVE~~
37 ~~DATE OF CONVERSION CONTINUE TO REMAIN IN FORCE UNDER THE TERMS OF THE~~
38 ~~POLICIES, EXCEPT THAT THE FOLLOWING RIGHTS, TO THE EXTENT THEY EXISTED~~

8

1 ~~IN THE MUTUAL COMPANY, SHALL BE EXTINGUISHED ON THE EFFECTIVE DATE OF~~
2 ~~THE CONVERSION:~~

3 ~~1. ANY VOTING RIGHTS OF THE POLICYHOLDERS~~
4 ~~PROVIDED UNDER THE POLICIES;~~

5 ~~2. EXCEPT AS PROVIDED UNDER ITEM (II) OF THIS~~
6 ~~PARAGRAPH, ANY RIGHT TO SHARE IN THE SURPLUS OF THE MUTUAL COMPANY~~
7 ~~PROVIDED FOR UNDER THE POLICIES; AND~~

8 ~~3. ANY ASSESSMENT PROVISIONS PROVIDED FOR UNDER~~
9 ~~THE POLICIES OF THE TYPE DESCRIBED IN § 3-407 OF THIS SUBTITLE;~~

10 ~~(II) EXCEPT AS PROVIDED IN ITEM (III) OF THIS PARAGRAPH, A~~
11 ~~PROVISION THAT HOLDERS OF PARTICIPATING POLICIES IN EFFECT ON THE DATE~~
12 ~~OF CONVERSION CONTINUE TO HAVE A RIGHT TO RECEIVE DIVIDENDS AS~~
13 ~~PROVIDED PARTICIPATING POLICIES, IF ANY; AND~~

14 ~~(III) A PROVISION THAT, EXCEPT FOR THE MUTUAL COMPANY'S~~
15 ~~LIFE POLICIES, GUARANTEED RENEWABLE ACCIDENT AND HEALTH POLICIES AND~~
16 ~~GUARANTEED RENEWABLE, NONCANCELABLE ACCIDENT AND HEALTH POLICIES,~~
17 ~~ON THE RENEWAL DATE OF A PARTICIPATING POLICY, THE CONVERTED STOCK~~
18 ~~COMPANY MAY ISSUE THE INSURED A NONPARTICIPATING POLICY AS A SUBSTITUTE~~
19 ~~FOR THE PARTICIPATING POLICY; AND~~

20 ~~(3) THE SUBSCRIPTION RIGHTS OF ELIGIBLE MEMBERS, INCLUDING:~~

21 ~~(I) A PROVISION THAT EACH ELIGIBLE MEMBER IS TO RECEIVE~~
22 ~~WITHOUT PAYMENT NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PURCHASE A~~
23 ~~PORTION OF THE CAPITAL STOCK OF THE CONVERTED STOCK COMPANY AND THAT,~~
24 ~~IN THE AGGREGATE, ALL ELIGIBLE MEMBERS SHALL HAVE THE RIGHT, PRIOR TO~~
25 ~~THE RIGHT OF ANY OTHER PARTY, TO PURCHASE 100% OF THE CAPITAL STOCK OF~~
26 ~~THE CONVERTED STOCK COMPANY EXCLUSIVE OF ANY SHARES OF CAPITAL STOCK~~
27 ~~REQUIRED TO BE SOLD OR DISTRIBUTED TO HOLDERS OF SURPLUS NOTES, IF ANY~~
28 ~~AND CAPITAL STOCK PURCHASED BY THE COMPANY'S TAX-QUALIFIED EMPLOYEE~~
29 ~~STOCK BENEFIT PLAN THAT IS IN EXCESS OF THE TOTAL PRICE OF THE CAPITAL~~
30 ~~STOCK ESTABLISHED UNDER SUBSECTION (D) OF THIS SECTION, AS PERMITTED BY §~~
31 ~~3-405(C) OF THIS SUBTITLE;~~

32 ~~(II) A PROVISION THAT EACH ELIGIBLE MEMBER IS TO RECEIVE,~~
33 ~~WITHOUT PAYMENT, NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PURCHASE A~~
34 ~~PART OF THE CAPITAL STOCK OF:~~

35 ~~1. A CORPORATION ORGANIZED FOR THE PURPOSE OF~~
36 ~~PURCHASING AND HOLDING ALL THE STOCK OF THE CONVERTED STOCK COMPANY;~~

37 ~~2. A STOCK INSURANCE COMPANY OWNED BY THE MUTUAL~~
38 ~~COMPANY INTO WHICH THE MUTUAL COMPANY WILL BE MERGED; OR~~

39 ~~3. AN UNAFFILIATED STOCK INSURANCE COMPANY OR~~
40 ~~OTHER CORPORATION THAT WILL PURCHASE ALL THE STOCK OF THE CONVERTED~~
41 ~~STOCK COMPANY; AND~~

1 ~~(H) A PROVISION THAT THE SUBSCRIPTION RIGHTS SHALL BE~~
2 ~~ALLOCATED IN WHOLE SHARES AMONG THE ELIGIBLE MEMBERS USING A FAIR AND~~
3 ~~EQUITABLE FORMULA. THIS FORMULA MAY, BUT NEED NOT, TAKE INTO ACCOUNT~~
4 ~~HOW THE DIFFERENT CLASSES OF POLICIES OF THE ELIGIBLE MEMBERS~~
5 ~~CONTRIBUTED TO THE SURPLUS OF THE MUTUAL COMPANY OR ANY OTHER~~
6 ~~FACTORS THAT MAY BE FAIR OR EQUITABLE.~~

7 ~~(B) THE PLAN SHALL PROVIDE A FAIR AND EQUITABLE MEANS FOR~~
8 ~~ALLOCATING SHARES OF CAPITAL STOCK IN THE EVENT OF AN OVERSUBSCRIPTION~~
9 ~~TO SHARES BY ELIGIBLE MEMBERS EXERCISING SUBSCRIPTION RIGHTS RECEIVED~~
10 ~~UNDER SUBSECTION (A)(3) OF THIS SECTION.~~

11 ~~(C) (1) THE PLAN SHALL PROVIDE THAT ANY SHARES OF CAPITAL STOCK~~
12 ~~NOT SUBSCRIBED TO BY ELIGIBLE MEMBERS EXERCISING SUBSCRIPTION RIGHTS~~
13 ~~RECEIVED UNDER SUBSECTION (A)(3) OF THIS SECTION SHALL BE SOLD IN A PUBLIC~~
14 ~~OFFERING THROUGH AN UNDERWRITER.~~

15 ~~(2) IF THE NUMBER OF SHARES OF CAPITAL STOCK NOT SUBSCRIBED BY~~
16 ~~ELIGIBLE MEMBERS IS SO SMALL IN NUMBER OR OTHER FACTORS EXIST THAT DO~~
17 ~~NOT WARRANT THE TIME OR EXPENSE OF A PUBLIC OFFERING, THE PLAN MAY~~
18 ~~PROVIDE FOR SALE OF THE NONSUBSCRIBED SHARES THROUGH A PRIVATE~~
19 ~~PLACEMENT OR OTHER ALTERNATIVE METHOD APPROVED BY THE COMMISSIONER~~
20 ~~THAT IS FAIR AND EQUITABLE TO ELIGIBLE MEMBERS.~~

21 ~~(D) (1) THE PLAN SHALL SET THE TOTAL PRICE OF THE CAPITAL STOCK~~
22 ~~EQUAL TO THE ESTIMATED PRO FORMA MARKET VALUE OF THE CONVERTED~~
23 ~~STOCK COMPANY BASED UPON AN INDEPENDENT EVALUATION BY A QUALIFIED~~
24 ~~EXPERT.~~

25 ~~(2) THE PRO FORMA MARKET VALUE MAY BE THAT VALUE THAT IS~~
26 ~~ESTIMATED TO BE NECESSARY TO ATTRACT FULL SUBSCRIPTION FOR THE SHARES,~~
27 ~~AS INDICATED BY THE INDEPENDENT EVALUATION AND MAY BE STATED AS A~~
28 ~~RANGE OF PRO FORMA MARKET VALUE.~~

29 ~~(E) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE PLAN SHALL~~
30 ~~SET THE PURCHASE PRICE PER SHARE OF CAPITAL STOCK EQUAL TO ANY~~
31 ~~REASONABLE AMOUNT.~~

32 ~~(2) THE MINIMUM SUBSCRIPTION AMOUNT REQUIRED OF ANY~~
33 ~~ELIGIBLE MEMBER MAY NOT EXCEED \$500, BUT THE PLAN MAY PROVIDE THAT THE~~
34 ~~MINIMUM NUMBER OF SHARES ANY PERSON MAY PURCHASE UNDER THE PLAN IS 25~~
35 ~~SHARES.~~

36 ~~(F) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE PLAN SHALL~~
37 ~~PROVIDE THAT A PERSON OR GROUP OF PERSONS ACTING IN CONCERT MAY NOT~~
38 ~~ACQUIRE, IN THE PUBLIC OFFERING OR IN ACCORDANCE WITH THE EXERCISE OF~~
39 ~~SUBSCRIPTION RIGHTS, MORE THAN 5% OF THE CAPITAL STOCK OF THE~~
40 ~~CONVERTED STOCK COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT IS~~
41 ~~PARTICIPATING IN THE CONVERSION PLAN, AS PROVIDED IN SUBSECTION (A)(3)(I)~~
42 ~~OF THIS SECTION, EXCEPT WITH THE APPROVAL OF THE COMMISSIONER.~~

10

1 ~~(2) THE LIMITATION ON ACQUISITION DOES NOT APPLY TO ANY ENTITY~~
2 ~~THAT IS TO PURCHASE 100% OF THE CAPITAL STOCK OF THE CONVERTED STOCK~~
3 ~~COMPANY AS PART OF THE PLAN OF CONVERSION APPROVED BY THE~~
4 ~~COMMISSIONER.~~

5 ~~(G) (1) THE PLAN SHALL PROVIDE THAT, EXCEPT THROUGH A~~
6 ~~BROKER DEALER, A DIRECTOR OR OFFICER OR PERSON ACTING IN CONCERT WITH~~
7 ~~A DIRECTOR OR OFFICER OF THE MUTUAL COMPANY MAY NOT ACQUIRE ANY~~
8 ~~CAPITAL STOCK OF THE CONVERTED STOCK COMPANY OR THE STOCK OF ANOTHER~~
9 ~~CORPORATION THAT IS PARTICIPATING IN THE CONVERSION PLAN, AS PROVIDED IN~~
10 ~~SUBSECTION (A)(3)(I) OF THIS SECTION, FOR 3 YEARS AFTER THE EFFECTIVE DATE~~
11 ~~OF THE PLAN WITHOUT THE PERMISSION OF THE COMMISSIONER.~~

12 ~~(2) THIS SUBSECTION DOES NOT PROHIBIT THE DIRECTORS AND~~
13 ~~OFFICERS FROM MAKING BLOCK PURCHASES OF 1% OR MORE OF THE~~
14 ~~OUTSTANDING COMMON STOCK:~~

15 ~~(I) OTHER THAN THROUGH A BROKER DEALER IF APPROVED IN~~
16 ~~WRITING BY THE ADMINISTRATION;~~

17 ~~(II) THROUGH THE EXERCISE OF SUBSCRIPTION RIGHTS~~
18 ~~RECEIVED UNDER THE PLAN; OR~~

19 ~~(III) FROM PARTICIPATING IN A STOCK BENEFIT PLAN PERMITTED~~
20 ~~BY § 3-405(C) OF THIS SUBTITLE OR APPROVED BY SHAREHOLDERS UNDER § 3-410(B)~~
21 ~~OF THIS SUBTITLE.~~

22 ~~(H) THE PLAN SHALL PROVIDE THAT A DIRECTOR OR OFFICER MAY NOT~~
23 ~~SELL STOCK PURCHASED UNDER THIS SECTION OR § 3-405(A) OF THIS SUBTITLE~~
24 ~~WITHIN 1 YEAR AFTER THE EFFECTIVE DATE OF THE CONVERSION.~~

25 ~~(I) THE PARTICIPATING PLAN SHALL PROVIDE THAT THE RIGHTS OF A~~
26 ~~HOLDER OF A SURPLUS NOTE PARTICIPATING IN THE CONVERSION, IF ANY, SHALL~~
27 ~~BE GOVERNED BY THE TERMS OF THE SURPLUS NOTE.~~

28 ~~(J) THE PLAN SHALL PROVIDE THAT, WITHOUT PRIOR APPROVAL OF THE~~
29 ~~COMMISSIONER, A CONVERTED STOCK COMPANY, OR ANY CORPORATION~~
30 ~~PARTICIPATING IN THE CONVERSION PLAN PURSUANT TO SUBSECTION (A)(3)(I) OF~~
31 ~~THIS SECTION, MAY NOT REPURCHASE ANY OF ITS CAPITAL STOCK FROM ANY~~
32 ~~PERSON FOR A PERIOD OF 3 YEARS FROM THE DATE OF THE COMPLETION OF THE~~
33 ~~CONVERSION, EXCEPT THAT THIS LIMITATION DOES NOT APPLY TO:~~

34 ~~(1) A REPURCHASE ON A PRO RATA BASIS IN ACCORDANCE WITH AN~~
35 ~~OFFER MADE TO ALL SHAREHOLDERS OF THE CONVERTED STOCK COMPANY OR~~
36 ~~ANY CORPORATION PARTICIPATING IN THE CONVERSION PLAN IN ACCORDANCE~~
37 ~~WITH SUBSECTION (A)(3)(I) OF THIS SECTION; OR~~

38 ~~(2) A PURCHASE IN THE OPEN MARKET BY A TAX QUALIFIED OR~~
39 ~~NONTAX QUALIFIED EMPLOYEE STOCK BENEFIT PLAN IN AN AMOUNT~~
40 ~~REASONABLE AND APPROPRIATE TO FUND THE PLAN.~~

11

1 ~~3-404.~~

2 ~~(A) THIS SECTION APPLIES ONLY TO MUTUAL LIFE INSURANCE COMPANIES.~~

3 ~~(B) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, THE~~
4 ~~PLAN SHALL PROVIDE THAT A MUTUAL LIFE INSURANCE COMPANY'S~~
5 ~~PARTICIPATING LIFE POLICIES IN FORCE ON THE EFFECTIVE DATE OF THE~~
6 ~~CONVERSION SHALL BE OPERATED BY THE CONVERTED STOCK COMPANY FOR~~
7 ~~DIVIDEND PURPOSES AS A CLOSED BLOCK OF PARTICIPATING BUSINESS.~~

8 ~~(2) ANY CLASS OF GROUP PARTICIPATING POLICIES MAY BE EXCLUDED~~
9 ~~FROM THE CLOSED BLOCK OF A PARTICIPATING BUSINESS.~~

10 ~~(C) (1) THE PLAN SHALL PROVIDE THAT SUFFICIENT ASSETS OF THE~~
11 ~~MUTUAL COMPANY SHALL BE ALLOCATED FOR THE BENEFIT OF THE CLOSED~~
12 ~~BLOCK OF BUSINESS SO THAT THE ASSETS, TOGETHER WITH THE REVENUE FROM~~
13 ~~THE CLOSED BLOCK OF BUSINESS, ARE SUFFICIENT TO SUPPORT THE CLOSED~~
14 ~~BLOCK, INCLUDING THE PAYMENT OF CLAIMS, EXPENSES, TAXES, AND ANY~~
15 ~~DIVIDENDS THAT ARE PROVIDED FOR UNDER THE TERMS OF THE PARTICIPATING~~
16 ~~POLICIES, WITH APPROPRIATE ADJUSTMENTS IN THE DIVIDENDS FOR EXPERIENCE~~
17 ~~CHANGES.~~

18 ~~(2) (I) THE PLAN SHALL BE ACCOMPANIED BY AN OPINION OF A~~
19 ~~QUALIFIED ACTUARY WHO MEETS THE STANDARDS SET FORTH IN THIS ARTICLE~~
20 ~~FOR SUBMISSION OF ACTUARIAL OPINIONS AS TO THE ADEQUACY OF RESERVES OR~~
21 ~~ASSETS.~~

22 ~~(II) THE OPINION SHALL RELATE TO THE ADEQUACY OF THE~~
23 ~~ASSETS ALLOCATED IN SUPPORT OF THE CLOSED BLOCK OF BUSINESS.~~

24 ~~(III) THE ACTUARIAL OPINION SHALL BE BASED ON METHODS OF~~
25 ~~ANALYSIS DEEMED APPROPRIATE FOR THOSE PURPOSES BY THE COMMISSIONER.~~

26 ~~(D) THE AMOUNT OF ASSETS ALLOCATED FOR THE BENEFIT OF THE CLOSED~~
27 ~~BLOCK SHALL BE BASED ON THE MUTUAL LIFE INSURANCE COMPANY'S LAST~~
28 ~~ANNUAL STATEMENT, UPDATED TO THE LAST DAY OF THE QUARTER IMMEDIATELY~~
29 ~~PRECEDING THE EFFECTIVE DATE OF THE CONVERSION.~~

30 ~~(E) THE CONVERTED STOCK COMPANY SHALL KEEP A SEPARATE~~
31 ~~ACCOUNTING FOR THE CLOSED BLOCK AND SHALL MAKE AND INCLUDE IN THE~~
32 ~~ANNUAL STATEMENT TO BE FILED WITH THE COMMISSIONER EACH YEAR A~~
33 ~~SEPARATE STATEMENT SHOWING THE GAINS, LOSSES, AND EXPENSES PROPERLY~~
34 ~~ATTRIBUTABLE TO THE CLOSED BLOCK.~~

35 ~~(F) PERIODICALLY, ON APPROVAL OF THE COMMISSIONER, THOSE ASSETS~~
36 ~~ALLOCATED TO THE CLOSED BLOCK THAT ARE IN EXCESS OF THE AMOUNT OF~~
37 ~~ASSETS NECESSARY TO SUPPORT THE REMAINING POLICIES IN THE CLOSED BLOCK~~
38 ~~SHALL REVERT TO THE BENEFIT OF THE CONVERTED STOCK COMPANY.~~

39 ~~(G) (1) THE COMMISSIONER MAY WAIVE THE REQUIREMENT FOR~~
40 ~~ESTABLISHING A CLOSED BLOCK OF BUSINESS IF IT IS IN THE BEST INTERESTS OF~~
41 ~~POLICYHOLDERS TO DO SO.~~

1 ~~(2) THE COMMISSIONER MAY WAIVE FROM INCLUSION IN THE CLOSED~~
2 ~~BLOCK OF PARTICIPATING POLICIES THOSE PARTICIPATING POLICIES FOR WHICH~~
3 ~~THERE IS NO EXPECTATION OF DIVIDENDS BEING PAID IF IT IS FAIR AND~~
4 ~~EQUITABLE TO DO SO.~~

5 ~~3-405.~~

6 ~~(A) (1) THE PLAN MAY PROVIDE THAT THE DIRECTORS AND OFFICERS OF~~
7 ~~THE MUTUAL COMPANY SHALL RECEIVE, WITHOUT PAYMENT, NONTRANSFERABLE~~
8 ~~SUBSCRIPTION RIGHTS TO PURCHASE CAPITAL STOCK OF THE CONVERTED STOCK~~
9 ~~COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT IS PARTICIPATING IN~~
10 ~~THE CONVERSION PLAN, AS PROVIDED IN § 3-403 OF THIS SUBTITLE.~~

11 ~~(2) THE SUBSCRIPTION RIGHTS SHALL BE ALLOCATED AMONG THE~~
12 ~~DIRECTORS AND OFFICERS BY A FAIR AND EQUITABLE FORMULA AND SHALL BE~~
13 ~~SUBORDINATE TO THE SUBSCRIPTION RIGHTS OF ELIGIBLE MEMBERS.~~

14 ~~(3) NOTHING CONTAINED IN THIS ARTICLE SHALL REQUIRE THE~~
15 ~~SUBORDINATION OF SUBSCRIPTION RIGHTS RECEIVED BY DIRECTORS AND~~
16 ~~OFFICERS IN THEIR CAPACITY AS ELIGIBLE MEMBERS, IF ANY.~~

17 ~~(B) (1) THE AGGREGATE TOTAL NUMBER OF SHARES THAT MAY BE~~
18 ~~PURCHASED BY DIRECTORS AND OFFICERS OF THE MUTUAL COMPANY IN THEIR~~
19 ~~CAPACITY UNDER SUBSECTION (A) OF THIS SECTION AND IN THEIR CAPACITY AS~~
20 ~~ELIGIBLE MEMBERS UNDER § 3-403(A)(3)(I) OF THIS SUBTITLE MAY NOT EXCEED 35%~~
21 ~~OF THE TOTAL NUMBER OF SHARES TO BE ISSUED FOR A MUTUAL COMPANY IF~~
22 ~~TOTAL ASSETS OF THE MUTUAL COMPANY ARE LESS THAN \$50,000,000 OR 25% OF THE~~
23 ~~TOTAL NUMBER OF SHARES TO BE ISSUED FOR A MUTUAL COMPANY IF TOTAL~~
24 ~~ASSETS OF THE MUTUAL COMPANY ARE MORE THAN \$500,000,000.~~

25 ~~(2) FOR MUTUAL COMPANIES WITH TOTAL ASSETS OF OR BETWEEN~~
26 ~~\$50,000,000 AND \$500,000,000, THE PERCENTAGE OF THE TOTAL NUMBER OF SHARES~~
27 ~~THAT MAY BE PURCHASED SHALL BE INTERPOLATED.~~

28 ~~(C) (1) THE PLAN MAY ALLOCATE TO A TAX QUALIFIED EMPLOYEE~~
29 ~~BENEFIT PLAN NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PURCHASE UP TO 10%~~
30 ~~OF THE CAPITAL STOCK OF THE CONVERTED STOCK COMPANY OR THE STOCK OF~~
31 ~~ANOTHER CORPORATION THAT IS PARTICIPATING IN THE CONVERSION PLAN, AS~~
32 ~~PROVIDED IN § 3-403(A)(3)(I) OF THIS SUBTITLE.~~

33 ~~(2) A TAX QUALIFIED EMPLOYEE BENEFIT PLAN IS ENTITLED TO~~
34 ~~EXERCISE SUBSCRIPTION RIGHTS GRANTED UNDER THIS SUBSECTION REGARDLESS~~
35 ~~OF THE TOTAL NUMBER OF SHARES PURCHASED BY OTHER PERSONS.~~

36 ~~(D) THE PLAN MAY PROVIDE FOR CREATION OF A LIQUIDATION ACCOUNT~~
37 ~~FOR THE BENEFIT OF MEMBERS IN THE EVENT OF VOLUNTARY LIQUIDATION~~
38 ~~SUBSEQUENT TO CONVERSION IN AN AMOUNT EQUAL TO THE SURPLUS OF THE~~
39 ~~MUTUAL COMPANY, EXCLUSIVE OF THE PRINCIPAL AMOUNT OF ANY SURPLUS~~
40 ~~NOTE, ON THE LAST DAY OF THE QUARTER IMMEDIATELY PRECEDING THE DATE~~
41 ~~OF ADOPTION OF THE PLAN.~~

13

1 ~~3-406.~~

2 (A) ~~THE BOARD OF DIRECTORS MAY ADOPT AN ALTERNATIVE PLAN THAT~~
3 ~~DOES NOT RELY IN WHOLE OR IN PART ON ISSUING NONTRANSFERABLE~~
4 ~~SUBSCRIPTION RIGHTS TO MEMBERS TO PURCHASE STOCK OF THE CONVERTED~~
5 ~~STOCK COMPANY IF THE COMMISSIONER FINDS THAT THE PLAN DOES NOT~~
6 ~~PREJUDICE THE INTERESTS OF THE MEMBERS, IS FAIR AND EQUITABLE, AND IS NOT~~
7 ~~INCONSISTENT WITH THE PURPOSE AND INTENT OF THIS SUBTITLE.~~

8 (B) ~~AN ALTERNATIVE PLAN MAY:~~

9 (1) ~~INCLUDE THE MERGER OF A DOMESTIC MUTUAL INSURER INTO A~~
10 ~~DOMESTIC OR FOREIGN STOCK INSURER;~~

11 (2) ~~PROVIDE FOR ISSUING STOCK, CASH, OR OTHER CONSIDERATION~~
12 ~~TO POLICYHOLDERS INSTEAD OF SUBSCRIPTION RIGHTS;~~

13 (3) ~~PROVIDE FOR PARTIAL CONVERSION OF THE MUTUAL COMPANY~~
14 ~~AND FORMATION OF A MUTUAL HOLDING COMPANY; AND~~

15 (4) ~~SET FORTH ANOTHER PLAN CONTAINING ANY OTHER PROVISIONS~~
16 ~~APPROVED BY THE COMMISSIONER.~~

17 (C) ~~(1) AN ALTERNATIVE PLAN PROVIDING FOR FORMATION OF A MUTUAL~~
18 ~~HOLDING COMPANY MAY NOT BE APPROVED BY THE COMMISSIONER BEFORE~~
19 ~~REGULATIONS ALLOWING PARTIAL CONVERSION AND FORMATION OF A MUTUAL~~
20 ~~HOLDING COMPANY ARE ADOPTED BY THE COMMISSIONER.~~

21 (2) ~~THE COMMISSIONER MAY RETAIN, AT THE MUTUAL COMPANY'S~~
22 ~~EXPENSE, ANY QUALIFIED EXPERT NOT OTHERWISE A PART OF THE~~
23 ~~COMMISSIONER'S STAFF TO ASSIST IN REVIEWING WHETHER THE PLAN MAY BE~~
24 ~~APPROVED BY THE COMMISSIONER.~~

25 ~~3-407.~~

26 A ~~PLAN IS EFFECTIVE WHEN THE COMMISSIONER HAS APPROVED THE PLAN,~~
27 ~~THE ELIGIBLE MEMBERS HAVE APPROVED THE PLAN AND ADOPTED THE AMENDED~~
28 ~~ARTICLES OF INCORPORATION, AND THE MUTUAL COMPANY FILES THE AMENDED~~
29 ~~ARTICLES OF INCORPORATION WITH THE DEPARTMENT OF ASSESSMENTS AND~~
30 ~~TAXATION.~~

31 ~~3-408.~~

32 (A) ~~ALL MEMBERS WHOSE POLICIES ARE ISSUED AFTER THE PROPOSED PLAN~~
33 ~~HAS BEEN ADOPTED BY THE BOARD OF DIRECTORS AND BEFORE THE EFFECTIVE~~
34 ~~DATE OF THE PLAN SHALL BE SENT A WRITTEN NOTICE REGARDING THE PLAN ON~~
35 ~~ISSUANCE OF THE POLICY.~~

36 (B) ~~(1) A MEMBER OF A LIFE OR HEALTH INSURANCE COMPANY ENTITLED~~
37 ~~TO BE SENT THE NOTICE DESCRIBED IN SUBSECTION (A) OF THIS SECTION IS~~
38 ~~ENTITLED TO RESCIND THE MEMBER'S POLICY AND RECEIVE A FULL REFUND OF~~
39 ~~ANY AMOUNTS PAID FOR THE POLICY OR CONTRACT WITHIN 10 DAYS AFTER~~
40 ~~RECEIPT OF THE NOTICE.~~

14

1 ~~(2) EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, EACH~~
2 ~~MEMBER OF A PROPERTY OR CASUALTY INSURANCE COMPANY ENTITLED TO~~
3 ~~RECEIVE THE NOTICE BE ADVISED OF THE MEMBER'S RIGHT OF CANCELLATION~~
4 ~~AND TO A PRO RATA REFUND OF UNEARNED PREMIUMS.~~

5 ~~(C) (1) A MEMBER OF A LIFE OR HEALTH INSURANCE COMPANY OR~~
6 ~~PROPERTY OR CASUALTY INSURANCE COMPANY WHO HAS MADE OR FILED A CLAIM~~
7 ~~UNDER THE MEMBER'S INSURANCE POLICY IS NOT ENTITLED TO ANY RIGHT TO~~
8 ~~RECEIVE ANY REFUND UNDER SUBSECTION (B) OF THIS SECTION.~~

9 ~~(2) A PERSON WHO HAS EXERCISED THE RIGHTS PROVIDED BY~~
10 ~~SUBSECTION (B) OF THE SECTION IS ENTITLED TO MAKE OR FILE ANY CLAIM UNDER~~
11 ~~THE POLICY.~~

12 3-409.

13 ~~(A) ON THE EFFECTIVE DATE OF THE CONVERSION:~~

14 ~~(1) THE CORPORATE EXISTENCE OF THE MUTUAL COMPANY~~
15 ~~CONTINUES IN THE CONVERTED STOCK COMPANY; AND~~

16 ~~(2) ALL ASSETS, RIGHTS, FRANCHISES, AND INTERESTS OF THE MUTUAL~~
17 ~~COMPANY IN AND TO EVERY SPECIES OF PROPERTY, REAL PERSONAL, AND MIXED;~~
18 ~~ARE VESTED IN THE CONVERTED STOCK COMPANY, WITHOUT ANY DEED OR~~
19 ~~TRANSFER AND THE CONVERTED STOCK COMPANY ASSUMES ALL THE~~
20 ~~OBLIGATIONS AND LIABILITIES OF THE MUTUAL COMPANY.~~

21 ~~(B) UNLESS OTHERWISE SPECIFIED IN THE PLAN, THE PERSONS WHO ARE~~
22 ~~DIRECTORS AND OFFICERS OF THE MUTUAL COMPANY ON THE EFFECTIVE DATE OF~~
23 ~~CONVERSION SHALL SERVE AS DIRECTORS AND OFFICERS OF THE CONVERTED~~
24 ~~STOCK COMPANY UNTIL NEW DIRECTORS AND OFFICERS OF THE CONVERTED~~
25 ~~STOCK COMPANY ARE ELECTED IN ACCORDANCE WITH ARTICLES OF~~
26 ~~INCORPORATION AND BYLAWS OF THE CONVERTED STOCK COMPANY.~~

27 3-410.

28 ~~(A) (1) EXCEPT AS OTHERWISE PROVIDED IN THE PLAN APPROVED BY THE~~
29 ~~COMMISSIONER, A DIRECTOR, OFFICER, AGENT, OR EMPLOYEE OF THE MUTUAL~~
30 ~~COMPANY MAY NOT RECEIVE ANY FEE, COMMISSION, OR OTHER VALUABLE~~
31 ~~CONSIDERATION, OTHER THAN REGULAR COMPENSATION, FOR ASSISTING IN OR~~
32 ~~PROMOTING A CONVERSION UNDER THIS SUBTITLE.~~

33 ~~(2) PARAGRAPH (1) OF THIS SUBSECTION DOES NOT PROHIBIT~~
34 ~~PAYMENT OF REASONABLE COMPENSATION TO AN ATTORNEY, ACCOUNTANT, OR~~
35 ~~ACTUARY FOR SERVICES PERFORMED IN INDEPENDENT PRACTICE OF THE~~
36 ~~PROFESSION, EVEN IF THE ATTORNEY, ACCOUNTANT, OR ACTUARY IS ALSO A~~
37 ~~DIRECTOR OR OFFICER OF THE MUTUAL COMPANY.~~

38 ~~(B) FOR A PERIOD OF 2 YEARS AFTER THE EFFECTIVE DATE OF THE~~
39 ~~CONVERSION, A CONVERTED STOCK COMPANY MAY NOT IMPLEMENT ANY~~
40 ~~NONTAX QUALIFIED STOCK BENEFIT PLAN UNLESS THE PLAN IS APPROVED BY A~~
41 ~~MAJORITY OF VOTES ELIGIBLE TO BE CAST AT A MEETING OF SHAREHOLDERS HELD~~
42 ~~NOT LESS THAN 6 MONTHS AFTER THE EFFECTIVE DATE OF THE CONVERSION.~~

15

1 ~~(C) ALL THE COSTS AND EXPENSES CONNECTED WITH A PLAN OF~~
2 ~~CONVERSION SHALL BE PAID FOR OR REIMBURSED BY THE MUTUAL COMPANY OR~~
3 ~~THE CONVERTED STOCK COMPANY UNLESS THE PLAN PROVIDES FOR~~
4 ~~PARTICIPATION BY ANOTHER CORPORATION OR STOCK COMPANY UNDER §~~
5 ~~3-403(A)(3)(f) OF THIS SUBTITLE.~~

6 ~~3-411.~~

7 ~~IF THE MUTUAL COMPANY COMPLIES SUBSTANTIALLY AND IN GOOD FAITH~~
8 ~~WITH THE NOTICE REQUIREMENTS OF THIS ARTICLE, THE MUTUAL COMPANY'S~~
9 ~~FAILURE TO SEND A MEMBER THE REQUIRED NOTICE DOES NOT IMPAIR THE~~
10 ~~VALIDITY OF ANY ACTION TAKEN UNDER THIS ARTICLE.~~

11 ~~3-412.~~

12 ~~ANY ACTION CHALLENGING THE VALIDITY OF OR ARISING OUT OF ACTS~~
13 ~~TAKEN OR PROPOSED TO BE TAKEN UNDER THIS SUBTITLE SHALL BE COMMENCED~~
14 ~~NOT LATER THAN 30 DAYS AFTER THE EFFECTIVE DATE OF THE PLAN.~~

15 ~~3-413.~~

16 ~~(A) (1) IF A MUTUAL COMPANY IS INSOLVENT OR, IN THE JUDGMENT OF~~
17 ~~THE COMMISSIONER, IS IN HAZARDOUS FINANCIAL CONDITION, ITS BOARD OF~~
18 ~~DIRECTORS, BY A MAJORITY VOTE, MAY REQUEST IN ITS PETITION THAT THE~~
19 ~~COMMISSIONER WAIVE THE REQUIREMENTS IMPOSING NOTICE TO AND~~
20 ~~POLICYHOLDER APPROVAL OF THE PLANNED CONVERSION.~~

21 ~~(2) THE PETITION SHALL SPECIFY:~~

22 ~~(i) THE METHOD AND BASIS FOR ISSUANCE OF THE CONVERTED~~
23 ~~STOCK COMPANY'S SHARES OF ITS CAPITAL STOCK TO AN INDEPENDENT PARTY IN~~
24 ~~CONNECTION WITH AN INVESTMENT BY THE INDEPENDENT PARTY IN AN AMOUNT~~
25 ~~SUFFICIENT TO RESTORE THE CONVERTED STOCK COMPANY TO SOUND FINANCIAL~~
26 ~~CONDITION; AND~~

27 ~~(ii) THAT THE CONVERSION SHALL BE ACCOMPLISHED WITHOUT~~
28 ~~CONSIDERATION TO PAST, PRESENT, OR FUTURE POLICYHOLDERS, IF THE~~
29 ~~COMMISSIONER FINDS THAT THE VALUE OF THE MUTUAL COMPANY IS~~
30 ~~INSUFFICIENT TO WARRANT CONSIDERATION.~~

31 ~~(B) IF ON REVIEW OF THE PLAN AND AFTER A FINANCIAL EXAMINATION THE~~
32 ~~COMMISSIONER FINDS THAT THE MUTUAL COMPANY NO LONGER MEETS~~
33 ~~STATUTORY REQUIREMENTS WITH RESPECT TO CAPITAL, SURPLUS, DEPOSITS, OR~~
34 ~~ASSETS, THE COMMISSIONER BY WRITTEN ORDER MAY WAIVE THE REQUIREMENTS~~
35 ~~OF § 3-402(G) OF THIS SUBTITLE.~~

36 ~~3-414.~~

37 ~~THE COMMISSIONER MAY ADOPT REGULATIONS TO ENFORCE THIS SUBTITLE.~~

38 ~~3-415.~~

39 ~~(A) (1) IN THIS SUBSECTION, "CONTROL" HAS THE MEANING STATED IN §~~
40 ~~7-104 OF THIS ARTICLE.~~

16

1 ~~(2) IF AS A DIRECT RESULT OF A CONVERSION UNDER THIS SUBTITLE~~
2 ~~ANY PERSON OR ANY AFFILIATE OF THE CONVERTING MUTUAL COMPANY~~
3 ~~ACQUIRES CONTROL OF THE CONVERTED STOCK COMPANY, THE CONVERSION MAY~~
4 ~~NOT OCCUR UNLESS THAT PERSON OR AFFILIATE COMPLIES WITH THE PROVISIONS~~
5 ~~OF TITLE 7, SUBTITLE 3 OF THIS ARTICLE.~~

6 ~~(B) EXPECT AS OTHERWISE PROVIDED IN THIS ARTICLE, A STOCK COMPANY~~
7 ~~CONVERTED UNDER THIS SUBTITLE:~~

8 ~~(1) HAS AND MAY EXERCISE ALL THE RIGHTS AND PRIVILEGES OF A~~
9 ~~STOCK INSURER;~~

10 ~~(2) IS SUBJECT TO ALL THE REQUIREMENTS AND REGULATIONS~~
11 ~~IMPOSED ON STOCK INSURERS UNDER THIS ARTICLE AND ANY OTHER LAW~~
12 ~~RELATING TO REGULATION AND SUPERVISION OF INSURERS; AND~~

13 ~~(3) MAY NOT EXERCISE ANY RIGHTS OR PRIVILEGES THAT OTHER~~
14 ~~STOCK INSURANCE COMPANIES MAY NOT EXERCISE.~~

15 3-416.

16 ~~A MUTUAL COMPANY MAY NOT ENGAGE IN THE BUSINESS OF INSURANCE AS A~~
17 ~~STOCK COMPANY UNLESS IT COMPLIES WITH THE PROVISIONS OF THIS SUBTITLE.~~

18 3-417.

19 ~~A MUTUAL COMPANY, BY ENDORSEMENT OR RIDER APPROVED BY THE~~
20 ~~COMMISSIONER AND SENT TO A POLICYHOLDER, MAY SIMULTANEOUSLY WITH OR~~
21 ~~AT ANY TIME AFTER ADOPTION OF A PLAN AMEND ANY OUTSTANDING INSURANCE~~
22 ~~POLICY FOR THE PURPOSE OF EXTINGUISHING THE RIGHT OF THE HOLDER OF THE~~
23 ~~POLICY TO SHARE IN THE SURPLUS OF THE MUTUAL COMPANY UNLESS:~~

24 ~~(1) THE PLAN IS NOT SUBMITTED TO THE COMMISSIONER;~~

25 ~~(2) THE COMMISSIONER DISAPPROVES THE PLAN; OR~~

26 ~~(3) THE PLAN IS NOT APPROVED BY ELIGIBLE MEMBERS ON OR BEFORE~~
27 ~~THE FIRST ANNIVERSARY OF APPROVAL BY THE COMMISSIONER.~~

28 3-418.

29 ~~THIS SUBTITLE IS THE INSURANCE COMPANY MUTUAL TO STOCK~~
30 ~~CONVERSION ACT.~~

31 ~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect~~
32 ~~October 1, 1997.~~

33 ~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency~~
34 ~~measure, is necessary for the immediate preservation of the public health and safety, has~~
35 ~~been passed by a ye and nay vote supported by three-fifths of all the members elected to~~
36 ~~each of the two Houses of the General Assembly, and shall take effect from the date it is~~
37 ~~enacted.~~

