

Article 48A - Insurance Code

270.

(a) A domestic mutual insurer may become a stock insurer under such plan and procedure as may be approved by the Commissioner [after a hearing thereon].

(b) The Commissioner shall not approve any such plan or procedure unless:

(1) It is equitable to the insurer's members;

(2) It is subject to approval by vote of not less than three fourths of the insurer's current members voting thereon in person, by proxy, or by mail at a meeting of members called for the purpose pursuant to such reasonable notice and procedure as may be approved by the Commissioner; if a life insurer, right to vote may be limited to members who hold policies other than term or group policies, and whose policies have been in force for not less than one year;

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

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

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

[(3)](4) The equity of each policyholder in the insurer is determinable under a fair formula approved by the Commissioner, which such equity shall be based upon not less than the insurer's entire surplus (after deducting contributed or borrowed surplus funds), plus a reasonable present equity in its reserves and in all nonadmitted assets;

[(4)](5) The policyholders entitled to participate in the purchase of stock or distribution of assets shall include all current policyholders and all existing persons who had been policyholders of the insurer within three years prior to the date such plan was submitted to the Commissioner;

[(5)](6) The plan gives to each policyholder of the insurer as specified in paragraph [(4)] (5) of this subsection, a preemptive right to acquire his proportionate part of all of the proposed capital stock of the insurer, within a designated reasonable period, and to apply upon the purchase thereof the amount of his equity in the insurer as determined under paragraph [(3)] (4) of this subsection;

[(6)](7) Shares are so offered to policyholders at a price not greater than to be thereafter offered to others, but at not more than double the par value of such shares;

[(7)](8) The plan provides for payment to each policyholder not electing to apply his equity in the insurer for or upon the purchase price of stock to which preemptively entitled, of cash in the amount of not less than fifty percent (50%) of the amount of his equity not so used for the purchase of stock, and which cash payment together with stock so purchased, if any, shall constitute full payment and discharge of the policyholder's equity as an owner of such mutual insurer; and