

VIRGINIA ACTS OF ASSEMBLY -- 1994 SESSION

CHAPTER 294

An Act to amend and reenact § 38.2-4229.1 of the Code of Virginia, relating to accident and sickness insurance; conversion of domestic mutual insurer to stock insurer.

[H 1195]

Approved April 4, 1994

Be it enacted by the General Assembly of Virginia:

1. That § 38.2-4229.1 of the Code of Virginia is amended and reenacted as follows:

§ 38.2-4229.1. Conversion to domestic mutual insurer.

A. Any domestic nonstock corporation subject to the provisions of this chapter that has the surplus required by § 38.2-1030 for domestic mutual insurers issuing policies without contingent liability may, at its option and without reincorporation, convert to a domestic mutual insurer by following the procedure set forth in this section.

B. Any nonstock corporation eligible to convert to a domestic mutual insurer under subsection A of this section may effect such conversion by amending its articles of incorporation to delete any reference to this chapter and to comply with the provisions of § 38.2-1002 relating to the articles of incorporation of a domestic mutual insurer. Upon the issuance of a certificate of amendment by the Commission, the conversion shall be effective, such nonstock corporation shall become subject to all of the provisions of this title relating to domestic mutual insurers, and, except as provided in subsection D of this section, such nonstock corporation shall no longer be subject to the provisions of this chapter.

C. If any nonstock corporation converts from a health services plan organized under this chapter to a domestic mutual insurer, then at least ninety days prior to the effective date of conversion, the nonstock corporation shall comply with § 38.2-316 by filing with the Commission copies of all policies of insurance that it proposes to issue after the effective date of conversion. All subscription contracts issued and outstanding as of the effective date of conversion shall remain in force in accordance with their terms until the expiration or termination of such contracts.

D. Any nonstock corporation that offers an open enrollment program under § 38.2-4216.1 shall, *directly or through a subsidiary*, continue to offer such program notwithstanding its conversion to a domestic mutual insurer. *If any such domestic mutual insurer converts to a stock insurer, it shall, directly or through a subsidiary, continue to offer such program notwithstanding its conversion to a stock insurer.* No such ~~nonstock corporation~~ insurer shall discontinue the open enrollment program required by § 38.2-4216.1 without first giving the Commission twenty-four months' prior written notice. For so long as the ~~nonstock corporation~~ insurer continues to offer such open enrollment program, the license tax imposed on ~~its~~ *the* direct gross premium income *of the insurer and its subsidiaries* from accident and sickness insurance shall be ~~three-quarters~~ *three-fourths* of one percent (.75%) *for taxable year 1994 and shall thereafter be two and one-fourth percent (2.25%) on premium income from accident and sickness insurance issued to primary small employers as defined in § 38.2-3431 and three-fourths of one percent (.75%) on other premium income from accident and sickness insurance.*

E. No policy of accident and sickness insurance issued by a nonstock corporation after its conversion to a domestic mutual insurer shall deny the policyholder the right to assign his benefit, except that denial may be made where the benefit is eighty percent of covered charges or greater.