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SENATE BILL NO. 590

Offered January 22, 1996

A BILL to amend the Code of Virginia by adding in Article 1 of Chapter 10 of Title 38.2 a section numbered 38.2-1005.1, relating to conversion of a domestic mutual insurer to a domestic stock insurer.

Patrons—Chichester, Barry, Benedetti, Bolling, Colgan, Earley, Edwards, Holland, Houck, Lambert, Martin, Maxwell, Normont, Quayle, Reasor, Saslaw, Stolle, Stosch, Walker and Wampler

Referred to the Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 1 of Chapter 10 of Title 38.2 a section numbered 38.2-1005.1 as follows:

§ 38.2-1005.1. Conversion of a domestic mutual insurer to a domestic stock insurer.

A. Any domestic mutual insurer may convert to a domestic stock insurer pursuant to a plan of conversion approved by the Commission.

B. The Commission shall approve any such plan of conversion if, after giving notice and an opportunity to be heard to the policyholders of the domestic mutual insurer, the Commission determines that:

1. The terms and conditions of the plan are fair and equitable to the policyholders of the domestic mutual insurer;

2. The plan is subject to approval by a vote of more than two-thirds of all votes cast on the plan at a meeting of the members of the domestic mutual insurer called for that purpose at which a quorum is present;

3. Except as otherwise provided in subdivision 4 of this subsection, the plan allocates and directs that the entire stock ownership interests and other consideration to be distributed pursuant to the plan of conversion be distributed to the policyholders of the domestic mutual insurer;

4. In the case of a domestic mutual insurer that converted from a health services plan that was in existence prior to December 31, 1987, the plan of conversion allocates and distributes to public or charitable entities an amount equal to the surplus (as defined in § 38.2-4230) of such health services plan on December 31, 1987; and

5. Immediately after the conversion, the insurer will have the fully paid capital stock and surplus required by § 38.2-1028.

C. A plan of conversion that utilizes a statutory merger in order to effect a conversion may be approved under this section, and the provisions of § 38.2-1018 shall not be applicable to such plan of conversion.

2. That the provisions of this act shall be applicable to all plans of conversion acted on by the State Corporation Commission after the effective date of this act.

3. That an emergency exists and this act is in force from its passage.

INTRODUCED

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