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SENATE BILL NO. 590

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Finance)

(Patron Prior to Substitute—Senator Chichester)

Senate Amendments in [] — February 16, 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.

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 the State Treasurer, in addition to any shares of stock that the Commonwealth may be entitled to receive as a policyholder, shares of stock or cash or both with a value equal to the surplus, computed in accordance with generally accepted accounting principles, of such health services plan on December 31, 1987, plus ten million dollars; and

5. Immediately after the conversion, the insurer will have the fully paid capital stock and surplus required by applicable law.

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, on the effective date of this act, any plan of conversion then pending before the State Corporation Commission shall not be approved by the Commission unless such plan provides for, or is amended to provide for, the appointment to the initial board of directors of the insurer's parent company, for a term of three years each, one director from a list of three nominees submitted by the Joint Rules Committee, as defined in § 51.1-124.3, and one director from a list of three nominees submitted by the Attorney General. Such nominees shall be citizens who do not hold public office and have no direct or indirect financial interest, except as a consumer, in the insurer.

[4. That an emergency exists and this act is in force from its passage.]

ENGROSSED

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