

SB2513



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

SB2513

Introduced 2/9/2016, by Sen. William R. Haine

SYNOPSIS AS INTRODUCED:

215 ILCS 5/59.1

Amends the Illinois Insurance Code. Replaces provisions relating to conversion of a mutual property and casualty insurance company to a stock insurance company. Includes provisions governing: the adoption of a plan of conversion; requirements, options, and alternatives of a plan of conversion; rights of members whose policies precede the conversion; conflicts of interest; rules; notice requirements; and limitation on actions. Effective January 1, 2017.

LRB099 17058 EGJ 41416 b

A BILL FOR

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Insurance Code is amended by
5 changing Section 59.1 as follows:

6 (215 ILCS 5/59.1)

7 (Section scheduled to be repealed on January 1, 2017)

8 Sec. 59.1. Conversion to stock company.

9 (1) Definitions. For the purposes of this Section, the
10 following terms shall have the meanings indicated:

11 "Capital stock" means common or preferred stock or any
12 hybrid security or other equity security issued by a converted
13 stock company or other company or entity pursuant to the
14 exercise of subscription rights granted pursuant to the
15 provisions of subparagraph (iii) of paragraph (a) of subsection
16 (3).

17 "Converted stock company" means an Illinois-domiciled
18 stock company that converted from an Illinois-domiciled mutual
19 company under this Section.

20 "Converting mutual company" means a mutual company that has
21 adopted a plan of conversion under this Section.

22 ~~(a)~~ "Eligible member" means ~~is~~ a member as of the date the
23 mutual company's board of directors adopts a plan of

1 conversion. A person insured under a group policy is not an
2 eligible member, unless:

3 (i) the person is insured or covered under a group
4 life policy or group annuity contract under which funds are
5 accumulated and allocated to the respective covered
6 persons;

7 (ii) the person has the right to direct the
8 application of the funds so allocated;

9 (iii) the group policyholder makes no contribution
10 to the premiums or deposits for the policy or contract; and

11 (iv) the mutual company has the names and addresses
12 of the persons covered under the group life policy or group
13 annuity contract.

14 A person whose policy is issued after the board of
15 directors adopts the plan but before the plan's effective date
16 is not an eligible member but shall have those rights set forth
17 in subsection (7) ~~(10)~~ of this Section.

18 "Mutual company" means an Illinois-domiciled mutual
19 property and casualty insurance company.

20 "Participating policy" means a policy that grants a holder
21 the right to receive dividends if, as, and when declared by the
22 mutual company.

23 ~~(b) "Converted stock company" is an Illinois domiciled~~
24 ~~stock company that converted from an Illinois domiciled~~
25 ~~mutual company under this Section.~~

26 ~~(c)~~ "Plan of conversion" or "plan" is a plan adopted by an

1 Illinois domestic mutual company's board of directors under
2 this Section to convert the mutual company into an Illinois
3 domiciled stock company.

4 ~~(d) "Policy" includes an annuity contract.~~

5 "Standby investor" means any person that has agreed in
6 writing to purchase all or a portion of the capital stock to be
7 sold in a conversion which is not subscribed by eligible
8 members.

9 "Subscription right" means the nontransferable right to
10 purchase, for a period of not less than 45 days, the stock of
11 the converted stock company or an unaffiliated stock insurance
12 company or other corporation or entity that will acquire the
13 stock of the converted stock company.

14 "Voting member" means a member who is an eligible member
15 and is also a member of the converting mutual company as of a
16 date not more than 90 days before the date of the meeting at
17 which the plan of conversion must be voted upon by members.

18 ~~(c) "Member" means a person who, on the records of the~~
19 ~~mutual company and pursuant to its articles of incorporation or~~
20 ~~bylaws, is deemed to be a holder of a membership interest in~~
21 ~~the mutual company.~~

22 (2) Adoption of the plan of conversion ~~by the board of~~
23 ~~directors.~~

24 (a) A plan of conversion does not become effective
25 unless the converting mutual company seeking to become a
26 converted stock company adopted, by the affirmative vote of

1 not less than two-thirds of its governing body, a plan of
2 conversion consistent with the requirements of subsections
3 (3) and (4) of this Section, or the requirements of
4 subsection (5) of this Section. At any time before approval
5 of a plan of conversion by the Director, the converting
6 mutual company, by the affirmative vote of not less than
7 two-thirds of its governing body, may amend or withdraw the
8 plan. A mutual company seeking to convert to a stock
9 company shall, by the affirmative vote of two thirds of its
10 board of directors, adopt a plan of conversion consistent
11 with the requirements of subsection (6) of this Section.

12 (b) Before the eligible members of a converting mutual
13 company may vote on approval of a plan of conversion, a
14 converting mutual company whose governing body has adopted
15 a plan shall file all of the following documents with the
16 Director within 90 days after adoption of the plan of
17 conversion together with the application fee: At any time
18 before approval of a plan by the Director, the mutual
19 company by the affirmative vote of two thirds of its board
20 of directors, may amend or withdraw the plan.

21 (i) the plan of conversion, including the
22 independent evaluation required by paragraph (d) of
23 subsection (3);

24 (ii) the form of notice and proxy required by
25 paragraph (g) of this subsection (2);

26 (iii) the form of notice required by subsection (7)

1 to persons whose policies are issued after adoption of
2 the plan of conversion but before the plan of
3 conversion's effective date;

4 (iv) the proposed certificate of incorporation and
5 bylaws of the converted stock company;

6 (v) the acquisition of control statement, as
7 required by subsection (3);

8 (vi) the application fee, equal to the greater of
9 \$10,000 or an amount equal to one-tenth of 1% of the
10 estimated pro forma market value of the converted stock
11 company as determined in accordance with paragraph (d)
12 of subsection (3); if such value is expressed as a
13 range of values, the application fee must be based upon
14 the midpoint of the range; the application fee is in
15 addition to other direct costs incurred by the Director
16 in reviewing the proposed plan of conversion; for good
17 cause shown, the Director may waive the application
18 fee, in whole or in part, or permit a portion of the
19 application fee to be deferred until completion of the
20 conversion; and

21 (vii) other information as the Director may
22 request.

23 (c) Upon filing with the Director the documents
24 required under paragraph (b) of this subsection (2), the
25 converting mutual company shall send to eligible members a
26 notice advising eligible members of the adoption and filing

1 of the plan of conversion, the ability of the eligible
2 members to provide the Director and the converting mutual
3 company with comments on the plan of conversion within 30
4 days after the date of such notice, and the procedure of
5 providing such comments.

6 (d) The Director shall approve the plan if the Director
7 finds:

8 (i) the plan complies with this Section;

9 (ii) the plan is fair and equitable to the
10 converting mutual company, the members of the
11 converting mutual company, and the eligible members of
12 the converting mutual company;

13 (iii) the plan's method of allocating subscription
14 rights is fair and equitable;

15 (iv) the plan will not otherwise prejudice the
16 interests of the members; and

17 (v) the converted stock company will have the
18 amount of capital and surplus deemed by the Director to
19 be reasonable for its future solvency.

20 (e) At the expense of the converting mutual company,
21 the Director may retain any qualified expert not otherwise
22 a part of the Director's staff, including counsel and
23 financial advisors, to assist in reviewing the plan of
24 conversion and the independent valuation required under
25 paragraph (d) of subsection (3).

26 (f) The Director shall order a hearing on whether the

1 terms of the plan of conversion comply with this Section
2 after giving written notice by mail or publication to the
3 converting mutual company and other interested persons,
4 all of whom have the right to appear at the hearing.

5 (g) The Director shall give written notice of any
6 decision to the converting mutual company and, in the event
7 of disapproval, a detailed statement of the reasons for the
8 decision.

9 (h) All voting members must be sent notice of the
10 members' meeting to vote on the plan of conversion no later
11 than 45 days before the meeting. The notice must describe
12 the proposed plan of conversion, must inform the member how
13 the proposed plan of conversion will affect the member's
14 membership rights, must inform the voting member of the
15 voting member's right to vote upon the plan of conversion,
16 and must be sent to each voting member's last-known
17 address, as shown on the records of the converting mutual
18 company. The notice must provide instructions on how the
19 member can obtain, either by mail or electronically, a full
20 copy of the proposed plan of conversion. If the meeting to
21 vote upon the plan of conversion is held during the annual
22 meeting of policyholders, only a combined notice of meeting
23 is required.

24 (i) The plan of conversion must be voted upon by voting
25 members and must be adopted upon receiving the affirmative
26 vote of at least two-thirds of the votes cast by voting

1 members at the meeting. Voting members entitled to vote
2 upon the proposed plan of conversion may vote in person or
3 by proxy. The number of votes each voting member may cast
4 must be determined by the bylaws of the converting mutual
5 company. If the bylaws are silent, each voting member may
6 cast one vote.

7 (j) The certificate of incorporation of the converted
8 stock company must be considered at the meeting of the
9 voting members called for the purpose of adopting the plan
10 of conversion and must require for adoption the affirmative
11 vote of at least two-thirds of the votes cast by voting
12 members.

13 (k) Within 30 days after the voting members have
14 approved the plan of conversion in accordance with the
15 requirements of this subsection, the converted stock
16 company shall file with the Director:

17 (i) the minutes of the meeting of the voting
18 members at which the plan of conversion was approved,
19 which must include the record of total votes cast in
20 favor of the plan; and

21 (ii) the certificate of incorporation and bylaws
22 of the converted stock company.

23 (3) Required provisions of the plan of conversion. ~~Approval~~
24 ~~of the plan of conversion by the Director of Insurance.~~

25 (a) The following provisions must be included in the
26 plan of conversion ~~Required findings. After adoption by the~~

1 ~~mutual company's board of directors, the plan shall be~~
2 ~~submitted to the Director for review and approval. The~~
3 ~~Director shall approve the plan upon finding that:~~

4 (i) the reasons for proposed conversion. ~~the~~
5 ~~provisions of this Section have been complied with;~~

6 (ii) the effect of conversion on existing
7 policies, including all of the following: the plan will
8 ~~not prejudice the interests of the members; and~~

9 (A) a provision that all policies in force on
10 the effective date of conversion continue to
11 remain in force under the terms of the policies,
12 except that the following rights, to the extent the
13 rights existed in the converting mutual company,
14 must be extinguished on the effective date of the
15 conversion:

16 (1) any voting rights of the policyholders
17 provided under the policies.

18 (2) except as provided under item (B) of
19 this subparagraph (ii), any right to share in
20 the surplus of the converting mutual company,
21 unless such right is expressly provided for
22 under the provisions of the existing policy.

23 (3) any assessment provisions provided for
24 under certain types of policies.

25 (B) a provision that holders of participating
26 policies in effect on the date of conversion

1 continue to have a right to receive dividends as
2 provided in the participating policies, if any.

3 (iii) the grant of subscription rights to eligible
4 members. ~~the plan's method of allocating subscription~~
5 ~~rights is fair and equitable.~~

6 (A) for purposes of any plan, the transfer of
7 subscription rights from any of the following may
8 not be deemed an unpermitted transfer for purposes
9 of this Section:

10 (1) an individual to such individual and
11 the individual's spouse or children or to a
12 trust or other estate or wealth planning entity
13 established for the benefit of such individual
14 or the individual's spouse or children;

15 (2) an individual to such individual's
16 individual or joint individual retirement
17 account or other tax-qualified retirement
18 plan;

19 (3) an entity to the shareholders,
20 partners, or members of such entity; or

21 (4) the holder of such rights back to the
22 converting mutual company or an unaffiliated
23 corporation or entity that will purchase the
24 stock of the converted stock company as
25 provided in subitem (c) of item (1) of
26 subdivision (B) of this subparagraph (iii).

1 (B) the grant of subscription rights to
2 eligible members must include:

3 (1) a provision that each eligible member
4 is to receive, without payment,
5 nontransferable subscription rights to
6 purchase the capital stock of the converted
7 stock company and that, in the aggregate, all
8 eligible members have the right, before the
9 right of any other party, to purchase 100% of
10 the capital stock of the converted stock
11 company, exclusive of any shares of capital
12 stock required to be sold or distributed to the
13 holders of surplus notes, if any, and any
14 capital stock purchased by the company's
15 tax-qualified employee stock benefit plan
16 which is in excess of the pro-forma market
17 value of the capital stock established under
18 paragraph (d) of this subsection (3). As an
19 alternative to subscription rights in the
20 converting mutual company, the plan of
21 conversion may provide that each eligible
22 member is to receive, without payment,
23 nontransferable subscription rights to
24 purchase a portion of the capital stock of one
25 of the following:

26 (a) a corporation or entity organized

1 for the purpose of becoming a holding
2 company for the converted stock company;

3 (b) a stock insurance company owned by
4 the mutual company into which the mutual
5 company will be merged; or

6 (c) an unaffiliated stock insurer or
7 other corporation or entity that will
8 purchase the stock of the converted stock
9 company.

10 (2) a provision that subscription rights
11 must be allocated in whole shares among the
12 eligible members using a fair and equitable
13 formula. The formula need not allocate
14 subscription rights to eligible members on a
15 pro rata basis based on premium payments or
16 contributions to surplus, but may take into
17 account how the different classes of policies
18 of the eligible members contributed to the
19 surplus of the mutual company or any other
20 factors that may be fair or equitable.
21 Allocation of subscription rights on a per
22 capita basis are entitled to a presumption that
23 such method is fair, subject to a rebuttal of
24 fairness by clear and convincing evidence. In
25 accordance with paragraph (e) of subsection
26 (2), the Director may retain an independent

1 consultant to assist in the determination that
2 the allocation of subscription rights is fair
3 and equitable.

4 (b) The plan must provide a fair and equitable means
5 for allocating shares of capital stock in the event of an
6 oversubscription to shares by eligible members exercising
7 subscription rights received under subparagraph (iii) of
8 paragraph (a) of this subsection (3). ~~Documents to be~~
9 ~~filed.~~

10 ~~(i) Prior to the members' approval of the plan, a~~
11 ~~mutual company seeking the Director's approval of a~~
12 ~~plan shall file the following documents with the~~
13 ~~Director for review and approval:~~

14 ~~(A) the plan of conversion, including the~~
15 ~~independent evaluation of pro forma market value~~
16 ~~required by item (f) of subsection (6) of this~~
17 ~~Section;~~

18 ~~(B) the form of notice required by item (b) of~~
19 ~~subsection (4) of this Section for eligible~~
20 ~~members of the meeting to vote on the plan;~~

21 ~~(C) any proxies to be solicited from eligible~~
22 ~~members pursuant to subitem (ii) of item (c) of~~
23 ~~subsection (4) of this Section;~~

24 ~~(D) the form of notice required by item (a) of~~
25 ~~subsection (10) of this Section for persons whose~~
26 ~~policies are issued after adoption of the plan but~~

1 ~~before its effective date; and~~

2 ~~(E) the proposed articles of incorporation and~~
3 ~~bylaws of the converted stock company.~~

4 ~~Once filed, these documents shall be approved or~~
5 ~~disapproved by the Director within a reasonable time.~~

6 ~~(ii) After the members have approved the plan, the~~
7 ~~converted stock company shall file the following~~
8 ~~documents with the Director:~~

9 ~~(A) the minutes of the meeting of the members~~
10 ~~at which the plan was voted upon; and~~

11 ~~(B) the revised articles of incorporation and~~
12 ~~bylaws of the converted stock company.~~

13 (c) The plan must provide any shares of capital stock
14 not subscribed to by eligible members exercising
15 subscription rights received under subparagraph (iii) of
16 paragraph (a) of this subsection (3) or any other
17 individuals or entities granted subscription rights
18 pursuant to subsection (4) must be sold: Consultant. The
19 Director may retain, at the mutual company's expense, any
20 qualified expert not otherwise a part of the Director's
21 staff to assist in reviewing the plan and the independent
22 evaluation of the pro forma market value which is required
23 by item (f) of subsection (6) of this Section.

24 (i) in a public offering; however, if the number of
25 shares of capital stock not subscribed by eligible
26 members is so small in number or other factors exist

1 that do not warrant the time or expense of a public
2 offering, the plan of conversion may provide for sale
3 of the unsubscribed shares through a private placement
4 or other alternative method approved by the Director
5 which is fair and equitable to eligible members; or

6 (ii) to a standby investor or to another
7 corporation or entity that is participating in the plan
8 of conversion, as provided in subdivision (B) of
9 subparagraph (iii) of paragraph (a) of this subsection
10 (3).

11 (d) The plan must provide for the preparation of a
12 valuation by a qualified independent expert which establishes
13 the dollar value of the capital stock for which subscription
14 rights must be granted pursuant to subparagraph (iii) of
15 paragraph (a) of this subsection (3) which must be equal to the
16 estimated pro forma market value of the converted stock
17 company. The qualified independent expert may, to the extent
18 feasible, determine the pro forma market value by reference to
19 a peer group of stock companies and the application of
20 generally accepted valuation techniques; state the pro forma
21 market value of the converted stock company as a range of
22 value; and establish the value as the value estimated to be
23 necessary to attract full subscription for the shares.

24 (e) The dollar value of a subscription right based upon the
25 application of the Black-Scholes option pricing model or
26 another generally accepted option pricing model. In connection

1 with the determination of stock price volatility or other
2 valuation inputs used in option pricing models, the qualified
3 independent expert may assume that the attributes of the
4 converted stock company will be substantially similar to the
5 attributes of the stock of the peer companies used to determine
6 the estimated pro forma market value of the converted stock
7 company. The term of a subscription right is a minimum of 90
8 days for the sole purpose of determining the value of a
9 subscription right.

10 (f) The plan must provide that each eligible member has the
11 right to require the mutual company to redeem such subscription
12 rights, in lieu of exercising the subscription rights allocated
13 to each eligible member, at a price equal to the number of
14 subscription rights allocated to each eligible member
15 multiplied by the dollar value of the subscription right as
16 determined by the qualified independent expert pursuant to
17 paragraph (d) of this subsection (3). The obligation of the
18 mutual company to redeem subscription rights arises only upon
19 the effective date of the plan. The redemption price payable to
20 each eligible member must be paid to the member within 30 days
21 after the effective date of the plan. Alternatively, the
22 converted stock company may offer each eligible member the
23 option of receiving the redemption amount in cash or having the
24 redemption amount credited against future premium payments. An
25 eligible member that does not exercise the member's
26 subscription rights, and which also fails to affirmatively

1 request redemption of the member's subscription rights before
2 the expiration of the subscription offering, nevertheless is
3 deemed to have requested redemption of the member's
4 subscription rights and shall receive the redemption amount in
5 cash in the manner otherwise provided in this paragraph.

6 (g) The plan must set the purchase price per share of
7 capital stock equal to any reasonable amount. However, the
8 minimum subscription amount required of any eligible member may
9 not exceed \$500, but the plan may provide that the minimum
10 number of shares any person may purchase pursuant to the plan
11 is 25 shares. The purchase price per share at which capital
12 stock is offered to persons that are not eligible members may
13 be greater than but not less than the purchase price per share
14 at which capital stock is offered to eligible members.

15 (h) The plan must provide that any person or group of
16 persons acting in concert may not acquire, in the public
17 offering or pursuant to the exercise of subscription rights,
18 more than 5% of the capital stock of the converted stock
19 company or the stock of another corporation that is
20 participating in the plan of conversion, as provided in subitem
21 (c) of item (1) of subdivision (B) of subparagraph (iii) of
22 paragraph (a), except with the approval of the Director. This
23 limitation does not apply to any entity that is to purchase
24 100% of the capital stock of the converted stock company as
25 part of the plan of conversion approved by the Director or to
26 any person that acts as a standby investor for the capital

1 stock of the converted stock company for an amount equal to 10%
2 or more of the capital stock of the converted stock company, if
3 in each case such purchase is approved by the Director in
4 accordance with the provisions of Illinois law following the
5 filing of an acquisition of control statement under subsection
6 (3).

7 (i) The plan must provide that a director or officer or
8 person acting in concert with a director or officer of the
9 mutual company may not acquire any capital stock of the
10 converted stock company or the stock of another corporation
11 that is participating in the plan of conversion, as provided in
12 subitem (c) of item (1) of subdivision (B) of subparagraph
13 (iii) of paragraph (a), for 3 years after the effective date of
14 the plan of conversion, except through a broker-dealer, without
15 the permission of the Director. This provision does not
16 prohibit the directors and officers from:

17 (i) making block purchases of 1% or more of the
18 outstanding common stock other than through a
19 broker-dealer if approved in writing by the Department;

20 (ii) exercising subscription rights received under the
21 plan; or

22 (iii) participating in a stock benefit plan approved by
23 shareholders pursuant to paragraph (b) of subsection (9).

24 (j) The plan must provide that a director or officer may
25 not sell stock purchased pursuant to this subsection or
26 paragraph (a) of subsection (4) within one year after the

1 effective date of the conversion, except that nothing contained
2 in this Section may be deemed to restrict a transfer of stock
3 by such director or officer if the stock is the stock of an
4 unaffiliated corporation that is participating in the plan of
5 conversion as provided in subitem (c) of item (1) of
6 subdivision (B) of subparagraph (iii) of paragraph (a) and has
7 a class of stock registered under the federal Securities
8 Exchange Act of 1934 (15 U.S.C. 78a et seq.), or if the
9 transfer is to the spouse or minor children of such director or
10 officer, or to a trust or other estate or wealth planning
11 entity established for the benefit of such director or officer,
12 or the spouse or minor children of such director or officer.

13 (k) The plan of conversion must provide the rights, if any,
14 of a holder of a surplus note to participate in the conversion
15 are governed by the terms of the surplus note.

16 (l) The plan of conversion must provide that without the
17 prior approval of the Director, for a period of 2 years from
18 the date of the completion of the conversion, a converted stock
19 company or any corporation participating in the plan of
20 conversion pursuant to subitem (a) or (b) of item (1) of
21 subdivision (B) of subparagraph (iii) of paragraph (a), may not
22 repurchase any of its capital stock from any person. However,
23 this restriction does not apply to a:

24 (i) repurchase on a pro rata basis pursuant to an offer
25 made to all shareholders of the converted stock company or
26 any corporation participating in the plan of conversion

1 pursuant to, or subitem (a) or (b) of item (1) of
2 subdivision (B) of subparagraph (iii) of paragraph (a); or
3 (ii) purchase in the open market by a tax-qualified or
4 nontax-qualified employee stock benefit plan in an amount
5 reasonable and appropriate to fund the plan.

6 (4) Optional provisions of the plan of conversion. ~~Approval~~
7 ~~of the plan by the members.~~

8 (a) The plan of conversion may allocate to a
9 tax-qualified employee benefit plan nontransferable
10 subscription rights to purchase up to 10% of the capital
11 stock of the converting mutual company or the stock of
12 another corporation that is participating in the plan of
13 conversion, as provided in subitem (c) of item (1) of
14 subdivision (B) of subparagraph (iii) of paragraph (a) of
15 subsection (3). A tax-qualified employee benefit plan may
16 exercise subscription rights granted under this subsection
17 regardless of the total number of shares purchased by
18 eligible members. If eligible members purchase shares
19 sufficient to yield gross proceeds equal to the maximum of
20 the valuation range established by paragraph (d) of
21 subsection (3), then the tax-qualified employee benefit
22 plan may purchase additional shares of capital stock of the
23 converting mutual company or the stock of another
24 corporation that is participating in the plan of
25 conversion, as provided in subitem (c) of item (1) of
26 subdivision (B) of subparagraph (iii) of paragraph (a) of

1 subsection (3) in an amount sufficient to equal 10% of the
2 total shares of capital stock of the converted stock
3 company outstanding. Members entitled to notice of and to
4 vote on the plan. All eligible members shall be given
5 notice of and an opportunity to vote upon the plan.

6 (b) The plan may provide that other classes of
7 subscribers approved by the Director shall receive
8 nontransferable subscription rights to purchase capital
9 stock of the converting stock company or the stock of
10 another corporation that is participating in the plan of
11 conversion, as provided in subitem (c) of item (1) of
12 subdivision (B) of subparagraph (iii) of paragraph (a) of
13 subsection (3) provided that such subscription rights are
14 subordinate to the subscription rights of eligible
15 members. Other classes of subscribers that may be approved
16 by the Director include: Notice required. All eligible
17 members shall be given notice of the members' meeting to
18 vote upon the plan. A copy of the plan or a summary of the
19 plan shall accompany the notice. The notice shall be mailed
20 to each member's last known address, as shown on the mutual
21 company's records, within 45 days of the Director's
22 approval of the plan. The meeting to vote upon the plan
23 shall not be set for a date less than 30 days after the
24 date when the notice of the meeting is mailed by the mutual
25 company. If the meeting to vote upon the plan is held
26 coincident with the mutual company's annual meeting of

1 ~~policyholders, only one combined notice of meeting is~~
2 ~~required.~~

3 (i) members of the converting mutual company which
4 became members after the date fixed for establishing
5 eligible members;

6 (ii) the shareholders of another corporation that
7 is participating in the plan of conversion, as provided
8 in subitem (c) of item (1) of subdivision (B) of
9 subparagraph (iii) of paragraph (a) of subsection (3);
10 or

11 (iii) the shareholders of another corporation that
12 is a party to an acquisition, merger, consolidation, or
13 other similar transaction with the converting mutual
14 company.

15 ~~(c) Vote required for approval.~~

16 ~~(i) After approval by the Director, the plan shall~~
17 ~~be adopted upon receiving the affirmative vote of at~~
18 ~~least two thirds of the votes cast by eligible members.~~

19 ~~(ii) Members entitled to vote upon the proposed~~
20 ~~plan may vote in person or by proxy. Any proxies to be~~
21 ~~solicited from eligible members shall be filed with and~~
22 ~~approved by the Director.~~

23 ~~(iii) The number of votes each eligible member may~~
24 ~~cast shall be determined by the mutual company's~~
25 ~~bylaws. If the bylaws are silent, each eligible member~~
26 ~~may cast one vote.~~

1 (5) Alternative plan of conversion. The governing body of
2 the converting mutual company may adopt a plan of conversion
3 that does not rely in whole or in part upon issuing
4 nontransferable subscription rights to members to purchase
5 stock of the converting stock company if the Director finds the
6 plan of conversion does not prejudice the interests of the
7 members, is fair and equitable, and is not inconsistent with
8 the purpose and intent of this Section. Subject to a finding of
9 the Director that an alternative plan of conversion is fair and
10 equitable and is not inconsistent with the purpose and intent
11 of this Section, an alternative plan of conversion may:

12 (a) include the merger of a domestic mutual
13 insurance company into a domestic or foreign stock
14 insurance company;

15 (b) provide for the issuance of transferable or
16 redeemable subscription rights;

17 (c) provide for issuing stock, cash, policyholder
18 credits, or other consideration, or any combination of
19 the foregoing, to policyholders instead of
20 subscription rights;

21 (d) set forth another plan of conversion
22 containing any other provisions approved by the
23 Director.

24 ~~Adoption of revised articles of incorporation. Adoption of the~~
25 ~~revised articles of incorporation of the converted stock~~
26 ~~company is necessary to implement the plan and shall be~~

1 ~~governed by the applicable provisions of Section 57 of this~~
2 ~~Code. For a Class 1 mutual company, the members may adopt the~~
3 ~~revised articles of incorporation at the same meeting at which~~
4 ~~the members approve the plan. For a Class 2 or 3 mutual~~
5 ~~company, the revised articles of incorporation may be adopted~~
6 ~~solely by the board of directors or trustees, as provided in~~
7 ~~Section 57 of this Code.~~

8 ~~(5.5) Prior to the completion of a plan of conversion filed~~
9 ~~by a mutual company with the Director, no person shall~~
10 ~~knowingly acquire, make any offer, or make any announcement of~~
11 ~~an offer for any security issued or to be issued by the~~
12 ~~converting mutual company in connection with its plan of~~
13 ~~conversion or for any security issued or to be issued by any~~
14 ~~other company authorized in item(c) (i) of subsection (6) of~~
15 ~~this Section and organized for purposes of effecting the~~
16 ~~conversion, except in compliance with the maximum purchase~~
17 ~~limitations imposed by item (i) of subsection (6) of this~~
18 ~~Section or the terms of the plan of conversion as approved by~~
19 ~~the Director.~~

20 (6) Effective date of the plan of conversion. A plan of
21 conversion is effective when the Director has approved the plan
22 of conversion, the voting members have approved the plan of
23 conversion and adopted the certificate of incorporation of the
24 converted stock company, and the certificate of incorporation
25 is filed with the Illinois Secretary of State. Required
26 provisions in a plan of conversion. The following provisions

1 ~~shall be included in the plan:~~

2 ~~(a) Reasons for conversion. The plan shall set forth~~
3 ~~the reasons for the proposed conversion.~~

4 ~~(b) Effect of conversion on existing policies.~~

5 ~~(i) The plan shall provide that all policies in~~
6 ~~force on the effective date of conversion shall~~
7 ~~continue to remain in force under the terms of those~~
8 ~~policies, except that any voting rights of the~~
9 ~~policyholders provided for under the policies or under~~
10 ~~this Code and any contingent liability policy~~
11 ~~provisions of the type described in Section 55 of this~~
12 ~~Code shall be extinguished on the effective date of the~~
13 ~~conversion.~~

14 ~~(ii) The plan shall further provide that holders of~~
15 ~~participating policies in effect on the date of~~
16 ~~conversion shall continue to have the right to receive~~
17 ~~dividends as provided in the participating policies,~~
18 ~~if any.~~

19 ~~(iii) Except for a mutual company's participating~~
20 ~~life policies, guaranteed renewable accident and~~
21 ~~health policies, and non-cancelable accident and~~
22 ~~health policies, the converted stock company may issue~~
23 ~~the insured a nonparticipating policy as a substitute~~
24 ~~for the participating policy upon the renewal date of a~~
25 ~~participating policy.~~

26 ~~(c) Subscription rights to eligible members.~~

1 ~~(i) The plan shall provide that each eligible~~
2 ~~member is to receive, without payment, nontransferable~~
3 ~~subscription rights to purchase a portion of the~~
4 ~~capital stock of the converted stock company. As an~~
5 ~~alternative to subscription rights in the converted~~
6 ~~stock company, the plan may provide that each eligible~~
7 ~~member is to receive, without payment, nontransferable~~
8 ~~subscription rights to purchase a portion of the~~
9 ~~capital stock of: (A) a corporation organized and owned~~
10 ~~by the mutual company for the purpose of acquiring or~~
11 ~~holding all the stock of the converted stock company;~~
12 ~~or (B) a stock insurance company owned by the mutual~~
13 ~~company into which the mutual company will be merged.~~

14 ~~(ii) The subscription rights shall be allocated in~~
15 ~~whole shares among the eligible members using a fair~~
16 ~~and equitable formula. This formula may but need not~~
17 ~~take into account how the different classes of policies~~
18 ~~of the eligible members contributed to the surplus of~~
19 ~~the mutual company.~~

20 ~~(d) Oversubscription. The plan shall provide a fair and~~
21 ~~equitable means for the allocation of shares of capital~~
22 ~~stock in the event of an oversubscription to shares by~~
23 ~~eligible members exercising subscription rights received~~
24 ~~pursuant to item (c) of subsection (6) of this Section.~~

25 ~~(e) Undersubscription. The plan shall provide that any~~
26 ~~shares of capital stock not subscribed to by eligible~~

1 ~~members exercising subscription rights received under item~~
2 ~~(c) of subsection (6) of this Section shall be sold in a~~
3 ~~public offering through an underwriter. If the number of~~
4 ~~shares of capital stock not subscribed by eligible members~~
5 ~~is so small or the additional time or expense required for~~
6 ~~a public offering of those shares would be otherwise~~
7 ~~unwarranted under the circumstances, the plan of~~
8 ~~conversion may provide for the purchase of the unsubscribed~~
9 ~~shares by a private placement or other alternative method~~
10 ~~approved by the Director that is fair and equitable to the~~
11 ~~eligible members.~~

12 ~~(f) Total price of stock. The plan shall set the total~~
13 ~~price of the capital stock equal to the estimated pro forma~~
14 ~~market value of the converted stock company based upon an~~
15 ~~independent evaluation by a qualified person. The pro forma~~
16 ~~market value may be the value that is estimated to be~~
17 ~~necessary to attract full subscription for the shares as~~
18 ~~indicated by the independent evaluation.~~

19 ~~(g) Purchase price of each share. The plan shall set~~
20 ~~the purchase price of each share of capital stock equal to~~
21 ~~any reasonable amount that will not inhibit the purchase of~~
22 ~~shares by members. The purchase price of each share shall~~
23 ~~be uniform for all purchasers except the price may be~~
24 ~~modified by the Director by reason of his consideration of~~
25 ~~a plan for the purchase of unsubscribed stock pursuant to~~
26 ~~item (c) of subsection (6) of this Section.~~

1 ~~(h) Closed block of business for participating life~~
2 ~~policies of a Class 1 mutual company.~~

3 ~~(i) The plan shall provide that a Class 1 mutual~~
4 ~~company's participating life policies in force on the~~
5 ~~effective date of the conversion shall be operated by~~
6 ~~the converted stock company for dividend purposes as a~~
7 ~~closed block of participating business except that any~~
8 ~~or all classes of group participating policies may be~~
9 ~~excluded from the closed block.~~

10 ~~(ii) The plan shall establish one or more~~
11 ~~segregated accounts for the benefit of the closed block~~
12 ~~of business and shall allocate to those segregated~~
13 ~~accounts enough assets of the mutual company so that~~
14 ~~the assets together with the revenue from the closed~~
15 ~~block of business are sufficient to support the closed~~
16 ~~block including, but not limited to, the payment of~~
17 ~~claims, expenses, taxes, and any dividends that are~~
18 ~~provided for under the terms of the participating~~
19 ~~policies with appropriate adjustments in the dividends~~
20 ~~for experience changes. The plan shall be accompanied~~
21 ~~by an opinion of a qualified actuary or an appointed~~
22 ~~actuary who meets the standards set forth in the~~
23 ~~insurance laws or regulations for the submission of~~
24 ~~actuarial opinions as to the adequacy of reserves or~~
25 ~~assets. The opinion shall relate to the adequacy of the~~
26 ~~assets allocated to the segregated accounts in support~~

1 ~~of the closed block of business. The actuarial opinion~~
2 ~~shall be based on methods of analysis deemed~~
3 ~~appropriate for those purposes by the Actuarial~~
4 ~~Standards Board.~~

5 ~~(iii) The amount of assets allocated to the~~
6 ~~segregated accounts of the closed block shall be based~~
7 ~~upon the mutual company's last annual statement that is~~
8 ~~updated to the effective date of the conversion.~~

9 ~~(iv) The converted stock company shall keep a~~
10 ~~separate accounting for the closed block and shall make~~
11 ~~and include in the annual statement to be filed with~~
12 ~~the Director each year a separate statement showing the~~
13 ~~gains, losses, and expenses properly attributable to~~
14 ~~the closed block.~~

15 ~~(v) Periodically, upon the Director's approval,~~
16 ~~those assets allocated to the closed block as provided~~
17 ~~in subitem (ii) of item (h) of subsection (6) of this~~
18 ~~Section that are in excess of the amount of assets~~
19 ~~necessary to support the remaining policies in the~~
20 ~~closed block shall revert to the benefit of the~~
21 ~~converted stock company.~~

22 ~~(vi) The Director may waive the requirement for the~~
23 ~~establishment of a closed block of business if the~~
24 ~~Director deems it to be in the best interests of the~~
25 ~~participating policyholders of the mutual insurer to~~
26 ~~do so.~~

1 ~~(i) Limitations on acquisition of control. The plan~~
2 ~~shall provide that any one person or group of persons~~
3 ~~acting in concert may not acquire, through public offering~~
4 ~~or subscription rights, more than 5% of the capital stock~~
5 ~~of the converted stock company for a period of 5 years from~~
6 ~~the effective date of the plan except with the approval of~~
7 ~~the Director. This limitation does not apply to any entity~~
8 ~~that is to purchase 100% of the capital stock of the~~
9 ~~converted company as part of the plan of conversion~~
10 ~~approved by the Director or to a purchase of stock by a~~
11 ~~tax-qualified employee benefit plan pursuant to~~
12 ~~subscription grants granted to that plan as authorized~~
13 ~~under item (b) of subsection (7) of this Section and to a~~
14 ~~purchase of unsubscribed stock pursuant to item (c) of~~
15 ~~subsection (6) of this Section.~~

16 (7) Rights of members whose policies are issued after
17 adoption of the plan of conversion and before effective date.
18 ~~Optional provisions in a plan of conversion. The following~~
19 ~~provisions may be included in the plan:~~

20 (a) All members whose policies are issued after the
21 proposed plan of conversion has been adopted by the
22 governing body and before the effective date of the plan of
23 conversion must be sent a written notice regarding the plan
24 of conversion upon issuance of such policy.

25 (b) Except as provided in paragraph (c) of this
26 subsection (7), each member of a property or casualty

1 insurance company entitled to receive the notice provided
2 for in paragraph (a) of this subsection (7) must be advised
3 of the member's right of cancellation and to a pro rata
4 refund of unearned premiums.

5 (c) A member of a property or casualty insurance
6 company who has made or filed a claim under such member's
7 insurance policy is not entitled to any right to receive
8 any refund under paragraph (b) of this subsection (7). A
9 person that has exercised the rights provided by paragraph
10 (b) of this subsection (7) is not entitled to make or file
11 any claim under such person's insurance policy.

12 ~~(a) Directors and officers subscription rights.~~

13 ~~(i) The plan may provide that the directors and~~
14 ~~officers of the mutual company shall receive, without~~
15 ~~payment, nontransferable subscription rights to~~
16 ~~purchase capital stock of the converted stock company~~
17 ~~or the stock of another corporation that is~~
18 ~~participating in the conversion plan as provided in~~
19 ~~subitem (i) of item (c) of subsection (6) of this~~
20 ~~Section. These subscription rights shall be allocated~~
21 ~~among the directors and officers by a fair and~~
22 ~~equitable formula.~~

23 ~~(ii) The total number of shares that may be~~
24 ~~purchased under subitem (i) of item (a) of subsection~~
25 ~~(7) of this Section may not exceed 35% of the total~~
26 ~~number of shares to be issued in the case of a mutual~~

1 ~~company with total assets of less than \$50 million or~~
2 ~~25% of the total shares to be issued in the case of a~~
3 ~~mutual company with total assets of more than \$500~~
4 ~~million. For mutual companies with total assets~~
5 ~~between \$50 million and \$500 million, the total number~~
6 ~~of shares that may be purchased shall be interpolated.~~

7 ~~(iii) Stock purchased by a director or officer~~
8 ~~under subitem (i) of item (a) of subsection (7) of this~~
9 ~~Section may not be sold within one year following the~~
10 ~~effective date of the conversion.~~

11 ~~(iv) The plan may also provide that a director or~~
12 ~~officer or person acting in concert with a director or~~
13 ~~officer of the mutual company may not acquire any~~
14 ~~capital stock of the converted stock company for 3~~
15 ~~years after the effective date of the plan, except~~
16 ~~through a broker or dealer, without the permission of~~
17 ~~the Director. That provision may not apply to prohibit~~
18 ~~the directors and officers from purchasing stock~~
19 ~~through subscription rights received in the plan under~~
20 ~~subitem (i) of item (a) of subsection (7) of this~~
21 ~~Section.~~

22 ~~(b) Tax qualified employee stock benefit plan. The~~
23 ~~plan may allocate to a tax qualified employee benefit plan~~
24 ~~nontransferable subscription rights to purchase up to 10%~~
25 ~~of the capital stock of the converted stock company or the~~
26 ~~stock of another corporation that is participating in the~~

1 ~~conversion plan as provided in subitem (i) of item (c) of~~
2 ~~subsection (6) of this Section. That employee benefit plan~~
3 ~~shall be entitled to exercise its subscription rights~~
4 ~~regardless of the amount of shares purchased by other~~
5 ~~persons.~~

6 (8) Corporate existence. Alternative plan of conversion.
7 ~~The board of directors may adopt a plan of conversion that does~~
8 ~~not rely in whole or in part upon the issuance to members of~~
9 ~~non transferable subscription rights to purchase stock of the~~
10 ~~converted stock company if the Director finds that the plan~~
11 ~~does not prejudice the interests of the members, is fair and~~
12 ~~equitable, and is based upon an independent appraisal of the~~
13 ~~market value of the mutual company by a qualified person and a~~
14 ~~fair and equitable allocation of any consideration to be given~~
15 ~~eligible members. The Director may retain, at the mutual~~
16 ~~company's expense, any qualified expert not otherwise a part of~~
17 ~~the Director's staff to assist in reviewing whether the plan~~
18 ~~may be approved by the Director.~~

19 (a) On the effective date of the conversion, the
20 corporate existence of the converting mutual company
21 continues in the converted stock company. On the effective
22 date of the conversion, all the assets, rights, franchises,
23 and interests of the converting mutual company in and to
24 every species of property, real, personal, and mixed, and
25 any accompanying things in action, are vested in the
26 converted stock company without any deed or transfer and

1 the converted stock company assumes all the obligations and
2 liabilities of the converting mutual company.

3 (b) Unless otherwise specified in the plan of
4 conversion, the individuals who are directors and officers
5 of the converting mutual company on the effective date of
6 the conversion shall serve as directors and officers of the
7 converted stock company until new directors and officers of
8 the converted stock company are elected pursuant to the
9 certificate of incorporation and bylaws of the converted
10 stock company.

11 ~~(9) Conflict of interest. Effective date of the plan. A~~
12 ~~plan shall become effective when the Director has approved the~~
13 ~~plan, the members have approved the plan, and the revised~~
14 ~~articles of incorporation have been adopted.~~

15 (a) A director, officer, agent, or employee of the
16 converting mutual company may not receive any fee,
17 commission, or other valuable consideration, other than
18 such person's usual regular salary or compensation, for
19 aiding, promoting, or assisting in a conversion under this
20 Section. This provision does not prohibit the payment of
21 reasonable fees and compensation to attorneys,
22 accountants, financial advisors, and actuaries for
23 services performed in the independent practice of their
24 professions, even if the attorney, accountant, financial
25 advisor, or actuary is also a director or officer of the
26 converting mutual company.

1 (b) For a period of 2 years after the effective date of
2 the conversion, a converted stock company may not implement
3 any nontax-qualified stock benefit plan unless the plan is
4 approved by a majority of votes cast at a duly convened
5 meeting of shareholders held not less than 6 months after
6 the effective date of the conversion.

7 (c) All the costs and expenses connected with a plan of
8 conversion must be paid for or reimbursed by the converting
9 mutual company or the converted stock company. However, if
10 the plan of conversion provides for participation by
11 another entity in the plan pursuant to item (1) of
12 subdivision (B) of subparagraph (iii) of paragraph (a) of
13 subsection (3), such entity may pay for or reimburse all or
14 a portion of the costs and expenses connected with the plan
15 of conversion.

16 (10) Failure to give notice. If the converting mutual
17 company complies substantially and in good faith with the
18 notice requirements of this Section, the failure of the
19 converting mutual company to send a member the required notice
20 does not impair the validity of any action taken under this
21 Section. Rights of members whose policies are issued after
22 ~~adoption of the plan and before its effective date.~~

23 ~~(a) Notice. All members whose policies are issued after~~
24 ~~the proposed plan has been adopted by the board of~~
25 ~~directors and before the effective date of the plan shall~~
26 ~~be given written notice of the plan of conversion. The~~

1 ~~notice shall specify the member's right to rescind that~~
2 ~~policy as provided in item (b) of subsection (10) of this~~
3 ~~Section within 45 days after the effective date of the~~
4 ~~plan. A copy of the plan or a summary of the plan shall~~
5 ~~accompany the notice. The form of the notice shall be filed~~
6 ~~with and approved by the Director.~~

7 ~~(b) Option to rescind. Any member entitled to receive~~
8 ~~the notice described in item (a) of subsection (10) of this~~
9 ~~Section shall be entitled to rescind his or her policy and~~
10 ~~receive a full refund of any amounts paid for the policy or~~
11 ~~contract within 10 days after the receipt of the notice.~~

12 (11) Limitation on actions. Any action challenging the
13 validity of or arising out of acts taken or proposed to be
14 taken under this Section must be commenced on or before the
15 later of: Corporate existence.

16 (a) Sixty days after the approval of the plan of
17 conversion by the Director; or Upon the conversion of a
18 mutual company to a converted stock company according to
19 the provisions of this Section, the corporate existence of
20 the mutual company shall be continued in the converted
21 stock company. All the rights, franchises, and interests of
22 the mutual company in and to every type of property, real,
23 personal, and mixed, and things in action thereunto
24 belonging, is deemed transferred to and vested in the
25 converted stock company without any deed or transfer.
26 Simultaneously, the converted stock company is deemed to

1 ~~have assumed all the obligations and liabilities of the~~
2 ~~mutual company.~~

3 (b) Thirty days after notice of the meeting of voting
4 members to approve the plan of conversion is first mailed
5 or delivered to voting members or posted on the website of
6 the converting mutual company. ~~The directors and officers~~
7 ~~of the mutual company, unless otherwise specified in the~~
8 ~~plan of conversion, shall serve as directors and officers~~
9 ~~of the converted stock company until new directors and~~
10 ~~officers of the converted stock company are duly elected~~
11 ~~pursuant to the articles of incorporation and bylaws of the~~
12 ~~converted stock company.~~

13 (12) Converting mutual company insolvent or in hazardous
14 financial condition. ~~Conflict of interest. No director,~~
15 ~~officer, agent, or employee of the mutual company or any other~~
16 ~~person shall receive any fee, commission, or other valuable~~
17 ~~consideration, other than his or her usual regular salary and~~
18 ~~compensation, for in any manner aiding, promoting, or assisting~~
19 ~~in the conversion except as set forth in the plan approved by~~
20 ~~the Director. This provision does not prohibit the payment of~~
21 ~~reasonable fees and compensation to attorneys, accountants,~~
22 ~~and actuaries for services performed in the independent~~
23 ~~practice of their professions, even if the attorney,~~
24 ~~accountant, or actuary is also a Director of the mutual~~
25 ~~company.~~

26 (a) If a converting mutual company seeking to convert

1 under this Section is insolvent or is in hazardous
2 financial condition according to information supplied in
3 the mutual company's most recent annual or quarterly
4 statement filed with the Department or as determined by a
5 financial examination performed by the Department, the
6 requirements of this Section, including notice to and
7 policyholder approval of the plan of conversion, may be
8 waived at the discretion of the Director. If a waiver under
9 this Section is ordered by the Director, the converting
10 mutual company shall specify in the mutual company's plan
11 of conversion:

12 (i) the method and basis for the issuance of the
13 converted stock company's shares of its capital stock
14 to an independent party in connection with an
15 investment by the independent party in an amount
16 sufficient to restore the converted stock company to a
17 sound financial condition.

18 (ii) that the conversion must be accomplished
19 without granting subscription rights or other
20 consideration to policyholders.

21 (b) This subsection (12) does not alter or limit the
22 authority of the Director under any other provisions of
23 law, including receivership and liquidation provisions
24 applicable to insurance companies.

25 (13) Rules. The Director may adopt rules to administer and
26 enforce this Section. ~~Costs and expenses. All the costs and~~

1 ~~expenses connected with a plan of conversion shall be paid for~~
2 ~~or reimbursed by the mutual company or the converted stock~~
3 ~~company except where the plan provides either for a holding~~
4 ~~company to acquire the stock of the converted stock company or~~
5 ~~for the merger of the mutual company into a stock insurance~~
6 ~~company as provided in subitem (i) of item (c) of subsection~~
7 ~~(6) of this Section. In those cases, the acquiring holding~~
8 ~~company or the stock insurance company shall pay for or~~
9 ~~reimburse all the costs and expenses connected with the plan.~~

10 ~~(14) Laws applicable to converted stock company. Failure to~~
11 ~~give notice. If the mutual company complies substantially and~~
12 ~~in good faith with the notice requirements of this Section, the~~
13 ~~mutual company's failure to give any member or members any~~
14 ~~required notice does not impair the validity of any action~~
15 ~~taken under this Section.~~

16 ~~(a) A converting mutual company is not permitted to~~
17 ~~convert under this Section if, as a direct result of the~~
18 ~~conversion, any person or any affiliate thereof acquires~~
19 ~~control of the converted stock company, unless that person~~
20 ~~and such person's affiliates comply with the provisions of~~
21 ~~state law regarding the acquisition of control of an~~
22 ~~insurance company.~~

23 ~~(b) Except as otherwise specified in this Section, a~~
24 ~~converted stock company has and may exercise all the rights~~
25 ~~and privileges and is subject to all of the requirements~~
26 ~~and regulations imposed on stock insurance companies under~~

1 state law relating to the regulation and supervision of
2 insurance companies, but the converting stock company may
3 not exercise rights or privileges that other stock
4 insurance companies may not exercise.

5 (15) Commencement of business as a stock insurance company.

6 A converting mutual company may not engage in the business of
7 insurance as a stock company until the converting stock company
8 complies with all provisions of this Section. ~~Limitation of~~
9 ~~actions. Any action challenging the validity of or arising out~~
10 ~~of acts taken or proposed to be taken under this Section shall~~
11 ~~be commenced within 30 days after the effective date of the~~
12 ~~plan.~~

13 (16) Amendment of policies. A mutual company, by
14 endorsement or rider approved by the Director and sent to the
15 policyholder, may simultaneously with or at any time after the
16 effective date of the conversion amend any outstanding
17 insurance policy for the purpose of extinguishing the
18 membership rights of such policyholder.

19 (17) Prohibition on acquisitions of control. Except as
20 otherwise specifically provided in subsection (3), from the
21 date a plan of conversion is adopted by the governing body of a
22 converting mutual company until 3 years after the effective
23 date of the plan of conversion, a person may not directly or
24 indirectly offer to acquire, make any announcement to acquire,
25 or acquire in any manner, including making a filing with the
26 Department for such acquisition under a statute or regulation

1 of this state, the beneficial ownership of 10% or more of a
2 class of a voting security of the converted stock company or of
3 a person that controls the voting securities of the converted
4 stock company, unless the converted stock company or a person
5 that controls the voting securities of the converted stock
6 company consents to such acquisition and such acquisition is
7 otherwise approved by the Director.

8 (Source: P.A. 98-755, eff. 7-16-14.)

9 Section 99. Effective date. This Act takes effect January
10 1, 2017.