

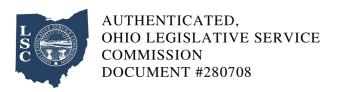
Ohio Revised Code

Section 3913.11 Conversion from mutual life to stock life company.

Effective: September 24, 1986

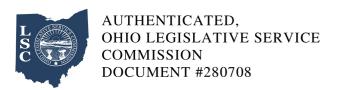
Legislation: House Bill 892 - 116th General Assembly

- (A) A domestic mutual life insurance company may become a stock life insurance company, pursuant to sections 3913.11 to 3913.13 of the Revised Code, provided that the company have unassigned surplus at least equal to the capital and surplus required under section 3907.05 of the Revised Code for a life insurance company to commence business in this state, that such conversion will benefit the company, that adequate provision for protection of the policyholders' interests is made, and that such conversion is not inequitable, unreasonable, or contrary to law. "Policyholder", as used in sections 3913.11 to 3913.13 of the Revised Code, means a policyholder as defined in section 3913.10 of the Revised Code and the qualifications for voting shall be as provided in that section.
- (B) The board of directors of a mutual life insurance company desiring to become a stock life insurance company shall, by a majority vote, adopt a resolution stating the reason it believes such conversion would be of benefit to the company and its policyholders, and setting forth a plan of conversion and explanation thereof, a schedule of the steps to be followed in effecting the conversion, and a statement of the organization of the new company and its capitalization, including the number of shares of capital stock and the price per share for which the stock is to be issued. Five certified copies of such resolution shall be filed with the superintendent of insurance, together with the following:
- (1) A copy of the charter or articles of incorporation of the company, together with the proposed articles of incorporation of the new company;
- (2) Complete annual financial statements of the company for the five accounting periods immediately preceding the date of the resolution, based on generally recognized insurance accounting principles;
- (3) A draft of the prospectus to be sent to the policyholders, which shall contain a full disclosure of the details of the proposed conversion;

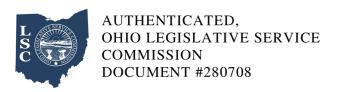


- (4) Such other and further statements, affidavits, books, records, papers, information, and data, as the superintendent may require.
- (C) Within thirty days of the filing of the resolution and supporting documents and information required by division (B) of this section, the superintendent shall review them, and if it appears on their face that such conversion meets the requirements contained in division (A) of this section, he shall order an examination of the company. If he finds that such conversion does not meet the requirements contained in division (A), he shall issue a written order prohibiting the conversion, stating in detail the reasons therefor. The company may, within thirty days after issuance of such order of prohibition, submit modifications to the proposed conversion, and if the superintendent finds that the conversion as so modified meets the requirements contained in division (A) he shall rescind his prior order and order an examination of the company. The examination conducted pursuant to this section shall be such as is necessary to verify that such conversion will meet the requirements contained in division (A). The expenses of such examination shall be paid by the company.
- (D) Upon completion of the examination, the superintendent shall appoint an appraisal committee, consisting of a fellow of the society of actuaries, an attorney at law, and a person who by reason of knowledge and experience is specially qualified in the valuation of insurance companies. No member of such committee shall have any direct or indirect interest in the company's affairs, nor shall any member be an employee of the department of insurance. Each such appraiser shall receive reasonable compensation for his services, plus reasonable expenses, as approved by the superintendent, which compensation and expenses shall be paid by the company. The appraisal committee shall determine the value of the company as of the date of the examination conducted pursuant to this section, taking into consideration the admitted and non-admitted assets, reserves, and other liabilities, equity in unearned premium reserves, the value of the agency plant, the value of insurance in force, and any other factor affecting the value of the company.

The appraisal committee shall confirm or modify the determination of the board of directors as to the consideration to be given to each policyholder, including, if applicable, the number of shaes of the new corporation and establish the priority rights for subscription to any additional shares that may be issued to each policyholder pursuant to section 3913.12 of the Revised Code. Certified copies of the report of the appraisers shall be filed with the superintendent and sent to the company.



- (E) Within sixty days after the appraisal committee files its report with the superintendent, the company shall call a meeting of policyholders. Notice of the time and place of such meeting shall be sent by mail to each policyholder at his post office address as it appears on the books of the company, and to the superintendent, at least thirty days prior to such meeting. Such notice shall include a copy of the prospectus required under division (B)(3) of this section as approved by the superintendent, a summary of the examination approved by the superintendent, a uniform ballot for voting on the question of conversion, together with a postage prepaid envelope for the return of such ballot, a copy or summary of the report of the appraisal committee, a statement of the consideration to be given to the policyholder, including, if applicable, the number of shares of the new company to be issued to the policyholder and the priority rights of the policyholder for subscription to any additional shares that may be issued, and a statement that if the conversion is approved by the policyholders, the superintendent will fix a time and place for a public hearing on such conversion not more than sixty days after the date of such meeting. The superintendent shall appoint sufficient inspectors to conduct the voting at said meeting and to determine all questions concerning the verification of ballots, the qualifications of voters, and the canvass of the vote. The inspectors shall certify to the superintendent and to the company the result of such proceedings. Voting at such meeting may be in person, by proxy, or by mail as provided in this division. All necessary expenses incurred by the department in connection with such meeting, and certified by the superintendent, shall be paid by the company.
- (F) If such conversion is approved at such meeting by the affirmative vote of a majority of the policyholders of such company voting at the meeting, the superintendent shall fix the time and place for a public hearing not more than sixty days after the date of such meeting. Otherwise, he shall issue an order prohibiting the conversion. Notice of the time and place of such hearing shall be published once each week for two consecutive weeks in a newspaper of general circulation in the county where the home office of the company is located, and in Franklin county, and the last such publication shall be at least fifteen days prior to the date of such hearing. The expenses of publication of notice shall be paid by the company. At such hearing, the superintendent shall hear any person adversely affected by the conversion, who may present his position, arguments, or contentions, offer and examine witnesses, and present evidence tending to show that such conversion does not meet the requirements contained in division (A) of this section. If the superintendent finds that such conversion meets such requirements, he shall issue his written order accepting the report of the appraisal committee and



authorizing the conversion. Otherwise, he shall issue such order as is appropriate to his findings.

(G) At or after the issuance of the order authorizing the conversion, the articles of incorporation of the new company as approved by the superintendent shall be filed with the secretary of state. When such articles of incorporation of the new company are filed and accepted by the secretary of state, the mutual life insurance company shall become a stock life insurance company, and all property of every description and every interest therein, and all obligations of, belonging to, or due the mutual company shall thereafter be considered vested in the stock company without further act or deed. The stock insurance company shall be liable for all obligations of the mutual company and any claim existing or action or proceeding pending by or against the company may be prosecuted to judgment, with right of appeal as in other cases, as if such conversion had not taken place. All rights of creditors, and all liens upon the property of the mutual company shall be preserved unimpaired, limited in lien to the property affected by such liens immediately prior to the effective date of the conversion.

The directors and officers of the mutual company shall serve as the directors and officers of the new company, until new directors and officers have been duly elected and qualified pursuant to the articles of incorporation and by-laws of the new company, and as otherwise provided by law.

(H) Upon the conversion becoming effective pursuant to division (G) of this section, the new company shall forthwith proceed with winding up the affairs of the mutual company, and with the issuance of stock and priority rights in accordance with section 3913.12 of the Revised Code. Within six months after such effective date of the conversion, the new company shall file with the superintendent a written report containing such information as the superintendent may require to fully apprise him of the status of the conversion and whether it has been or is being carried out in accordance with its terms and according to law.