



## Ohio Revised Code

### Section 3913.21 Stock insurance conversion definitions.

Effective: March 3, 1996

Legislation: House Bill 374 - 121st General Assembly

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(A) A domestic mutual insurance company other than life may become a stock insurance corporation other than life, pursuant to sections 3913.20 to 3913.23 of the Revised Code, provided 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.

(B) The board of directors of a mutual company desiring to become a stock insurance corporation 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 corporation 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 corporation;

(2) Complete financial statements of the company, both current and for the five accounting periods immediately preceding the date of the resolution, based on generally recognized insurance accounting principles, including a statement of the nonadmitted assets and equity in the unearned premium reserve, income statement, and other statements and data necessary to show the true financial condition of the company;

(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, the superintendent shall order an examination of the company. If the superintendent finds that such conversion does not meet the requirements contained in division (A) of this section, the superintendent 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) of this section the superintendent shall rescind the 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) of this section. 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 certified public accountant, 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 the appraiser's 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 nonadmitted assets, 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. Surplus contribution notes issued and outstanding under section 3901.72 of the Revised Code shall be considered as liabilities in determining the value of the company.

The appraisal committee shall also determine the number of shares of the new corporation and priority rights for subscription to shares to be issued to each policyholder pursuant to section 3913.22 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 the mutual 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 applicant, 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, and a statement of the number of shares of the new corporation to be issued to the policyholder and the priority rights of the policyholder for subscription to any additional shares that may be issued. 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 applicant the result of such proceedings. 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 a majority of votes cast are in favor of conversion, the superintendent shall fix the time and place for a public hearing. Otherwise, the superintendent shall issue an order prohibiting the conversion. Thirty days notice of such hearing shall be sent by mail to each policyholder, and 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 mailing and 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 a 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, the superintendent shall issue a written order accepting the report of the appraisal committee and authorizing the conversion. Otherwise, the superintendent shall issue such order as is appropriate to the superintendent's findings.

(G) At or after the issuance of the order of authorizing the conversion, the articles of incorporation of



the new corporation as approved by the superintendent shall be filed with the secretary of state.

When such articles of incorporation of the new corporation are filed and accepted by the secretary of state, the mutual insurance company shall become a stock insurance corporation, and all property of every description and every interest therein, and all obligations of, belonging to, or due the mutual company shall thereafter be taken and deemed to be vested in the stock corporation without further act or deed. The stock insurance corporation 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 holders of surplus contribution notes issued and outstanding under section 3941.10 of the Revised Code shall have the option of continuing to hold such notes for repayment according to their terms, or of cancelling such notes in exchange for such shares of stock in the new corporation as the amount of unpaid principal and interest will purchase. If such unpaid principal and interest entitle the holder of any such notes to a fractional share of stock upon their cancellation, the holder shall have the option of receiving the value of such fractional share in cash or of purchasing such additional fraction as will entitle the holder to a full share.

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

(H) Upon the conversion becoming effective pursuant to division (G) of this section, the new corporation 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 3913.22 of the Revised Code. Within six months after such effective date of the conversion, the new corporation shall file with the superintendent a written report containing such information as the superintendent may require to become fully apprised 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.