

*Reprinted*

FEB 9 1990

HOUSE FILE 2381  
BY COMMITTEE ON SMALL  
BUSINESS AND COMMERCE

Place On Calendar

(SUCCESSOR TO HSB 698)

Passed House, Date 2/21/90 (p. 515) Passed Senate, Date 3/15/90 P. 1103  
Vote: Ayes 45 Nays 0 Vote: Ayes 43 Nays 0  
Approved March 27, 1990

A BILL FOR

1 An Act authorizing the conversion of a mutual property and  
2 casualty insurance company into a stock company, subject to  
3 certain conditions and procedural requirements.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2381

1 Section 1. NEW SECTION. 515F.1 DEFINITIO  
2 As used in this chapter, unless the context  
3 requires otherwise:  
4 1. "Affiliate" of a mutual insurer means a pe

5 controls, is controlled by, or is under common con  
6 the mutual insurer being converted.  
7 2. "Control" has the meaning assigned to it in s

8 521A.1, subsection 3.  
9 3. "Mutual insurer" means a domestic mutual proper  
10 casualty insurance company organized and licensed under  
11 chapter 515.

12 4. "Holder of a surplus note agreement" means the hol  
13 of a guaranty fund or contribution certificate issued purs  
14 to section 515.20 or its equivalent which has been approved  
15 the commissioner of insurance.

16 Sec. 2. NEW SECTION. 515F.2 MUTUAL INSURER BECOMING  
17 STOCK COMPANY -- AUTHORIZATION.  
18 A mutual insurer may become a stock insurance company

19 pursuant to a plan established and approved in the manner  
20 provided by this chapter. The plan shall be adopted by the  
21 board of directors of the insurer to become effective on a

22 future stated date. If conversion from a mutual insurer to a  
23 stock company is to be undertaken by a transaction which would  
24 be governed by chapter 521 or 521A, but the plan adopted by  
25 the board of directors of the insurer includes approval of an

26 acquisition of control, merger, consolidation, or reinsurance,  
27 then chapter 521 or 521A shall not be applicable to the  
28 transaction. However, in that case, the commissioner may  
29 require any information from the person or persons acquiring

30 control of the insurer as could be required under chapter 521  
31 or 521A, and may disapprove the transaction on any basis on  
32 which it could be disapproved under chapter 521 or 521A.  
33 Sec. 3. NEW SECTION. 515F.3 PLAN OF CONVERSION.  
34 A plan of conversion shall include all of the f  
35 1. The proposed articles of incorporati

1 the mutual insurer as a stock company.

2 2. The manner of treating a holder of a surplus note  
3 agreement, if any. The holder of a surplus note agreement, if  
4 otherwise qualified, may, at its option, exchange the  
5 agreement for an equitable share of the securities or other  
6 consideration, or both, of the corporation into which the  
7 insurer is to be converted.

8 3. The manner and basis of exchanging the equitable share  
9 of each mutual policyholder with a policy in force as provided  
10 in section 515F.4 for securities or other consideration, or  
11 both, of the stock corporation or an affiliate into which the  
12 mutual insurer is to be converted and the disposition of any  
13 unclaimed shares. The plan shall also provide that each  
14 person who had a policy of insurance in effect on the date of  
15 adoption of the plan is entitled to receive in exchange for an  
16 equitable share, without additional payment, consideration  
17 payable in voting common shares of the insurer, or other  
18 consideration, or both. The equitable share of the  
19 policyholder in the mutual insurer may include a base value  
20 for each policyholder in recognition of the voting rights of  
21 the policyholder and the balance of such equitable share of  
22 its statutory surplus, plus any adjustments for nonadmitted  
23 assets permitted by the commissioner, shall be determined by  
24 the ratio which the net earned premiums the policyholder has  
25 properly and timely paid to the insurer on insurance policies  
26 in effect during the three years immediately preceding the  
27 adoption of the plan bears to the total net earned premiums  
28 received by the mutual insurer from policyholders during that  
29 three-year period. If the equitable share of the policyholder  
30 entitles the policyholder to the purchase of a fractional  
31 share of stock, the policyholder has the option to receive the  
32 value of the fractional share in cash or purchase a full share  
33 by paying the balance in cash. However, policyholders due a  
34 de minimus amount, as established by the commissioner, need  
35 not be offered the value of the fractional share or the option

1 to purchase a full share.

2 4. The number of voting common shares proposed to be  
3 authorized for the stock corporation, their par value, and the  
4 price at which they shall be offered.

5 Sec. 4. NEW SECTION. 515F.4 ELIGIBLE POLICYHOLDERS  
6 PARTICIPATION.

5A297 The policyholders who are entitled to notice of and to vote  
8 upon approval of a plan of conversion and entitled to notice  
9 of a public hearing are all of the following:

10 1. The policyholders whose policies are in force on the  
11 date of adoption of the plan by the board of directors.

12 2. The policyholders who had a policy of insurance in  
13 effect at any time during the three-year period immediately  
14 preceding the date of adoption of the plan by the board of  
15 directors.

16 Sec. 5. NEW SECTION. 515F.5 APPOINTMENT OF CONSULTANT.

17 A plan may provide for the appointment by the mutual  
18 insurer of a person as defined in section 4.1, subsection 13,  
19 who is qualified to act as a consultant. The appointment of  
20 the consultant shall be reviewed by the commissioner and  
21 unless the commissioner finds the consultant unqualified, the  
22 consultant shall carry out the duties required by the mutual  
23 insurer and this chapter.

24 The consultant may assist in determining the equity or  
25 value of the policyholders and the mutual insurer. The  
26 consultant may consider the value of the consideration to be  
27 given to the participating policyholders in exchange for their  
28 membership interests or into which the membership interest is  
29 to be converted and may consider any valuations necessary to  
30 carry out the plans provided for in section 515F.3.

31 Valuations shall be made taking into account the latest filed  
32 annual statement of the mutual insurer and any significant  
33 developments occurring subsequent to the date of the  
34 statement.

35 The findings of the consultant may be modified by the

1 mutual insurer at any time so long as the results are not  
2 unfair or inequitable to policyholders.

3 If it can be shown by the mutual insurer to the  
4 commissioner that an underwriter of the shares is a qualified  
5 person, the underwriter may be appointed as the consultant.

6 Sec. 6. NEW SECTION. 515F.6 APPROVAL OF PLAN BY  
7 POLICYHOLDERS -- NOTICE OF ELECTION -- EFFECTIVE DATE.

8 After the plan has been approved by the commissioner as  
9 provided in section 515F.7, the plan of conversion shall be  
10 submitted to and shall not take effect until approved by two-  
11 thirds of the policyholders of the mutual insurer voting on  
12 the plan or such greater vote, if any, as is required by the  
13 articles of incorporation or bylaws of the mutual insurer.  
14 Notice of a meeting for the purpose of voting on the  
15 conversion plan shall be provided by mail to each policyholder  
16 entitled to vote in accordance with notice provisions in the  
17 articles of incorporation or bylaws of the mutual insurer.  
18 Each policyholder entitled to vote may cast one vote unless  
19 otherwise provided in the articles of incorporation or bylaws  
20 of the mutual insurer. Voting shall be by ballot, in person,  
21 or by proxy. A quorum consists of a quorum as defined in the  
22 articles of incorporation or bylaws of the mutual insurer. A  
23 copy of the plan of conversion, or a summary of the plan of  
24 conversion, shall accompany the notice of meeting and  
25 election. An approved plan of conversion shall take effect on  
26 the date specified in the plan.

27 Sec. 7. NEW SECTION. 515F.7 REVIEW OF PLAN BY  
28 COMMISSIONER -- HEARING AUTHORIZED -- APPROVAL.

29 The commissioner of insurance shall review the plan. The  
30 commissioner shall approve the plan if the commissioner finds  
31 the plan complies with all provisions of law, is not unfair or  
32 inequitable to the mutual insurer and its policyholders, and  
33 that the reorganized company will have the amount of capital  
34 and surplus deemed by the commissioner to be reasonably  
35 necessary for its future solvency. The commissioner may order

1 a hearing on the fairness and equity of the terms of the plan  
2 after giving written notice of the hearing to the mutual  
3 insurer, and its policyholders, all of whom have the right to  
4 appear at the hearing.

5 Sec. 8. NEW SECTION. 515F.8 PAYMENT OF FEES, SALARIES,  
6 AND COSTS.

7 A director, officer, agent, or employee of the mutual  
8 insurer shall not receive a fee, commission, or other valuable  
9 consideration, other than regular salary and compensation, for  
10 aiding, promoting, or assisting in the conversion except as  
11 set forth in the plan approved by the commissioner. However,  
12 this section does not prohibit the payment of reasonable fees  
13 and compensation to a consultant, attorneys at law,  
14 accountants, actuaries, or other persons specifically employed  
15 for services performed in the practice of their professions  
16 while completing the plan of conversion, even if these persons  
17 are directors of the mutual insurer.

18 Sec. 9. NEW SECTION. 515F.9 ACT OF CONVERSION --  
19 CONTINUATION OF COMPANY.

20 When the commissioner and the policyholders approve the  
21 conversion plan as provided in this chapter, the commissioner  
22 shall issue a new certificate of authority to the successor  
23 stock company effective on the date specified in the plan.  
24 The successor stock company is a continuation of the mutual  
25 insurer and the conversion does not annul or modify any of the  
26 mutual insurer's existing suits, contracts, or liabilities  
27 except as provided in the approved conversion plan. All  
28 rights, franchises, and interests of the mutual insurer in and  
29 to property, assets, and other interests shall be transferred  
30 to and shall vest in the successor stock company and the  
31 successor stock company shall assume all obligations and  
32 liabilities of the mutual insurer.

33 The successor stock company shall exercise all rights and  
34 powers and perform all duties conferred or imposed by law on  
35 insurance companies writing the classes of insurance written

1 by it, and shall retain the rights and contracts existing  
2 before conversion, subject to provisions of the plan.

3 Sec. 10. NEW SECTION. 515F.10 CONTINUATION OF OFFICERS.

4 The directors and officers of the mutual insurer shall  
5 serve the reorganized company until new directors and officers  
6 are elected and qualify pursuant to the articles of  
7 incorporation and bylaws of the reorganized company.

8 Sec. 11. NEW SECTION. 515F.11 RULES.

9 The commissioner may issue rules pursuant to chapter 17A to  
10 carry out the provisions of this chapter.

11 Sec. 12. NEW SECTION. 515F.12 AMENDMENTS -- WITHDRAWAL.

12 At any time before approval of the plan of conversion and  
13 pursuant to rules issued by the commissioner, the board of  
14 directors of a mutual insurer may amend the conversion plan.  
15 The board of directors of a mutual insurer may withdraw the  
16 plan of conversion at any time prior to the approval of the  
17 plan of conversion.

18 Sec. 13. NEW SECTION. 515F.13 PROHIBITIONS ON CERTAIN  
19 OFFERS TO ACQUIRE SHARES.

20 Prior to and for a period of five years following the  
21 effective date of the conversion, and five years following the  
22 date of distribution of consideration to the policyholders in  
23 exchange for their membership interests, an officer or  
24 director, including family members and their spouses, of the  
25 mutual insurer or the successor stock company, shall not  
26 directly or indirectly offer to acquire or acquire control of  
27 the successor stock company unless the acquisition is made  
28 pursuant to a stock option or other plan approved by the  
29 commissioner, made pursuant to the plan of conversion, or made  
30 after the initial public offering from a broker or dealer of  
31 registered securities with the securities and exchange  
32 commission at the quoted price on the date of purchase, or  
33 made in connection with the defense against an acquisition of  
34 control of the reorganized company pursuant to any proposal  
35 not approved by the board of directors. As used in this

1 section, "family member" includes a brother, sister, spouse,  
2 parent, grandparent, ancestor, or descendant of the officer or  
3 director.

4 Sec. 14. NEW SECTION. 515F.14 LIMITATION OF ACTIONS --  
5 SECURITY FOR ATTORNEY FEES.

6 An action challenging the validity of a conversion plan, or  
7 any part of a conversion plan, shall not be commenced more  
8 than thirty days following the date of approval by the  
9 commissioner.

10 The successor stock company or any defendant may require  
11 the plaintiff in such an action to give security for the  
12 reasonable attorney fees which may be incurred by any party to  
13 the action. The amount of the security may be increased or  
14 decreased in the discretion of the court having jurisdiction  
15 if a showing is made that the security provided is or may  
16 become inadequate or excessive.

17 Sec. 15. NEW SECTION. 515F.15 DUTIES OF SECRETARY OF  
18 STATE.

19 After approval of the conversion plan by the commissioner  
20 and the policyholders, the secretary of state shall accept for  
21 filing a verified copy of the amended articles of  
22 incorporation.

23 EXPLANATION

24 This bill authorizes the conversion of a mutual insurance  
25 company into a stock insurance company subject to the consent  
26 of the policyholders and the commissioner of insurance. The  
27 procedure for conversion is detailed, including the standards  
28 for conversion of various interests into an equity interest in  
29 the successor stock company. Certain restrictions are  
30 imposed, especially upon officers and directors and their  
31 family members and spouses in obtaining control of the  
32 successor stock company.

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HOUSE FILE 2381

H-5149

1 Amend House File 2381 as follows:

2 1. Page 3, by inserting after line 4, the  
3 following:

4 "A plan of conversion for an insurer organized on  
5 the mutual plan under chapter 491, shall also provide  
6 for conversion to a stock company as follows: the  
7 insurer organized on the mutual plan under chapter 491  
8 shall amend its articles pursuant to chapter 491 as  
9 necessary to become a stock company, and shall  
10 immediately convert to a chapter 490 corporation as  
11 provided in section 490.1701 upon becoming a stock  
12 company."

13 2. Page 6, line 17, by inserting after the word  
14 "conversion" the following: "by either the  
15 commissioner or the policyholders".

By KREMER of Buchanan

H-5149 FILED FEBRUARY 14, 1990

*Adopted 2/21/90*

HOUSE FILE 2381

H-5229

1 Amend House File 2381 as follows:

2 1. Page 3, by striking lines 9 through 15 and  
3 inserting the following: "of a public hearing are the  
4 policyholders whose policies are in force on the date  
5 of the adoption of the plan by the board of  
6 directors."

By GRONINGA of Cerro Gordo

H-5229 FILED FEBRUARY 20, 1990

*Adopted 2/21/90*

Sen. Commerce 2/23 Do Pass 3/12 (J. 984)

HOUSE FILE 2381  
BY COMMITTEE ON SMALL  
BUSINESS AND COMMERCE

(SUCCESSOR TO HSB 698)

(As Amended and Passed by the House February 21, 1990)

Passed House, Date 2/21/90 (J. 515) Passed Senate, Date 3/15/90 (J. 1103)  
Vote: Ayes 95 Nays 0 Vote: Ayes 43 Nays 0  
Approved March 27, 1990

**A BILL FOR**

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2 casualty insurance company into a stock company, subject to  
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House Amendments \_\_\_\_\_

1 Section 1. NEW SECTION. 515F.1 DEFINITIONS.

2 As used in this chapter, unless the context clearly  
3 requires otherwise:

4 1. "Affiliate" of a mutual insurer means a person who  
5 controls, is controlled by, or is under common control with,  
6 the mutual insurer being converted.

7 2. "Control" has the meaning assigned to it in section  
8 521A.1, subsection 3.

9 3. "Mutual insurer" means a domestic mutual property and  
10 casualty insurance company organized and licensed under  
11 chapter 515.

12 4. "Holder of a surplus note agreement" means the holder  
13 of a guaranty fund or contribution certificate issued pursuant  
14 to section 515.20 or its equivalent which has been approved by  
15 the commissioner of insurance.

16 Sec. 2. NEW SECTION. 515F.2 MUTUAL INSURER BECOMING  
17 STOCK COMPANY -- AUTHORIZATION.

18 A mutual insurer may become a stock insurance company  
19 pursuant to a plan established and approved in the manner  
20 provided by this chapter. The plan shall be adopted by the  
21 board of directors of the insurer to become effective on a  
22 future stated date. If conversion from a mutual insurer to a  
23 stock company is to be undertaken by a transaction which would  
24 be governed by chapter 521 or 521A, but the plan adopted by  
25 the board of directors of the insurer includes approval of an  
26 acquisition of control, merger, consolidation, or reinsurance,  
27 then chapter 521 or 521A shall not be applicable to the  
28 transaction. However, in that case, the commissioner may  
29 require any information from the person or persons acquiring  
30 control of the insurer as could be required under chapter 521  
31 or 521A, and may disapprove the transaction on any basis on  
32 which it could be disapproved under chapter 521 or 521A.

33 Sec. 3. NEW SECTION. 515F.3 PLAN OF CONVERSION.

34 A plan of conversion shall include all of the following:

35 1. The proposed articles of incorporation and bylaws of

1 the mutual insurer as a stock company.

2 2. The manner of treating a holder of a surplus note  
3 agreement, if any. The holder of a surplus note agreement, if  
4 otherwise qualified, may, at its option, exchange the  
5 agreement for an equitable share of the securities or other  
6 consideration, or both, of the corporation into which the  
7 insurer is to be converted.

8 3. The manner and basis of exchanging the equitable share  
9 of each mutual policyholder with a policy in force as provided  
10 in section 515F.4 for securities or other consideration, or  
11 both, of the stock corporation or an affiliate into which the  
12 mutual insurer is to be converted and the disposition of any  
13 unclaimed shares. The plan shall also provide that each  
14 person who had a policy of insurance in effect on the date of  
15 adoption of the plan is entitled to receive in exchange for an  
16 equitable share, without additional payment, consideration  
17 payable in voting common shares of the insurer, or other  
18 consideration, or both. The equitable share of the  
19 policyholder in the mutual insurer may include a base value  
20 for each policyholder in recognition of the voting rights of  
21 the policyholder and the balance of such equitable share of  
22 its statutory surplus, plus any adjustments for nonadmitted  
23 assets permitted by the commissioner, shall be determined by  
24 the ratio which the net earned premiums the policyholder has  
25 properly and timely paid to the insurer on insurance policies  
26 in effect during the three years immediately preceding the  
27 adoption of the plan bears to the total net earned premiums  
28 received by the mutual insurer from policyholders during that  
29 three-year period. If the equitable share of the policyholder  
30 entitles the policyholder to the purchase of a fractional  
31 share of stock, the policyholder has the option to receive the  
32 value of the fractional share in cash or purchase a full share  
33 by paying the balance in cash. However, policyholders due a  
34 de minimus amount, as established by the commissioner, need  
35 not be offered the value of the fractional share or the option

1 to purchase a full share.

2 4. The number of voting common shares proposed to be  
3 authorized for the stock corporation, their par value, and the  
4 price at which they shall be offered.

5 A plan of conversion for an insurer organized on the mutual  
6 plan under chapter 491, shall also provide for conversion to a  
7 stock company as follows: the insurer organized on the mutual  
8 plan under chapter 491 shall amend its articles pursuant to  
9 chapter 491 as necessary to become a stock company, and shall  
10 immediately convert to a chapter 490 corporation as provided  
11 in section 490.1701 upon becoming a stock company.

12 Sec. 4. NEW SECTION. 515F.4 ELIGIBLE POLICYHOLDERS  
13 PARTICIPATION.

14 The policyholders who are entitled to notice of and to vote  
15 upon approval of a plan of conversion and entitled to notice  
16 of a public hearing are the policyholders whose policies are  
17 in force on the date of the adoption of the plan by the board  
18 of directors.

19 Sec. 5. NEW SECTION. 515F.5 APPOINTMENT OF CONSULTANT.

20 A plan may provide for the appointment by the mutual  
21 insurer of a person as defined in section 4.1, subsection 13,  
22 who is qualified to act as a consultant. The appointment of  
23 the consultant shall be reviewed by the commissioner and  
24 unless the commissioner finds the consultant unqualified, the  
25 consultant shall carry out the duties required by the mutual  
26 insurer and this chapter.

27 The consultant may assist in determining the equity or  
28 value of the policyholders and the mutual insurer. The  
29 consultant may consider the value of the consideration to be  
30 given to the participating policyholders in exchange for their  
31 membership interests or into which the membership interest is  
32 to be converted and may consider any valuations necessary to  
33 carry out the plans provided for in section 515F.3.  
34 Valuations shall be made taking into account the latest filed  
35 annual statement of the mutual insurer and any significant

1 developments occurring subsequent to the date of the  
2 statement.

3 The findings of the consultant may be modified by the  
4 mutual insurer at any time so long as the results are not  
5 unfair or inequitable to policyholders.

6 If it can be shown by the mutual insurer to the  
7 commissioner that an underwriter of the shares is a qualified  
8 person, the underwriter may be appointed as the consultant.

9 Sec. 6. NEW SECTION. 515F.6 APPROVAL OF PLAN BY  
10 POLICYHOLDERS -- NOTICE OF ELECTION -- EFFECTIVE DATE.

11 After the plan has been approved by the commissioner as  
12 provided in section 515F.7, the plan of conversion shall be  
13 submitted to and shall not take effect until approved by two-  
14 thirds of the policyholders of the mutual insurer voting on  
15 the plan or such greater vote, if any, as is required by the  
16 articles of incorporation or bylaws of the mutual insurer.  
17 Notice of a meeting for the purpose of voting on the  
18 conversion plan shall be provided by mail to each policyholder  
19 entitled to vote in accordance with notice provisions in the  
20 articles of incorporation or bylaws of the mutual insurer.  
21 Each policyholder entitled to vote may cast one vote unless  
22 otherwise provided in the articles of incorporation or bylaws  
23 of the mutual insurer. Voting shall be by ballot, in person,  
24 or by proxy. A quorum consists of a quorum as defined in the  
25 articles of incorporation or bylaws of the mutual insurer. A  
26 copy of the plan of conversion, or a summary of the plan of  
27 conversion, shall accompany the notice of meeting and  
28 election. An approved plan of conversion shall take effect on  
29 the date specified in the plan.

30 Sec. 7. NEW SECTION. 515F.7 REVIEW OF PLAN BY  
31 COMMISSIONER -- HEARING AUTHORIZED -- APPROVAL.

32 The commissioner of insurance shall review the plan. The  
33 commissioner shall approve the plan if the commissioner finds  
34 the plan complies with all provisions of law, is not unfair or  
35 inequitable to the mutual insurer and its policyholders, and

1 that the reorganized company will have the amount of capital  
2 and surplus deemed by the commissioner to be reasonably  
3 necessary for its future solvency. The commissioner may order  
4 a hearing on the fairness and equity of the terms of the plan  
5 after giving written notice of the hearing to the mutual  
6 insurer, and its policyholders, all of whom have the right to  
7 appear at the hearing.

8 Sec. 8. NEW SECTION. 515F.8 PAYMENT OF FEES, SALARIES,  
9 AND COSTS.

10 A director, officer, agent, or employee of the mutual  
11 insurer shall not receive a fee, commission, or other valuable  
12 consideration, other than regular salary and compensation, for  
13 aiding, promoting, or assisting in the conversion except as  
14 set forth in the plan approved by the commissioner. However,  
15 this section does not prohibit the payment of reasonable fees  
16 and compensation to a consultant, attorneys at law,  
17 accountants, actuaries, or other persons specifically employed  
18 for services performed in the practice of their professions  
19 while completing the plan of conversion, even if these persons  
20 are directors of the mutual insurer.

21 Sec. 9. NEW SECTION. 515F.9 ACT OF CONVERSION --  
22 CONTINUATION OF COMPANY.

23 When the commissioner and the policyholders approve the  
24 conversion plan as provided in this chapter, the commissioner  
25 shall issue a new certificate of authority to the successor  
26 stock company effective on the date specified in the plan.  
27 The successor stock company is a continuation of the mutual  
28 insurer and the conversion does not annul or modify any of the  
29 mutual insurer's existing suits, contracts, or liabilities  
30 except as provided in the approved conversion plan. All  
31 rights, franchises, and interests of the mutual insurer in and  
32 to property, assets, and other interests shall be transferred  
33 to and shall vest in the successor stock company and the  
34 successor stock company shall assume all obligations and  
35 liabilities of the mutual insurer.

1 The successor stock company shall exercise all rights and  
2 powers and perform all duties conferred or imposed by law on  
3 insurance companies writing the classes of insurance written  
4 by it, and shall retain the rights and contracts existing  
5 before conversion, subject to provisions of the plan.

6 Sec. 10. NEW SECTION. 515F.10 CONTINUATION OF OFFICERS.

7 The directors and officers of the mutual insurer shall  
8 serve the reorganized company until new directors and officers  
9 are elected and qualify pursuant to the articles of  
10 incorporation and bylaws of the reorganized company.

11 Sec. 11. NEW SECTION. 515F.11 RULES.

12 The commissioner may issue rules pursuant to chapter 17A to  
13 carry out the provisions of this chapter.

14 Sec. 12. NEW SECTION. 515F.12 AMENDMENTS -- WITHDRAWAL.

15 At any time before approval of the plan of conversion and  
16 pursuant to rules issued by the commissioner, the board of  
17 directors of a mutual insurer may amend the conversion plan.  
18 The board of directors of a mutual insurer may withdraw the  
19 plan of conversion at any time prior to the approval of the  
20 plan of conversion by either the commissioner or the  
21 policyholders.

22 Sec. 13. NEW SECTION. 515F.13 PROHIBITIONS ON CERTAIN  
23 OFFERS TO ACQUIRE SHARES.

24 Prior to and for a period of five years following the  
25 effective date of the conversion, and five years following the  
26 date of distribution of consideration to the policyholders in  
27 exchange for their membership interests, an officer or  
28 director, including family members and their spouses, of the  
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30 directly or indirectly offer to acquire or acquire control of  
31 the successor stock company unless the acquisition is made  
32 pursuant to a stock option or other plan approved by the  
33 commissioner, made pursuant to the plan of conversion, or made  
34 after the initial public offering from a broker or dealer of  
35 registered securities with the securities and exchange



1 commission at the quoted price on the date of purchase, or  
2 made in connection with the defense against an acquisition of  
3 control of the reorganized company pursuant to any proposal  
4 not approved by the board of directors. As used in this  
5 section, "family member" includes a brother, sister, spouse,  
6 parent, grandparent, ancestor, or descendant of the officer or  
7 director.

8 Sec. 14. NEW SECTION. 515F.14 LIMITATION OF ACTIONS --  
9 SECURITY FOR ATTORNEY FEES.

10 An action challenging the validity of a conversion plan, or  
11 any part of a conversion plan, shall not be commenced more  
12 than thirty days following the date of approval by the  
13 commissioner.

14 The successor stock company or any defendant may require  
15 the plaintiff in such an action to give security for the  
16 reasonable attorney fees which may be incurred by any party to  
17 the action. The amount of the security may be increased or  
18 decreased in the discretion of the court having jurisdiction  
19 if a showing is made that the security provided is or may  
20 become inadequate or excessive.

21 Sec. 15. NEW SECTION. 515F.15 DUTIES OF SECRETARY OF  
22 STATE.

23 After approval of the conversion plan by the commissioner  
24 and the policyholders, the secretary of state shall accept for  
25 filing a verified copy of the amended articles of  
26 incorporation.

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SMALL BUSINESS AND COMMERCE

HOUSE FILE 2381

BY (PROPOSED DEPARTMENT  
OF COMMERCE/INSURANCE  
DIVISION BILL)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

A BILL FOR

1 An Act authorizing the conversion of a mutual property and  
2 casualty insurance company into a stock company, subject to  
3 certain conditions and procedural requirements.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 515F.1 DEFINITIONS.

2 As used in this chapter, unless the context clearly  
3 requires otherwise:

4 1. "Affiliate" of a mutual insurer means a person who  
5 controls, is controlled by, or is under common control with,  
6 the mutual insurer being converted.

7 2. "Control" has the meaning assigned to it in section  
8 521A.1, subsection 3.

9 3. "Mutual insurer" means a domestic mutual property and  
10 casualty insurance company organized and licensed under  
11 chapter 515.

12 4. "Holder of a surplus note agreement" means the holder  
13 of a guaranty fund or contribution certificate issued pursuant  
14 to section 515.20 or its equivalent which has been approved by  
15 the commissioner of insurance.

16 Sec. 2. NEW SECTION. 515F.2 MUTUAL INSURER BECOMING  
17 STOCK COMPANY -- AUTHORIZATION.

18 A mutual insurer may become a stock insurance company  
19 pursuant to a plan established and approved in the manner  
20 provided by this chapter. The plan shall be adopted by the  
21 board of directors of the insurer to become effective on a  
22 future stated date. If conversion from a mutual insurer to a  
23 stock company is to be undertaken by a transaction which would  
24 be governed by chapter 521 or 521A, but the plan adopted by  
25 the board of directors of the insurer includes approval of an  
26 acquisition of control, merger, consolidation, or reinsurance,  
27 then chapter 521 or 521A shall not be applicable to the  
28 transaction. However, in that case, the commissioner may  
29 require any information from the person or persons acquiring  
30 control of the insurer as could be required under chapter 521  
31 or 521A, and may disapprove the transaction on any basis on  
32 which it could be disapproved under chapter 521 or 521A.

33 Sec. 3. NEW SECTION. 515F.3 PLAN OF CONVERSION.

34 A plan of conversion shall include all of the following:

35 1. The proposed articles of incorporation and bylaws of

1 the mutual insurer as a stock company.

2 2. The manner of treating a holder of a surplus note  
3 agreement, if any. The holder of a surplus note agreement, if  
4 otherwise qualified, may, at its option, exchange the  
5 agreement for an equitable share of the securities or other  
6 consideration, or both, of the corporation into which the  
7 insurer is to be converted.

8 3. The manner and basis of exchanging the equitable share  
9 of each mutual policyholder with a policy in force as provided  
10 in section 515F.4 for securities or other consideration, or  
11 both, of the stock corporation or an affiliate into which the  
12 mutual insurer is to be converted and the disposition of any  
13 unclaimed shares. The plan shall also provide that each  
14 person who had a policy of insurance in effect on the date of  
15 adoption of the plan is entitled to receive in exchange for an  
16 equitable share, without additional payment, consideration  
17 payable in voting common shares of the insurer, or other  
18 consideration, or both. The equitable share of the  
19 policyholder in the mutual insurer may include a base value  
20 for each policy holder in recognition of the voting rights of  
21 the policyholder and the balance of such equitable share of  
22 its statutory surplus, plus any adjustments for nonadmitted  
23 assets permitted by the commissioner, shall be determined by  
24 the ratio which the net earned premiums the policyholder has  
25 properly and timely paid to the insurer on insurance policies  
26 in effect during the three years immediately preceding the  
27 adoption of the plan bears to the total net earned premiums  
28 received by the mutual insurer from policyholders during that  
29 three-year period. If the equitable share of the policyholder  
30 entitles the policyholder to the purchase of a fractional  
31 share of stock, the policyholder has the option to receive the  
32 value of the fractional share in cash or purchase a full share  
33 by paying the balance in cash. However, policyholders due a  
34 de minimus amount, as established by the commissioner, need  
35 not be offered the value of the fractional share or the option

1 to purchase a full share.

2 4. The number of voting common shares proposed to be  
3 authorized for the stock corporation, their par value, and the  
4 price at which they shall be offered.

5 Sec. 4. NEW SECTION. 515F.4 ELIGIBLE POLICYHOLDERS  
6 PARTICIPATION.

7 The policyholders who are entitled to notice of and to vote  
8 upon approval of a plan of conversion and entitled to notice  
9 of a public hearing are all of the following:

10 1. The policyholders whose policies are in force on the  
11 date of adoption of the plan by the board of directors.

12 2. The policyholders who had a policy of insurance in  
13 effect at any time during the three-year period immediately  
14 preceding the date of adoption of the plan by the board of  
15 directors.

16 Sec. 5. NEW SECTION. 515F.5 APPOINTMENT OF CONSULTANT.

17 A plan may provide for the appointment by the mutual  
18 insurer of a person as defined in section 4.1, subsection 13,  
19 who is qualified to act as a consultant. The appointment of  
20 the consultant shall be reviewed by the commissioner and  
21 unless the commissioner finds the consultant unqualified, the  
22 consultant shall carry out the duties required by the mutual  
23 insurer and this chapter.

24 The consultant may assist in determining the equity or  
25 value of the policyholders and the mutual insurer. The  
26 consultant may consider the value of the consideration to be  
27 given to the participating policyholders in exchange for their  
28 membership interests or into which the membership interest is  
29 to be converted and may consider any valuations necessary to  
30 carry out the plans provided for in section 515F.3.

31 Valuations shall be made taking into account the latest filed  
32 annual statement of the mutual insurer and any significant  
33 developments occurring subsequent to the date of the  
34 statement.

35 The findings of the consultant may be modified by the

1 mutual insurer at any time so long as the results are not  
2 unfair or inequitable to policyholders.

3 If it can be shown by the mutual insurer to the  
4 commissioner that an underwriter of the shares is a qualified  
5 person, the underwriter may be appointed as the consultant.

6 Sec. 6. NEW SECTION. 515F.6 APPROVAL OF PLAN BY  
7 POLICYHOLDERS -- NOTICE OF ELECTION -- EFFECTIVE DATE.

8 After the plan has been approved by the commissioner as  
9 provided in section 515F.7, the plan of conversion shall be  
10 submitted to and shall not take effect until approved by two-  
11 thirds of the policyholders of the mutual insurer voting on  
12 the plan or such greater vote, if any, as is required by the  
13 articles of incorporation or by-laws of the mutual insurer.  
14 Notice of a meeting for the purpose of voting on the  
15 conversion plan shall be provided by mail to each policyholder  
16 entitled to vote in accordance with notice provisions in the  
17 articles of incorporation or bylaws of the mutual insurer.  
18 Each policyholder entitled to vote may cast one vote unless  
19 otherwise provided in the articles of incorporation or bylaws  
20 of the mutual insurer. Voting shall be by ballot, in person,  
21 or by proxy. A quorum consists of a quorum as defined in the  
22 articles of incorporation or bylaws of the mutual insurer. A  
23 copy of the plan of conversion, or a summary of the plan of  
24 conversion, shall accompany the notice of meeting and  
25 election. An approved plan of conversion shall take effect on  
26 the date specified in the plan.

27 Sec. 7. NEW SECTION. 515F.7 REVIEW OF PLAN BY  
28 COMMISSIONER -- HEARING AUTHORIZED -- APPROVAL.

29 The commissioner of insurance shall review the plan. The  
30 commissioner shall approve the plan if the commissioner finds  
31 the plan complies with all provisions of law, is not unfair or  
32 inequitable to the mutual insurer and its policyholders, and  
33 that the reorganized company will have the amount of capital  
34 and surplus deemed by the commissioner to be reasonably  
35 necessary for its future solvency. The commissioner may order

1 a hearing on the fairness and equity of the terms of the plan  
2 after giving written notice of the hearing to the mutual  
3 insurer, and its policyholders, all of whom have the right to  
4 appear at the hearing.

5 Sec. 8. NEW SECTION. 515F.8 PAYMENT OF FEES, SALARIES,  
6 AND COSTS.

7 A director, officer, agent, or employee of the mutual  
8 insurer shall not receive a fee, commission, or other valuable  
9 consideration, other than regular salary and compensation, for  
10 aiding, promoting, or assisting in the conversion except as  
11 set forth in the plan approved by the commissioner. However,  
12 this section does not prohibit the payment of reasonable fees  
13 and compensation to a consultant, attorneys at law,  
14 accountants, actuaries, or other persons specifically employed  
15 for services performed in the practice of their professions  
16 while completing the plan of conversion, even if these persons  
17 are directors of the mutual insurer.

18 Sec. 9. NEW SECTION. 515F.9 ACT OF CONVERSION --  
19 CONTINUATION OF COMPANY.

20 When the commissioner and the policyholders approve the  
21 conversion plan as provided in this chapter, the commissioner  
22 shall issue a new certificate of authority to the successor  
23 stock company effective on the date specified in the plan.  
24 The successor stock company is a continuation of the mutual  
25 insurer and the conversion does not annul or modify any of the  
26 mutual insurer's existing suits, contracts, or liabilities  
27 except as provided in the approved conversion plan. All  
28 rights, franchises, and interests of the mutual insurer in and  
29 to property, assets, and other interests shall be transferred  
30 to and shall vest in the successor stock company and the  
31 successor stock company shall assume all obligations and  
32 liabilities of the mutual insurer.

33 The successor stock company shall exercise all rights and  
34 powers and perform all duties conferred or imposed by law on  
35 insurance companies writing the classes of insurance written

1 by it, and shall retain the rights and contracts existing  
2 before conversion, subject to provisions of the plan.

3 Sec. 10. NEW SECTION. 515F.10 CONTINUATION OF OFFICERS.

4 The directors and officers of the mutual insurer shall  
5 serve the reorganized company until new directors and officers  
6 are elected and qualify pursuant to the articles of  
7 incorporation and bylaws of the reorganized company.

8 Sec. 11. NEW SECTION. 515F.11 RULES.

9 The commissioner may issue rules pursuant to chapter 17A to  
10 carry out the provisions of this chapter.

11 Sec. 12. NEW SECTION. 515F.12 AMENDMENTS -- WITHDRAWAL.

12 At any time before approval of the plan of conversion and  
13 pursuant to rules issued by the commissioner, the board of  
14 directors of a mutual insurer may amend the conversion plan.  
15 The board of directors of a mutual insurer may withdraw the  
16 plan of conversion at any time prior to the approval of the  
17 plan of conversion.

18 Sec. 13. NEW SECTION. 515F.13 PROHIBITIONS ON CERTAIN  
19 OFFERS TO ACQUIRE SHARES.

20 Prior to and for a period of five years following the  
21 effective date of the conversion, and five years following the  
22 date of distribution of consideration to the policyholders in  
23 exchange for their membership interests, an officer or  
24 director, including family members and their spouses, of the  
25 mutual insurer or the successor stock company, shall not  
26 directly or indirectly offer to acquire or acquire control of  
27 the successor stock company unless the acquisition is made  
28 pursuant to a stock option or other plan approved by the  
29 commissioner, made pursuant to the plan of conversion, or made  
30 after the initial public offering from a broker or dealer of  
31 registered securities with the securities and exchange  
32 commission at the quoted price on the date of purchase, or  
33 made in connection with the defense against an acquisition of  
34 control of the reorganized company pursuant to any proposal  
35 not approved by the board of directors. As used in this



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1 section, "family member" includes a brother, sister, spouse,  
2 parent, grandparent, ancestor, or descendant of the officer or  
3 director.

4 Sec. 14. NEW SECTION. 515F.14 LIMITATION OF ACTIONS --  
5 SECURITY FOR ATTORNEY FEES.

6 An action challenging the validity of a conversion plan, or  
7 any part of a conversion plan, shall not be commenced more  
8 than thirty days following the date of approval by the  
9 commissioner.

10 The successor stock company or any defendant may require  
11 the plaintiff in such an action to give security for the  
12 reasonable attorney fees which may be incurred by any party to  
13 the action. The amount of the security may be increased or  
14 decreased in the discretion of the court having jurisdiction  
15 if a showing is made that the security provided is or may  
16 become inadequate or excessive.

17 Sec. 15. NEW SECTION. 515F.15 DUTIES OF SECRETARY OF  
18 STATE.

19 After approval of the conversion plan by the commissioner  
20 and the policyholders, the secretary of state shall accept for  
21 filing a verified copy of the amended articles of  
22 incorporation.

23 **EXPLANATION**

24 This bill authorizes the conversion of a mutual insurance  
25 company into a stock insurance company subject to the consent  
26 of the policyholders and the commissioner of insurance. The  
27 procedure for conversion is detailed, including the standards  
28 for conversion of various interests into an equity interest in  
29 the successor stock company. Certain restrictions are  
30 imposed, especially upon officers and directors and their  
31 family members and spouses in obtaining control of the  
32 successor stock company.

33 **BACKGROUND STATEMENT**

34 **SUBMITTED BY THE AGENCY**

35 This bill creates an orderly process for the conversion of

1 a mutual property and casualty company to a stock company. No  
2 procedural framework currently exists. This chapter will  
3 allow for uniform conversion under the review and approval of  
4 the insurance commissioner. This will ensure that conversions  
5 are done competently and in the best interest of  
6 policyholders. It will also provide a source of referral and  
7 a standard of review for insurance companies wishing to  
8 explore or implement a conversion.

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HOUSE FILE 2381

AN ACT

AUTHORIZING THE CONVERSION OF A MUTUAL PROPERTY AND CASUALTY INSURANCE COMPANY INTO A STOCK COMPANY, SUBJECT TO CERTAIN CONDITIONS AND PROCEDURAL REQUIREMENTS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. NEW SECTION. 515F.1 DEFINITIONS.

As used in this chapter, unless the context clearly requires otherwise:

1. "Affiliate" of a mutual insurer means a person who controls, is controlled by, or is under common control with, the mutual insurer being converted.
2. "Control" has the meaning assigned to it in section 521A.1, subsection 3.
3. "Mutual insurer" means a domestic mutual property and casualty insurance company organized and licensed under chapter 515.
4. "Holder of a surplus note agreement" means the holder of a guaranty fund or contribution certificate issued pursuant to section 515.20 or its equivalent which has been approved by the commissioner of insurance.

Sec. 2. NEW SECTION. 515F.2 MUTUAL INSURER BECOMING STOCK COMPANY -- AUTHORIZATION.

A mutual insurer may become a stock insurance company pursuant to a plan established and approved in the manner provided by this chapter. The plan shall be adopted by the board of directors of the insurer to become effective on a

future stated date. If conversion from a mutual insurer to a stock company is to be undertaken by a transaction which would be governed by chapter 521 or 521A, but the plan adopted by the board of directors of the insurer includes approval of an acquisition of control, merger, consolidation, or reinsurance, then chapter 521 or 521A shall not be applicable to the transaction. However, in that case, the commissioner may require any information from the person or persons acquiring control of the insurer as could be required under chapter 521 or 521A, and may disapprove the transaction on any basis on which it could be disapproved under chapter 521 or 521A.

Sec. 3. NEW SECTION. 515F.3 PLAN OF CONVERSION.

A plan of conversion shall include all of the following:

1. The proposed articles of incorporation and bylaws of the mutual insurer as a stock company.
2. The manner of treating a holder of a surplus note agreement, if any. The holder of a surplus note agreement, if otherwise qualified, may, at its option, exchange the agreement for an equitable share of the securities or other consideration, or both, of the corporation into which the insurer is to be converted.
3. The manner and basis of exchanging the equitable share of each mutual policyholder with a policy in force as provided in section 515F.4 for securities or other consideration, or both, of the stock corporation or an affiliate into which the mutual insurer is to be converted and the disposition of any unclaimed shares. The plan shall also provide that each person who had a policy of insurance in effect on the date of adoption of the plan is entitled to receive in exchange for an equitable share, without additional payment, consideration payable in voting common shares of the insurer, or other consideration, or both. The equitable share of the policyholder in the mutual insurer may include a base value for each policyholder in recognition of the voting rights of the policyholder and the balance of such equitable share of

its statutory surplus, plus any adjustments for nonadmitted assets permitted by the commissioner, shall be determined by the ratio which the net earned premiums the policyholder has properly and timely paid to the insurer on insurance policies in effect during the three years immediately preceding the adoption of the plan bears to the total net earned premiums received by the mutual insurer from policyholders during that three-year period. If the equitable share of the policyholder entitles the policyholder to the purchase of a fractional share of stock, the policyholder has the option to receive the value of the fractional share in cash or purchase a full share by paying the balance in cash. However, policyholders due a de minimus amount, as established by the commissioner, need not be offered the value of the fractional share or the option to purchase a full share.

4. The number of voting common shares proposed to be authorized for the stock corporation, their par value, and the price at which they shall be offered.

A plan of conversion for an insurer organized on the mutual plan under chapter 491, shall also provide for conversion to a stock company as follows: the insurer organized on the mutual plan under chapter 491 shall amend its articles pursuant to chapter 491 as necessary to become a stock company, and shall immediately convert to a chapter 490 corporation as provided in section 490.1701 upon becoming a stock company.

**Sec. 4. NEW SECTION. 515F.4 ELIGIBLE POLICYHOLDERS PARTICIPATION.**

The policyholders who are entitled to notice of and to vote upon approval of a plan of conversion and entitled to notice of a public hearing are the policyholders whose policies are in force on the date of the adoption of the plan by the board of directors.

**Sec. 5. NEW SECTION. 515F.5 APPOINTMENT OF CONSULTANT.**

A plan may provide for the appointment by the mutual insurer of a person as defined in section 4.1, subsection 13,

who is qualified to act as a consultant. The appointment of the consultant shall be reviewed by the commissioner and unless the commissioner finds the consultant unqualified, the consultant shall carry out the duties required by the mutual insurer and this chapter.

The consultant may assist in determining the equity or value of the policyholders and the mutual insurer. The consultant may consider the value of the consideration to be given to the participating policyholders in exchange for their membership interests or into which the membership interest is to be converted and may consider any valuations necessary to carry out the plans provided for in section 515F.3. Valuations shall be made taking into account the latest filed annual statement of the mutual insurer and any significant developments occurring subsequent to the date of the statement.

The findings of the consultant may be modified by the mutual insurer at any time so long as the results are not unfair or inequitable to policyholders.

If it can be shown by the mutual insurer to the commissioner that an underwriter of the shares is a qualified person, the underwriter may be appointed as the consultant.

**Sec. 6. NEW SECTION. 515F.6 APPROVAL OF PLAN BY POLICYHOLDERS -- NOTICE OF ELECTION -- EFFECTIVE DATE.**

After the plan has been approved by the commissioner as provided in section 515F.7, the plan of conversion shall be submitted to and shall not take effect until approved by two-thirds of the policyholders of the mutual insurer voting on the plan or such greater vote, if any, as is required by the articles of incorporation or bylaws of the mutual insurer. Notice of a meeting for the purpose of voting on the conversion plan shall be provided by mail to each policyholder entitled to vote in accordance with notice provisions in the articles of incorporation or bylaws of the mutual insurer. Each policyholder entitled to vote may cast one vote unless

otherwise provided in the articles of incorporation or bylaws of the mutual insurer. Voting shall be by ballot, in person, or by proxy. A quorum consists of a quorum as defined in the articles of incorporation or bylaws of the mutual insurer. A copy of the plan of conversion, or a summary of the plan of conversion, shall accompany the notice of meeting and election. An approved plan of conversion shall take effect on the date specified in the plan.

**Sec. 7. NEW SECTION. 515F.7 REVIEW OF PLAN BY COMMISSIONER -- HEARING AUTHORIZED -- APPROVAL.**

The commissioner of insurance shall review the plan. The commissioner shall approve the plan if the commissioner finds the plan complies with all provisions of law, is not unfair or inequitable to the mutual insurer and its policyholders, and that the reorganized company will have the amount of capital and surplus deemed by the commissioner to be reasonably necessary for its future solvency. The commissioner may order a hearing on the fairness and equity of the terms of the plan after giving written notice of the hearing to the mutual insurer, and its policyholders, all of whom have the right to appear at the hearing.

**Sec. 8. NEW SECTION. 515F.8 PAYMENT OF FEES, SALARIES, AND COSTS.**

A director, officer, agent, or employee of the mutual insurer shall not receive a fee, commission, or other valuable consideration, other than regular salary and compensation, for aiding, promoting, or assisting in the conversion except as set forth in the plan approved by the commissioner. However, this section does not prohibit the payment of reasonable fees and compensation to a consultant, attorneys at law, accountants, actuaries, or other persons specifically employed for services performed in the practice of their professions while completing the plan of conversion, even if these persons are directors of the mutual insurer.

**Sec. 9. NEW SECTION. 515F.9 ACT OF CONVERSION -- CONTINUATION OF COMPANY.**

When the commissioner and the policyholders approve the conversion plan as provided in this chapter, the commissioner shall issue a new certificate of authority to the successor stock company effective on the date specified in the plan. The successor stock company is a continuation of the mutual insurer and the conversion does not annul or modify any of the mutual insurer's existing suits, contracts, or liabilities except as provided in the approved conversion plan. All rights, franchises, and interests of the mutual insurer in and to property, assets, and other interests shall be transferred to and shall vest in the successor stock company and the successor stock company shall assume all obligations and liabilities of the mutual insurer.

The successor stock company shall exercise all rights and powers and perform all duties conferred or imposed by law on insurance companies writing the classes of insurance written by it, and shall retain the rights and contracts existing before conversion, subject to provisions of the plan.

**Sec. 10. NEW SECTION. 515F.10 CONTINUATION OF OFFICERS.**

The directors and officers of the mutual insurer shall serve the reorganized company until new directors and officers are elected and qualify pursuant to the articles of incorporation and bylaws of the reorganized company.

**Sec. 11. NEW SECTION. 515F.11 RULES.**

The commissioner may issue rules pursuant to chapter 17A to carry out the provisions of this chapter.

**Sec. 12. NEW SECTION. 515F.12 AMENDMENTS -- WITHDRAWAL.**

At any time before approval of the plan of conversion and pursuant to rules issued by the commissioner, the board of directors of a mutual insurer may amend the conversion plan. The board of directors of a mutual insurer may withdraw the plan of conversion at any time prior to the approval of the plan of conversion by either the commissioner or the policyholders.

Sec. 13. NEW SECTION. 515F.13 PROHIBITIONS ON CERTAIN OFFERS TO ACQUIRE SHARES.

Prior to and for a period of five years following the effective date of the conversion, and five years following the date of distribution of consideration to the policyholders in exchange for their membership interests, an officer or director, including family members and their spouses, of the mutual insurer or the successor stock company, shall not directly or indirectly offer to acquire or acquire control of the successor stock company unless the acquisition is made pursuant to a stock option or other plan approved by the commissioner, made pursuant to the plan of conversion, or made after the initial public offering from a broker or dealer of registered securities with the securities and exchange commission at the quoted price on the date of purchase, or made in connection with the defense against an acquisition of control of the reorganized company pursuant to any proposal not approved by the board of directors. As used in this section, "family member" includes a brother, sister, spouse, parent, grandparent, ancestor, or descendant of the officer or director.

Sec. 14. NEW SECTION. 515F.14 LIMITATION OF ACTIONS -- SECURITY FOR ATTORNEY FEES.

An action challenging the validity of a conversion plan, or any part of a conversion plan, shall not be commenced more than thirty days following the date of approval by the commissioner.

The successor stock company or any defendant may require the plaintiff in such an action to give security for the reasonable attorney fees which may be incurred by any party to the action. The amount of the security may be increased or decreased in the discretion of the court having jurisdiction if a showing is made that the security provided is or may become inadequate or excessive.

Sec. 15. NEW SECTION. 515F.15 DUTIES OF SECRETARY OF STATE.

After approval of the conversion plan by the commissioner and the policyholders, the secretary of state shall accept for filing a verified copy of the amended articles of incorporation.

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DONALD D. AVENSON  
Speaker of the House

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JO ANN ZIMMERMAN  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2381, Seventy-third General Assembly.

Approved March 27, 1990

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JOSEPH O'HERN  
Chief Clerk of the House

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TERRY E. BRANSTAD  
Governor