

SENATE BILL NO. 138

BY SENATOR WALSWORTH

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

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AN ACT

To enact Subpart H-2 of Chapter 2 of Title 22 of the Louisiana Revised Statutes of 1950, to be comprised of R.S. 22:237 through 237.13, relative to the conversion of mutual non-life insurers and mutual insurance holding companies; to provide definitions; to require a plan of reorganization; to provide with respect to consideration and dividend protections; to provide for approval by the commissioner of insurance after a public hearing; to provide with respect to approval by qualified voters; to provide limitations; to require the filing of a certificate of compliance; to provide for the effect of reorganization; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. Subpart H-2 of Chapter 2 of Title 22 of the Louisiana Revised Statutes of 1950, comprised of R.S. 22:237 through 237.13, is hereby enacted to read as follows:

SUBPART H-2. CONVERSIONS OF DOMESTIC MUTUAL NON-LIFE INSURERS AND MUTUAL INSURANCE HOLDING COMPANIES

§237. Corporate reorganization

The conversion of a mutual non-life insurer or a mutual non-life insurance holding company pursuant to R.S. 22:71 and 72 shall also comply with the provisions of this Subpart. "Mutual non-life insurer" and "mutual non-life insurance holding company" shall have the meanings as set forth in R.S. 22:237.2.

§237.1. Applicability of provisions

The provisions of R.S. 22:71 and 72 shall apply to a demutualization of a mutual non-life insurance holding company which resulted from the reorganization of a domestic mutual non-life insurance company reorganized

1 pursuant to R.S. 22:231 as if it were a mutual life insurance company.

2 §237.2. Definitions

3 As used in this Subpart, the following terms shall have the respective
4 meanings hereinafter set forth, unless the context shall otherwise require:

5 (1) "Adoption date" means the date as of which the board of directors
6 of the reorganizing mutual initially approves and adopts the plan of
7 reorganization.

8 (2) "Affiliate" means a person who directly, or indirectly through one or
9 more intermediaries, controls or is controlled by or is under common control
10 with the person specified.

11 (3) "Commissioner" means the commissioner of insurance, or his deputy,
12 or the Department of Insurance, as appropriate.

13 (4) "Control" means the same as that set forth in R.S. 22:692.

14 (5) "Dividend protections" means provisions in a plan of reorganization
15 designed to protect, through a closed block or other means, the reasonable
16 dividend expectations of policyholders who own individual, dividend-paying
17 policies.

18 (6) "Effective date" means the date upon which the reorganization of the
19 reorganizing mutual is effective, as provided in R.S. 22:237.10.

20 (7) "Eligible member" means a person who, on the adoption date, owns,
21 or is deemed by the plan of reorganization to own, a policy of a mutual insurer
22 or a reorganized insurer that is, or that is deemed by the plan of reorganization
23 to be, in force with such insurer on such adoption date, or a person who is
24 deemed eligible by the plan of reorganization.

25 (8) "Member" means: (a) with respect to a mutual insurer, a
26 policyholder who owns or is deemed by the plan of reorganization to own a
27 policy of the mutual insurer; or (b) with respect to a mutual insurance holding
28 company, a member of such mutual insurance holding company, as defined in
29 such company's articles of incorporation and bylaws or as defined in the plan
30 of reorganization.

1 (9) "Membership interest" means: (a) with respect to a mutual insurer,
2 all rights and interests of a policyholder as a member arising under the mutual
3 insurer's articles of incorporation and bylaws, by law or otherwise, which rights
4 include but are not limited to the right, if any, to vote and the right, if any, with
5 regard to the surplus of the mutual insurer not apportioned or declared by the
6 board of directors for policyholder dividends; or (b) with respect to a mutual
7 insurance holding company, all rights and interests of the member arising
8 under the mutual insurance holding company's articles of incorporation and
9 bylaws, by law or otherwise, which rights include but are not limited to the
10 right, if any, to vote and the right, if any, to receive consideration upon the
11 demutualization or liquidation of the mutual insurance holding company.

12 (10) "Mutual insurance holding company" and "mutual non-life
13 insurance holding company" both mean a domestic mutual holding company
14 formed as a result of the conversion of a mutual insurer as defined in this
15 Subpart pursuant to R.S. 22:231 et seq., and R.S. 22:691 et seq., in accordance
16 with a plan of reorganization approved by the commissioner.

17 (11) "Mutual insurer" and "mutual non-life insurer" both mean for
18 purposes of this Subpart a domestic mutual insurer subject to Subpart C of this
19 Part, R.S. 22:111 et seq., that is authorized to transact any lines of insurance in
20 this state, except the lines described in R.S. 22:47 (1), (2), and (9) but does not
21 mean a domestic nonprofit mutual association as described in R.S. 22:124 nor
22 an insurer organized pursuant to R.S. 23:1393 et seq.

23 (12) "Parent corporation" means a stock corporation that is or has been
24 organized for the purpose of acquiring, directly or indirectly, all of the common
25 shares of a reorganized insurer.

26 (13) "Person" means an individual, a corporation, a partnership, an
27 association, a joint stock company, a trust, an unincorporated organization, a
28 limited liability company, a limited liability partnership, a government or
29 governmental agency, a state or political subdivision of a state, board, estate,
30 trustee or fiduciary, or any other legal entity.

1 (14) "Plan of reorganization" means the plan of reorganization adopted
2 by the reorganizing mutual in compliance with this Subpart.

3 (15) "Policy" means an individual or group policy of insurance or
4 annuity contract issued, or deemed by the plan of reorganization to have been
5 issued, by a mutual insurer or by a reorganized insurer. If a policy is a group
6 policy, the individual certificates or other evidences of interests in the group
7 policy shall not be treated as separate policies; however, in the case of a policy
8 or contract that was issued to a trust or group established or deemed by the
9 plan of reorganization to have been established by the mutual insurer or the
10 reorganized insurer, the reorganizing mutual may provide in its plan of
11 reorganization that each certificate or other evidence of interest is deemed to be
12 a policy for the sole purpose of determining the rights, if any, of the holders of
13 those certificates to receive consideration under the plan of reorganization.

14 (16) "Policyholder" means a person who, on the basis of the records and
15 the organizational documents of the mutual insurer or reorganized insurer, is
16 deemed to be a policyholder of such insurer.

17 (17) "Qualified voter" is a member of the reorganizing mutual that is
18 entitled to vote on matters coming before corporate meetings of the
19 reorganizing mutual pursuant to its articles of incorporation and bylaws.

20 (18) "Reorganized company" means either: (a) a reorganized insurer
21 resulting from the reorganization of a mutual insurer under this Subpart; or (b)
22 a reorganized insurance holding company.

23 (19) "Reorganized insurance holding company" means a former mutual
24 insurance holding company reorganized as a stock insurance holding company,
25 or a stock insurance holding company into which a mutual insurance holding
26 company has been merged, pursuant to a plan of reorganization under this
27 Subpart.

28 (20) "Reorganized insurer" means: (a) with respect to a conversion of a
29 mutual insurer under this Subpart, the domestic stock insurer into which a
30 mutual insurer is being or has been reorganized; or (b) with respect to the

1 conversion of a mutual insurance holding company under this Subpart, any
 2 former mutual insurance company previously reorganized as a stock insurance
 3 company as part of a mutual insurance holding company reorganization under
 4 R.S. 22:231 et seq., and R.S. 22:695 et seq., or under the mutual insurance
 5 holding company laws of another state.

6 (21) "Reorganizing mutual" means a mutual insurer or mutual
 7 insurance holding company that is reorganizing pursuant to this Subpart.

8 §237.3. Conversion of mutual insurers and mutual insurance holding
 9 companies authorized

10 A. A mutual insurer may, pursuant to R.S. 22:71 and 72 and the
 11 provisions of this Subpart, reorganize into a stock insurance company that may
 12 be or become a subsidiary of a parent corporation that is or has been formed for
 13 the purpose of acquiring, directly or indirectly, all of the common stock of such
 14 reorganized insurer.

15 B. A mutual insurance holding company may, pursuant to the provisions
 16 of this Subpart, reorganize into a stock insurance holding company.

17 §237.4. Plan of reorganization

18 A. A reorganizing mutual seeking to reorganize pursuant to the
 19 provisions of this Subpart shall submit a proposed plan of reorganization to the
 20 commissioner. The plan of reorganization shall include the following:

21 (1) A statement analyzing the benefits and risks attendant to the
 22 proposed reorganization, including the rationale for the reorganization.

23 (2) A statement indicating how the reorganization will protect the
 24 immediate and long-term interests, and serve the best interests of policyholders.

25 (3) Copies of the articles of incorporation and bylaws of the reorganized
 26 company and any affiliate parent corporation, stockholding companies, and
 27 reorganized insurers.

28 (4) Information sufficient to demonstrate that the financial condition of
 29 any reorganized insurer will not be diminished upon reorganization.

30 (5) A description of any plans for the initial sale of stock of the

1 reorganizing mutual or any parent corporation or affiliate stockholding
2 company.

3 B. The plan of reorganization shall:

4 (1) Provide that all membership interests in the reorganizing mutual
5 shall be extinguished as of the effective date.

6 (2) Require the distribution of consideration, in a fair and equitable
7 manner, to all eligible members upon extinguishment of the membership
8 interests.

9 (3) Specify the manner in which the aggregate value of the consideration
10 shall be determined and the method by which the consideration shall be
11 allocated among eligible members.

12 (4) Provide dividend protections for the reasonable dividend
13 expectations, if any, of policyholders of any reorganized insurer, all as set forth
14 in R.S. 22:237.5.

15 C. The plan of reorganization shall have been duly adopted by action of
16 not less than two-thirds of the members of the entire board of directors of the
17 reorganizing mutual.

18 D. A plan of reorganization filed with the commissioner pursuant to this
19 Section shall be accompanied by the proposed forms of notice required by R.S.
20 22:237.6(C) and 237.7(C).

21 E. All information, documents, and copies thereof obtained by or
22 disclosed to the commissioner, the Department of Insurance, or its designated
23 representative in the course of an examination of a proposed plan of
24 reorganization shall be treated in accordance with R.S. 22:706.

25 §237.5. Consideration and dividend protections

26 A. In effecting a conversion of a reorganizing mutual, each eligible
27 member shall be entitled to consideration in an amount equal to his or its
28 equitable share of the value of the reorganizing mutual as provided for in the
29 plan of reorganization, as follows:

30 (1) The consideration to be distributed to eligible members may consist

1 of cash, stock of the reorganized company or its parent corporation,
2 subscription rights, or if appropriate for tax or other reasons, additional life
3 insurance and annuity benefits, any combination of these forms of
4 consideration, or other forms of consideration acceptable to the commissioner.
5 The form or forms of consideration to be distributed to an eligible member may
6 differ according to the class or category of policy owned by the eligible member.
7 The choice of the form or forms of consideration to be distributed to eligible
8 members in accordance with the class or category of policy owned by such
9 members may take into account such factors as the type of policy with respect
10 to which the consideration is being distributed and the amount being distributed
11 with respect to such policies, the country of residence, or tax status of the
12 member or other appropriate factors; however, if the consideration to be
13 distributed to an eligible member will be in a form other than common stock of
14 a publicly traded company, the plan of reorganization shall include provisions
15 for determining, in a reasonable manner, the value of the consideration by
16 means of reference to the per share public market value of the registered
17 common stock of the reorganized company or its parent corporation or another
18 method acceptable to the commissioner, which provisions may, but are not
19 required to, include an appraisal or valuation.

20 (2) The reorganizing mutual shall obtain an opinion addressed to the
21 board of directors of the reorganizing mutual from a qualified investment
22 banker that the provision of consideration upon the extinguishment of the
23 membership interests pursuant to the plan of reorganization is fair to the
24 eligible members, as a group, from a financial point of view.

25 B. The method of allocating consideration among eligible members shall
26 be fair and equitable, as follows:

27 (1) The method shall provide for each eligible member to receive: (a) a
28 fixed component of consideration or a variable component of consideration, or
29 both; or (b) any other component of consideration acceptable to the
30 commissioner. Components may reflect, based upon fair and equitable

1 formulas, methods, and assumptions, factors such as (x) the ratio which the net
2 premiums (gross premiums less return premiums and dividends paid) such
3 eligible member has properly and timely paid to the insurer as a policyholder
4 on insurance policies in effect during the three years immediately preceding the
5 adoption date bears to the total net premiums received by the insurer from all
6 eligible members as policyholders; or (y) estimated proportionate historical and
7 prospective contributions to surplus of classes or groupings of policies and
8 contracts to the aggregate component of consideration being distributed to
9 eligible members, with each eligible member receiving a distribution in
10 accordance with the type of policy owned by the eligible member; or (z) other
11 factors the commissioner may approve.

12 (2) The reorganizing mutual shall obtain an opinion addressed to the
13 board of directors of the reorganizing mutual from an actuary who is a member
14 of the American Academy of Actuaries that the methodology and underlying
15 assumptions for allocation of consideration among eligible members are
16 reasonable and appropriate and the resulting allocation is fair and equitable.

17 C. At the option of the reorganizing mutual, any common shares of the
18 reorganized insurer or its parent corporation included in the eligible members'
19 consideration may be placed on the effective date of the reorganization in a
20 trust or other entity existing for the exclusive benefit of eligible members and
21 established for the purpose of effecting the reorganization, such consideration
22 or the proceeds of the sale of such consideration to be distributed to such
23 eligible members by means of a process specified in the plan of reorganization
24 and not to last more than ten years after the effective date of the reorganization
25 or until notification of the death of the eligible member or the death of the
26 insured, whichever occurs first.

27 D.(1) The plan of reorganization shall provide for the reasonable
28 dividend expectations, if any, of policyholders of any reorganized insurer
29 through the establishment, or in the case of a reorganizing mutual insurance
30 holding company the continuation, of dividend protections, which may consist

1 of a closed block or any other method acceptable to the commissioner. The sole
 2 purpose of any dividend protections shall be to provide for reasonable
 3 policyholder dividend expectations, if any.

4 (2) Any dividend protection provision may be limited to participating
 5 individual policies in force or deemed to be in force by the plan of
 6 reorganization on the effective date of the reorganization, or, in the case of a
 7 reorganized insurer in a mutual insurance holding company system, on the
 8 effective date of its reorganization as such, for which the insurer has or had an
 9 experience-based dividend scale due, paid or accrued by action of the board of
 10 directors of the insurer in the year in which the plan of reorganization is or was
 11 adopted; however, other categories of policies and benefits not described in this
 12 Paragraph may be included or excluded, subject to the approval of the
 13 commissioner.

14 (3) If dividend protections have been provided to policyholders of a
 15 reorganized insurer as part of a previous plan of reorganization, such dividend
 16 protections may be continued in effect without change in satisfaction of the
 17 requirements of this Section.

18 **§237.6. Approval by commissioner after public hearing**

19 **A. The commissioner shall hold a public hearing upon notice as set forth**
 20 **in this Section to hear evidence upon whether the plan of reorganization: (1)**
 21 **properly protects the interests of the policyholders as such and as members, (2)**
 22 **serves the best interests of policyholders and members, and (3) is fair and**
 23 **equitable to policyholders and members. The provisions of Subpart G of Part**
 24 **III of this Chapter, R.S. 22:691 et seq., shall not be applicable to any hearing**
 25 **held under this Subpart, and any such hearing shall be governed by the**
 26 **procedures set forth in this Subpart.**

27 **B.(1) Within thirty days after the closing of the administrative record**
 28 **after the public hearing as provided in this Section, the commissioner shall issue**
 29 **a final order or decision approving the plan if satisfied that each of the following**
 30 **conditions are met:**

1 (a) The interests of the policyholders as such and as members are
2 properly protected.

3 (b) The plan of reorganization serves the best interests of policyholders
4 and members.

5 (c) The plan of reorganization is fair and equitable to policyholders and
6 members.

7 (2) Any such final decision or order by the commissioner shall be subject
8 to any modifications of the plan of reorganization the commissioner finds
9 necessary for the protection of the policyholders and members.

10 C. Subject to the review and appeal process under Subsection E of this
11 Section, the commissioner's public hearing shall be the exclusive hearing with
12 respect to the plan of reorganization. Not less than thirty days notice of such
13 public hearing shall be provided by the reorganizing mutual to qualified voters
14 and to such additional persons and in such manner as may be specified by the
15 commissioner. The commissioner may promulgate procedures, rules, and
16 regulations for the conduct of the public hearing.

17 D. The commissioner may retain at the reorganizing mutual's expense
18 such attorneys, actuaries, accountants, and other experts as may be reasonably
19 necessary to assist the commissioner in his examination of a proposed
20 conversion, including any part of such examination that may occur, at the
21 request of a reorganizing mutual, prior to a plan of reorganization having been
22 filed with the commissioner pursuant to R.S. 22:237.4. Such experts shall
23 prepare a projection of the amount of time and expenses necessary to complete
24 the examination, and all work of these experts is subject to review. If the
25 projected amount of time and expenses required to complete the examination
26 appear excessive, the reorganizing mutual may petition the commissioner for
27 appropriate relief, and the commissioner's decision shall be final.

28 E.(1) An aggrieved party may appeal the commissioner's final order to
29 the Nineteenth Judicial District Court within thirty days of the order. The
30 aggrieved party may also apply for a stay of the commissioner's order.

1 (2) The district court reviewing an order of the commissioner shall
2 consider only the certified administrative record and the issues raised before the
3 commissioner. The district court reviewing an order of the commissioner shall
4 not modify or set aside the order unless the court finds: (a) error to the
5 prejudice of the appellant's substantial rights arising from the commissioner's
6 application of the law so grossly as necessarily to imply bad faith; (b) the
7 commissioner's order or decision was procured by fraud; (c) the commissioner
8 acted outside of the statutory authority of the Department of Insurance; or (d)
9 the commissioner's action was arbitrary and capricious. Any appeal of the
10 district court's review of the commissioner's order shall be taken within thirty
11 days of the judgment of the district court; if no appeal is taken, the right to have
12 an appellate court review or restrain action under the commissioner's order or
13 decision shall be preempted and shall forever expire. Collateral attacks on an
14 order of the commissioner are impermissible and shall be dismissed by the
15 reviewing court.

16 (3) In any action challenging the validity of or arising out of any action
17 taken or proposed to be taken under this Subpart, the reorganizing mutual or
18 reorganized company shall be entitled at any stage of the proceedings before
19 final judgment to petition the court to require the plaintiff or plaintiffs to give
20 security for the reasonable costs, including attorney fees, which may be incurred
21 by the reorganizing mutual or reorganized company, to which security the
22 reorganizing mutual or reorganized company shall have recourse in such
23 amount as the court having jurisdiction of such action shall determine upon
24 termination of such action. The amount of security may thereafter from time
25 to time be increased or decreased in the discretion of the court having
26 jurisdiction of such action upon a showing that the security provided has or may
27 become inadequate or excessive. If the court renders judgment in favor of the
28 reorganizing mutual or reorganized company, the court may in its discretion
29 award attorney fees and costs to such prevailing party.

30 F. The provisions of this Section shall apply to all actions challenging the

1 validity of or arising out of any action taken or proposed to be taken under this
2 Subpart and R.S. 22:71 and 72.

3 §237.7. Approval by qualified voters

4 A. The plan of reorganization shall be approved at a meeting convened
5 for that purpose by a vote of not less than two-thirds of the qualified voters of
6 the reorganizing mutual entitled to vote on matters and present or represented
7 by special ballot or special proxy.

8 B. The meeting of qualified voters to consider the plan of reorganization
9 shall occur after the public hearing before the commissioner, and the closing of
10 the administrative record after the public hearing shall not occur until such
11 time as it includes certification by the reorganizing mutual to the commissioner
12 of the vote on the plan of reorganization by the qualified voters of the
13 reorganizing mutual.

14 C. All qualified voters shall be given notice of their opportunity to vote
15 on the plan of reorganization, which notice shall include a copy of the plan of
16 reorganization or a summary thereof and which shall be in a form that the
17 commissioner has determined is adequate and may be provided to qualified
18 voters. The notice may be combined with notice of the public hearing. The
19 notice shall be mailed, or provided by some other method or methods as may
20 be approved by the commissioner, not less than thirty days before the date of
21 the meeting of qualified voters to vote on the plan of reorganization. If the
22 reorganizing mutual complies substantially and in good faith with the notice
23 requirements of this Section, the failure of any person to actually receive any
24 required notice will not impair the validity of any action taken under this
25 Subpart.

26 D. A quorum for the meeting of qualified voters to consider the plan of
27 reorganization shall consist of the qualified voters present or represented by
28 special ballot or special proxy.

29 E. Voting, ballot, and proxy submission may take place electronically or
30 telephonically consistent with the requirements of the Louisiana Uniform

1 **Electronic Transactions Act, R.S. 9:2601 et seq.**

2 **§237.8. Limitations on acquisition of beneficial ownership**

3 **A. Except as otherwise specifically provided in the plan of**
4 **reorganization, prior to and for a period of five years following the effective**
5 **date of the reorganization, no person or persons acting in concert, other than**
6 **the reorganized company or any employee benefit plans or trusts sponsored by**
7 **the reorganized company or its corporate affiliates, shall directly or indirectly**
8 **offer to acquire or acquire in any manner the beneficial ownership of five**
9 **percent or more of any class of a voting security of the reorganized company or**
10 **any person that owns or controls a majority or all of the voting securities of the**
11 **reorganized company without the prior approval by the commissioner of an**
12 **application for acquisition filed by that person with the commissioner.**

13 **B. The commissioner shall not approve an application for acquisition**
14 **unless he finds each of the following:**

15 **(1) The acquisition would not frustrate the plan of reorganization as**
16 **approved by the qualified voters and the commissioner.**

17 **(2) The board of directors of the reorganized company or its parent**
18 **corporation, as applicable, has approved the acquisition, or extraordinary**
19 **circumstances not contemplated in the plan of reorganization have arisen that**
20 **would warrant their approval of the acquisition.**

21 **(3) The acquisition would be in the best interest of the reorganized**
22 **company and policyholders of the reorganized insurer or insurers. In**
23 **determining whether an acquisition would be in the best interest of the**
24 **reorganized company and policyholders of the reorganized insurer or insurers,**
25 **the commissioner may consider such factors as he deems relevant, which may**
26 **but are not required to include any or all of the following: (a) the possible**
27 **effects on shareholders, employers, suppliers, creditors, and customers of the**
28 **reorganized company and its affiliates; (b) possible effects on the economy of**
29 **the communities in which the reorganized company is located, and on that of**
30 **this state; and (c) company and policyholders of the reorganized insurer or**

1 insurers, including but not limited to the possibility that those interests may be
2 best served by the continued independence of the reorganized company.

3 C. No security that is the subject of any agreement or arrangement
4 regarding acquisition or that is acquired or to be acquired in contravention of
5 this Section or of an order of the commissioner may be voted at any
6 shareholders' meeting, and any action of shareholders requiring the affirmative
7 vote of a percentage of shares may be taken as though the securities were not
8 issued and outstanding; however, no action taken at a meeting shall be
9 invalidated by the voting of those securities unless the action would materially
10 affect control of the reorganized insurer or a person that owns or controls a
11 majority or all of the voting securities of the reorganized insurer or unless the
12 courts of this state have so ordered.

13 §237.9. Limitations on compensation of directors, officers, agents, and
14 employees

15 Except as set forth in the plan of reorganization approved by the
16 qualified voters and the commissioner or in a stock-based compensation
17 program or arrangement using options or other securities previously registered
18 with the commissioner pursuant to R.S. 22:88 or any successor statute, no
19 director, officer, agent, or employee of the reorganizing mutual shall receive any
20 fee, commission, or other valuable consideration, other than his regular salary
21 and compensation, that is contingent upon the plan of reorganization becoming
22 approved or effective or is based upon aiding, promoting, or assisting in the
23 approval or effectuation of the plan of reorganization. This Section shall not
24 prohibit compensation programs or arrangements including programs and
25 arrangements involving the use of the stock of the reorganized company or its
26 parent corporation, which are to become effective simultaneously with the plan
27 of reorganization or thereafter, provided such programs and arrangements are
28 contained in the plan of reorganization approved by the qualified voters and the
29 commissioner or in a program or arrangement using options or other securities
30 previously registered with the commissioner pursuant to R.S. 22:88 or any

1 successor statute. This Section shall not be deemed to prohibit such a program
2 or arrangement from being adopted after the effective date of a reorganization.

3 §237.10. Filing of certificate of compliance; effective date of reorganization

4 A. On or prior to the effective date of the reorganization, the
5 reorganizing mutual shall file with the commissioner a certificate stating that:

6 (1) All of the conditions set forth in the plan of reorganization, including
7 a final order by the commissioner granting permission to reorganize in
8 accordance with the plan of reorganization pursuant to R.S. 22:237.6 and
9 approval by qualified voters pursuant to R.S. 22:237.7, have been satisfied.

10 (2) The board of directors of the reorganizing mutual has not abandoned
11 the plan of reorganization.

12 B. Notwithstanding the provisions of R.S. 12:23, the articles of
13 incorporation of the reorganizing mutual, or multiple originals thereof, after
14 having been submitted to and approved by the commissioner, shall be filed with
15 the office of the secretary of state and recorded in the office of the recorder of
16 mortgages of the parish in which the registered office of the reorganizing
17 mutual is situated. Two certified copies of the articles of incorporation, bearing
18 the certificate of the proper recorder of mortgages, showing the date and hour
19 when the articles were filed, shall be delivered to the commissioner and one of
20 said copies recorded in his office; and when all taxes, fees, and charges have
21 been paid as required by law, the commissioner shall certify the date and hour
22 when the corporate existence of the reorganized company began.

23 C. The reorganization shall be effective upon the date and hour certified
24 by the commissioner, which shall be the later of: (1) the date and hour when the
25 articles of incorporation were filed for record in the office of the proper
26 recorder of mortgages; or (2) such other date and time specified in the articles
27 of incorporation as the date and hour when the reorganization shall be effective,
28 which shall not be later than the tenth day after the date the articles of
29 incorporation are recorded.

30 §237.11. Effect of reorganization

1 A. With respect to the conversion of a mutual insurer, upon the effective
2 date, the mutual insurer shall immediately become a stock insurer, all
3 membership interests shall be extinguished, and the reorganized insurer or its
4 parent corporation will act in good faith to convey consideration to eligible
5 members pursuant to the plan of reorganization. The reorganized insurer shall
6 be a continuation of the mutual insurer, and the reorganization in no way shall
7 annul, modify, or change any of the mutual insurer's existing suits, rights,
8 contracts, or liabilities, except as provided in the plan of reorganization. After
9 reorganization, the reorganized insurer shall exercise all the rights and powers
10 and perform all the duties conferred or imposed by law upon insurers writing
11 the classes of insurance written by it, and shall be vested in all the rights,
12 franchises, and interests of the mutual insurer in and to every species of
13 property without any deed or transfer, and the reorganized insurer shall
14 succeed to all the obligations and liabilities of the mutual insurer, and retain all
15 rights and contracts existing prior to conversion, except as provided in the plan
16 of reorganization.

17 B. With respect to the conversion of a mutual insurance holding
18 company, upon the effective date, the membership interests of the members of
19 the mutual insurance holding company shall be extinguished, and the
20 reorganized company shall act in good faith to convey consideration to eligible
21 members pursuant to the plan of reorganization. Each reorganized insurer
22 within the mutual insurance holding company system will continue its corporate
23 existence as a stock insurer within a stock insurance holding company system,
24 and the reorganization shall in no way annul, modify, or change any of such
25 reorganized insurer's existing suits, rights, contracts, or liabilities, except as
26 provided in the plan of reorganization.

27 §237.12. Abandoning or amending plan of reorganization

28 The reorganizing mutual may, by action of not less than two-thirds of its
29 board of directors, abandon or amend the plan of reorganization at any time
30 before the effective date. No amendment made after the public hearing required

1 by R.S. 22:237.6 shall change the plan of reorganization in a manner which the
 2 commissioner determines is materially disadvantageous to policyholders or
 3 members unless a further public hearing is held on the plan as amended.

4 §237.13. Directors and officers of the reorganized company

5 The directors and officers of the reorganizing mutual, unless otherwise
 6 specified in the plan of reorganization, shall serve as the directors and officers
 7 of the reorganized company until new directors and officers are duly elected
 8 pursuant to the articles of incorporation and bylaws of the reorganized
 9 company.

 PRESIDENT OF THE SENATE

 SPEAKER OF THE HOUSE OF REPRESENTATIVES

 GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____