
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 159 Session of
2015

INTRODUCED BY KAMPF, KILLION, TOBASH, PICKETT, ROSS AND GRELL,
JANUARY 22, 2015

REFERRED TO COMMITTEE ON INSURANCE, JANUARY 22, 2015

AN ACT

1 Amending Title 40 (Insurance) of the Pennsylvania Consolidated
2 Statutes, providing for medical professional liability
3 reciprocal exchange-to-stock conversion and for adoption of
4 plan of conversion; imposing duties on Insurance
5 Commissioner; providing for contents of plan of conversion,
6 for optional provisions of plan of conversion, for
7 alternative plan of conversion, for effective date of plan,
8 for rights of subscribers whose policies are issued after
9 adoption of plan and before effective date, for corporate
10 existence, for conflict of interest, for failure to give
11 notice, for limitation on actions, for reciprocal insurer
12 insolvent or in hazardous financial condition, for rules and
13 regulations, for laws applicable to stock company, for
14 licensing of stock company and commencement of business as an
15 insurance company, for amendment of policies and for
16 prohibition on acquisitions of control.

17 The General Assembly of the Commonwealth of Pennsylvania
18 hereby enacts as follows:

19 Section 1. Title 40 of the Pennsylvania Consolidated
20 Statutes is amended by adding a chapter to read:

21 CHAPTER 35

22 MEDICAL PROFESSIONAL LIABILITY

23 RECIPROCAL EXCHANGE-TO-STOCK CONVERSION

24 Sec.

25 3501. Definitions.

- 1 3502. Adoption of plan of conversion.
2 3503. Contents of plan of conversion.
3 3504. Optional provisions of plan of conversion.
4 3505. Alternative plan of conversion.
5 3506. Effective date of plan.
6 3507. Rights of subscribers whose policies are issued after
7 adoption of plan and before effective date.
8 3508. Corporate existence.
9 3509. Conflict of interest.
10 3510. Failure to give notice.
11 3511. Limitation on actions.
12 3512. Reciprocal insurer insolvent or in hazardous financial
13 condition.
14 3513. Rules and regulations.
15 3514. Laws applicable to stock company.
16 3515. Licensing of stock company and commencement of business
17 as an insurance company.
18 3516. Amendment of policies.
19 3517. Prohibition on acquisition of control.
20 § 3501. Definitions.

21 The following words and phrases when used in this chapter
22 shall have the meanings given to them in this section unless the
23 context clearly indicates otherwise:

24 "Attorney." The person that manages and acts as the
25 attorney-in-fact for the reciprocal insurer.

26 "Commissioner." The Insurance Commissioner of the
27 Commonwealth.

28 "Department." The Insurance Department of the Commonwealth.

29 "Eligible subscriber." A subscriber of a reciprocal insurer
30 whose policy is in force on at least one of the following dates:

1 (1) the date the reciprocal insurer or its attorney
2 adopts a plan of conversion; or

3 (2) if a different date, on the record date for
4 establishing subscribers eligible to vote on the plan of
5 conversion.

6 "Participating policy." A policy that grants a holder the
7 right to receive dividends if, as and when declared by the
8 reciprocal insurer.

9 "Person." An individual, a corporation, a limited liability
10 company, a partnership, an association, a joint stock company, a
11 trust, an unincorporated organization, a similar entity or a
12 combination of the foregoing acting in concert.

13 "Plan of conversion" or "plan." A plan adopted under this
14 chapter to convert the reciprocal insurer into a stock company
15 by the subscribers' advisory committee or an equivalent
16 governing body of the reciprocal insurer or, in the absence of a
17 governing body, by the board of directors or governing body of
18 the attorney for the reciprocal insurer.

19 "Policy." An insurance policy issued by the reciprocal
20 insurer.

21 "Reciprocal insurer." A Pennsylvania-domiciled reciprocal
22 and inter-insurance exchange, as established in Article X of the
23 act of May 17, 1921 (P.L.682, No.284), known as The Insurance
24 Company Law of 1921, that is authorized to write medical
25 professional liability insurance and at least 50% of its direct
26 written premium in the calendar year preceding adoption of the
27 plan of conversion consisted of medical professional liability
28 insurance.

29 "Stock company." An insurance company that:

30 (1) meets the requirements for admission to do business

1 as a domestic Pennsylvania insurer;

2 (2) is formed at the direction of the reciprocal insurer
3 or attorney; and

4 (3) shall be the successor of the reciprocal insurer by
5 the merger of the reciprocal insurer with and into the stock
6 company or by another means approved by the commissioner.

7 § 3502. Adoption of plan of conversion.

8 (a) Plan of conversion.--The following shall apply:

9 (1) A plan of conversion may not become effective unless
10 the reciprocal insurer seeking to convert to a stock company
11 has adopted:

12 (i) by the affirmative vote of not less than two-
13 thirds of the subscribers' advisory committee or an
14 equivalent governing body of the reciprocal insurer; or

15 (ii) in the absence of a governing body, by the
16 board of directors or governing body of the attorney for
17 the reciprocal insurer, a plan of conversion consistent
18 with the requirements of sections 3503 (relating to
19 contents of plan of conversion) and 3504 (relating to
20 optional provisions of plan of conversion).

21 (2) Before approval of a plan by the commissioner, the
22 reciprocal insurer may amend or withdraw the plan under
23 paragraph (1) by the affirmative vote of not less than two-
24 thirds of:

25 (i) its subscribers' advisory committee or an
26 equivalent governing body of the reciprocal insurer; or

27 (ii) in the absence of a governing body, by the
28 board of directors or governing body of the attorney for
29 the reciprocal insurer.

30 (b) Eligible subscriber.--A person insured under a group

1 policy that is otherwise an eligible subscriber also shall be an
2 eligible subscriber. A person whose policy becomes effective
3 after the adoption of the plan or the voting record date, if a
4 later date, but before the plan's effective date is not an
5 eligible subscriber but shall have the rights established under
6 section 3507 (relating to rights of subscribers whose policies
7 are issued after adoption of plan and before effective date).

8 (c) Documents.--The following shall apply:

9 (1) Before a reciprocal insurer's eligible subscribers
10 may vote on approval of a plan, the reciprocal insurer or the
11 attorney shall file the following documents with the
12 commissioner within 90 days after adoption of the plan:

13 (i) the plan of conversion, including the
14 independent evaluation of pro forma market value required
15 under section 3503(d).

16 (ii) the form of notice required under subsection
17 (g);

18 (iii) the form of proxy to be solicited from
19 eligible subscribers under subsection (h);

20 (iv) the form of notice required under section 3508
21 (relating to corporate existence) to persons whose
22 policies are issued after adoption of the plan, but
23 before its effective date;

24 (v) the proposed articles of incorporation and
25 bylaws of the stock company;

26 (vi) the acquisition of control statement, as
27 required under section 1402 of the act of May 17, 1921
28 (P.L.682, No.284), known as The Insurance Company Law of
29 1921; and

30 (vii) other information as the commissioner may

1 request.

2 (2) Upon filing of the documents required under this
3 subsection with the commissioner, the reciprocal insurer
4 shall send to eligible subscribers a notice advising eligible
5 subscribers of:

6 (i) the adoption and filing of the plan;

7 (ii) the ability of subscribers to provide the
8 commissioner and the reciprocal insurer with comments on
9 the plan within 30 days of the date of the notice; and

10 (iii) the procedure for making comments.

11 (d) Notice and approval of plan.--The commissioner shall
12 immediately give written notice to the reciprocal insurer of a
13 decision and, in the event of disapproval, a statement in detail
14 of the reasons for the decision. The commissioner shall approve
15 the plan if the commissioner finds the following:

16 (1) the plan complies with this chapter;

17 (2) the plan will not prejudice the interests of the
18 subscribers; and

19 (3) the plan's method of allocating subscription rights
20 is fair and equitable.

21 (e) Experts.--At the reciprocal insurer's expense, the
22 commissioner may retain a qualified expert not otherwise a part
23 of the commissioner's staff to assist in reviewing the plan and
24 the independent evaluation of the pro forma market value
25 required under section 3503(d).

26 (f) Hearing.--The commissioner may order a hearing on
27 whether the terms of the plan comply with this chapter after
28 giving written notice to the reciprocal insurer and other
29 interested persons, all of whom have the right to appear at the
30 hearing.

1 (g) Notice of subscribers' meeting.--The following shall
2 apply:

3 (1) Eligible subscribers shall be sent notice of the
4 subscribers' meeting to vote upon the plan. The notice must:

5 (i) briefly, but fairly describe the proposed
6 conversion plan;

7 (ii) inform the subscriber of the subscriber's right
8 to vote upon the plan; and

9 (iii) be sent to each subscriber's last known
10 address, as shown on the reciprocal insurer's records, at
11 least 30 days before the time fixed for the meeting.

12 (2) If the reciprocal insurer holds an annual meeting of
13 subscribers and the meeting to vote upon the plan is held at
14 the annual meeting, only a combined notice of meeting is
15 required.

16 (h) Voting.--The plan shall be voted upon by eligible
17 subscribers and shall be deemed approved upon receiving the
18 affirmative vote of at least two-thirds of the votes cast by
19 eligible subscribers. Unless the governing documents of the
20 reciprocal insurer establish a different date, the record date
21 for determining subscribers eligible to vote on the plan shall
22 be the date of adoption of the plan or other date set forth in
23 the plan that shall be no less than 30 nor more than 90 days
24 before the date of the meeting. Eligible subscribers entitled to
25 vote upon the proposed plan may vote in person or by proxy.
26 Unless the governing documents of the reciprocal insurer provide
27 otherwise, an eligible subscriber may cast one vote.

28 (i) Approval of plan.--A merger of the reciprocal insurer
29 with and into the stock company must be approved at the meeting
30 of the subscribers called for the purpose of approving the plan

1 of conversion and shall require for approval or ratification the
2 affirmative vote of at least two-thirds of the votes cast by
3 eligible subscribers.

4 (j) Documents to be filed following approval.--Within 30
5 days after the eligible subscribers approved the plan, the stock
6 company shall file the following documents with the
7 commissioner:

8 (1) the minutes of the meeting of the eligible
9 subscribers at which the plan was approved;

10 (2) the articles of incorporation and bylaws of the
11 stock company; and

12 (3) articles of merger for the merger of the reciprocal
13 insurer with and into the stock company. The plan shall be
14 consummated upon the filing of the articles of merger.

15 § 3503. Contents of plan of conversion.

16 (a) Contents.--The following provisions shall be included in
17 a plan of conversion:

18 (1) The reasons for proposed conversion.

19 (2) The effect of conversion on existing policies,
20 including a provision that the policies in force on the
21 effective date of conversion continue to remain in force
22 under the terms of the policies, except that the following
23 rights, to the extent they existed in the reciprocal insurer,
24 shall be extinguished on the effective date of the
25 conversion:

26 (i) The voting rights of the subscribers provided
27 under the policies.

28 (ii) The right to share in the surplus of the
29 reciprocal insurer provided for under the policies.

30 (iii) The assessment provisions provided for under

1 the policies.

2 (3) The grant of subscription rights to eligible
3 subscribers, including all of the following:

4 (i) A provision that each eligible subscriber is to
5 receive, without payment, nontransferable subscription
6 rights to purchase a portion of the capital stock of the
7 stock company and that, in the aggregate, the eligible
8 subscribers may, prior to the right of any other party,
9 purchase 100% of the capital stock of the stock company,
10 exclusive of the shares of capital stock required to be
11 sold or distributed to the holders of surplus notes or
12 the shares of capital stock required to be sold or
13 distributed to subscribers under the reciprocal insurer's
14 constituent documents.

15 (ii) As an alternative to subscription rights in the
16 stock company, the plan may provide that each eligible
17 subscriber is to receive, without payment,
18 nontransferable subscription rights to purchase a portion
19 of the capital stock of one of the following:

20 (A) the attorney or a holding company that will
21 act as the holding company for the stock company and,
22 in either case, will hold the stock of the stock
23 company; or

24 (B) an insurance company or other corporation
25 that will purchase all the stock of or otherwise
26 acquire the stock company.

27 (iii) A provision that the subscription rights shall
28 be allocated in whole shares among the eligible
29 subscribers using a fair and equitable formula. This
30 formula may, but need not, take into account how the

1 different classes of policies of the eligible subscribers
2 contributed to the surplus of the reciprocal insurer or
3 any other factors that may be fair or equitable.

4 (b) Oversubscription.--The plan shall provide a fair and
5 equitable means for allocating shares of capital stock in the
6 event of an oversubscription to shares by eligible subscribers
7 exercising subscription rights received under subsection (a) (3).

8 (c) Shares not subscribed.--The plan shall provide that a
9 share of capital stock not subscribed to by an eligible
10 subscriber exercising subscription rights received under
11 subsection (a) (3) shall be sold in a public offering through an
12 underwriter or in another transaction approved by the
13 commissioner. If the number of shares of capital stock not
14 subscribed by eligible subscribers is so small in number or
15 other factors exist that do not warrant the time or expense of a
16 public offering, the plan of conversion may provide for sale of
17 the unsubscribed shares through a private placement or other
18 alternative method approved by the commissioner that is fair and
19 equitable to eligible subscribers.

20 (d) Market value of capital stock.--The following shall
21 apply:

22 (1) The plan shall set the price of the capital stock
23 equal to the estimated pro forma market value of the stock
24 company as successor to the reciprocal insurer based upon an
25 independent evaluation by a qualified expert.

26 (2) The pro forma market value may be the value that is
27 estimated to be necessary to attract full subscription for
28 the shares, as indicated by the independent evaluation and
29 may be stated as a range of pro forma market value.

30 (3) If the attorney is a party to the conversion either

1 as the entity that grants subscription rights to subscribers
2 or the attorney is simultaneously acquired by the stock
3 company in connection with the conversion, the incremental
4 value of the attorney shall be included in the estimate of
5 pro forma market value of the stock company as successor to
6 the reciprocal insurer.

7 (4) The qualified expert shall consider the effect on
8 the pro forma market value of a right of subscribers to a
9 return of capital contained in the subscriber agreement or
10 other operative document of the reciprocal insurer.

11 (e) Purchase price of capital stock and minimum subscription
12 amount.--The plan shall set the purchase price per share of
13 capital stock equal to a reasonable amount. The minimum
14 subscription amount required of an eligible subscriber, however,
15 cannot exceed \$500, but the plan may provide that the minimum
16 number of shares a person may purchase under the plan is 25
17 shares.

18 (f) Limitation on amount of capital stock purchase.--The
19 plan shall provide that a person or group of persons acting in
20 concert may not acquire, in the public offering or under the
21 exercise of subscription rights, more than 5% of the capital
22 stock of the stock company or the stock of another corporation
23 that is participating in the conversion plan, as provided in
24 subsection (a)(3)(i), except with the approval of the
25 commissioner. The limitation does not apply to an entity that is
26 to purchase 100% of the capital stock of the converted company
27 as part of the plan of conversion approved by the commissioner.

28 (g) Limitation on directors and officers.--The plan shall
29 provide that a director or officer or person acting in concert
30 with a director or officer of the reciprocal insurer or the

1 attorney may not acquire capital stock of the stock company or
2 the stock of another corporation that is participating in the
3 conversion plan, as provided in subsection (a) (3) (i), for three
4 years after the effective date of the plan, except through a
5 broker-dealer, without the permission of the commissioner. This
6 subsection does not prohibit the directors and officers from
7 making a block purchase of 1% or more of the outstanding common
8 stock:

9 (1) other than through a broker-dealer if approved in
10 writing by the department;

11 (2) through the exercise of subscription rights received
12 under the plan; or

13 (3) from participation in a stock benefit plan approved
14 by shareholders under section 3509(b) (relating to conflict
15 of interest).

16 (h) Sale of stock by directors and officers.--The plan shall
17 provide that a director or officer may not sell stock purchased
18 under this section or section 3504(a) (relating to optional
19 provisions of plan of conversion) within one year after the
20 effective date of the conversion.

21 (i) Holders of surplus notes.--The plan shall provide that
22 the rights of a holder of a surplus note to participate in the
23 conversion shall be governed by the terms of the surplus note
24 and the rights of subscribers to a return of capital shall be
25 governed by the subscriber agreement or other operative document
26 of the reciprocal insurer.

27 (j) Repurchase of capital stock.--The plan shall provide
28 that, without the prior approval of the commissioner, a stock
29 company, or a corporation participating in the conversion plan
30 under subsection (a) (3) (i), may not for a period of three years

1 from the date of the completion of the conversion repurchase any
2 of its capital stock from a person. The restriction under this
3 subsection shall not apply to either:

4 (1) a repurchase on a pro rata basis under an offer made
5 to the shareholders of the stock company or a corporation
6 participating in the conversion plan under subsection (a)(3)
7 (i); or

8 (2) a purchase in the open market by a tax-qualified or
9 nontax-qualified employee stock benefit plan in an amount
10 reasonable and appropriate to fund the plan.

11 § 3504. Optional provisions of plan of conversion.

12 (a) Subscription rights.--The plan may provide that the
13 directors and officers of the attorney and the reciprocal
14 insurer shall receive, without payment, nontransferable
15 subscription rights to purchase capital stock of the stock
16 company or the stock of another corporation that is
17 participating in the conversion plan, as provided in section
18 3503(a)(3)(ii) (relating to contents of plan of conversion). The
19 subscription rights shall be allocated among the directors and
20 officers by a fair and equitable formula and shall be
21 subordinate to the subscription rights of eligible subscribers.
22 This chapter may not require the subordination of subscription
23 rights received by directors and officers in their capacity as
24 eligible subscribers.

25 (b) Maximum share purchase by directors and officers.--The
26 aggregate total number of shares that may be purchased by
27 directors and officers of the attorney and the reciprocal
28 insurer in their capacity under subsection (a) and in their
29 capacity as eligible subscribers under section 3503(a)(3) may
30 not exceed 35% of the total number of shares to be issued if

1 total assets of the reciprocal insurer are less than \$50,000,000
2 or 25% of the total number of shares to be issued if total
3 assets of the reciprocal insurer are more than \$500,000,000. For
4 reciprocal companies with total assets of or between \$50,000,000
5 and \$500,000,000, the percentage of the total number of shares
6 that may be purchased shall be interpolated.

7 (c) Liquidation account.--The plan may provide for the
8 creation of a liquidation account for the benefit of subscribers
9 in the event of voluntary liquidation subsequent to conversion
10 in an amount equal to the surplus of the reciprocal insurer,
11 exclusive of the principal amount of a surplus note, on the last
12 day of the quarter immediately preceding the date of adoption of
13 the plan.

14 § 3505. Alternative plan of conversion.

15 A plan of conversion may be adopted that does not rely in
16 whole or in part upon issuing nontransferable subscription
17 rights to subscribers to purchase stock of the stock company if
18 the commissioner finds that the plan does not prejudice the
19 interests of the subscribers, is fair and equitable and is not
20 inconsistent with the purpose and intent of this chapter. An
21 alternative plan may:

22 (1) Include the acquisition or merger of the stock
23 company or a corporation participating in the conversion plan
24 under section 3503(a)(3)(ii) (relating to contents of plan of
25 conversion) by or into a domestic or foreign stock company.

26 (2) Provide for issuing stock, cash or other
27 consideration to subscribers instead of subscription rights.

28 (3) Set forth another plan containing any other
29 provisions approved by the commissioner.

30 § 3506. Effective date of plan.

1 A plan is effective when the following have been completed:

2 (1) The commissioner has approved the plan.

3 (2) The eligible subscribers have approved the plan.

4 (3) If the stock company becomes successor to the
5 reciprocal insurer by merger, the eligible subscribers have
6 approved the merger of the reciprocal insurer with and into
7 the stock company and the articles of merger have been filed
8 with the Secretary of the Commonwealth.

9 § 3507. Rights of subscribers whose policies are issued after
10 adoption of plan and before effective date.

11 (a) Notice.--A subscriber shall be sent a written notice
12 regarding the plan upon issuance of a policy if the subscriber's
13 policy is issued after the later of:

14 (1) the date the proposed plan has been adopted; or

15 (2) if different, the record date for establishing
16 subscribers eligible to vote on the plan.

17 The notice shall be sent before the effective date of the plan.

18 (b) Cancellation and refund.--A subscriber entitled to
19 receive the notice provided for in subsection (a) shall be
20 advised of the subscriber's right of cancellation and to a pro
21 rata refund of unearned premiums.

22 (c) Limitation on subscribers.--A subscriber who has made or
23 filed a claim under the subscriber's insurance policy may not
24 receive a refund under subsection (b). A person who has
25 exercised the rights provided under subsection (b) may not make
26 or file a claim under the subscribers insurance policy.

27 § 3508. Corporate existence.

28 On the effective date of the conversion, the corporate
29 existence of the reciprocal insurer continues in the stock
30 company. On the effective date of the conversion, the assets,

1 rights, franchises and interests of the reciprocal insurer in
2 and to every species of real, personal and mixed property and
3 the accompanying things in action, are vested in the stock
4 company, without a deed or other instrument of transfer and the
5 stock company assumes the obligations and liabilities of the
6 reciprocal insurer.

7 § 3509. Conflict of interest.

8 (a) Compensation.--A director, officer, agent or employee of
9 the attorney or reciprocal insurer may not receive a fee,
10 commission or other valuable consideration, other than his usual
11 regular salary or compensation, for aiding, promoting or
12 assisting in a conversion under this chapter except as provided
13 for in the plan approved by the commissioner. This subsection
14 does not prohibit the payment of reasonable fees and
15 compensation to counsel, accountants and actuaries for services
16 performed in the independent practice of their professions, even
17 if the counsel, accountant or actuary is also a director or
18 officer of the attorney or the reciprocal insurer.

19 (b) Stock benefit plan.--For a period of two years after the
20 effective date of the conversion, a stock company may not
21 implement a nontax-qualified stock benefit plan unless the plan
22 is approved by a majority of votes eligible to be cast at a
23 meeting of shareholders held not less than six months after the
24 effective date of the conversion.

25 (c) Costs and expenses.--The costs and expenses connected
26 with a plan of conversion shall be paid for or reimbursed by the
27 reciprocal insurer or the stock company. If the plan provides
28 for participation by another corporation or stock company in the
29 plan under section 3503(a)(3)(ii) (relating to contents of plan
30 of conversion), the corporation or stock company may pay for or

1 reimburse all or a portion of the costs and expenses connected
2 with the plan.

3 § 3510. Failure to give notice.

4 If the reciprocal insurer complies substantially and in good
5 faith with the notice requirements of this chapter, the
6 reciprocal insurer's failure to send a subscriber the required
7 notice does not impair the validity of an action taken under
8 this chapter.

9 § 3511. Limitation on actions.

10 An action challenging the validity of or arising out of acts
11 taken or proposed to be taken under this chapter shall be
12 commenced no later than 30 days after the later of the approval
13 of the plan by the commissioner or the deemed approval of the
14 plan by a vote of the eligible subscribers.

15 § 3512. Reciprocal insurer insolvent or in hazardous financial
16 condition.

17 (a) Waiver of requirements.--If a reciprocal insurer seeking
18 to convert is insolvent or is in hazardous financial condition
19 according to information supplied in its most recent annual or
20 quarterly statement filed with the department or as determined
21 by a financial examination performed by the department under
22 Article IX of the act of May 17, 1921 (P.L.789, No.285), known
23 as The Insurance Department Act of 1921, the requirements of
24 this chapter, including notice to and policyholder approval of
25 the plan of conversion, may be waived at the discretion of the
26 commissioner, if requested by the attorney or the reciprocal
27 insurer. If a waiver under this section is ordered by the
28 commissioner, the reciprocal insurer shall specify the following
29 in its plan of conversion:

30 (1) The method and basis for the issuance of the stock

1 company's shares of its capital stock to an independent party
2 in connection with an investment by the independent party in
3 an amount sufficient to restore the stock company, as
4 successor to the reciprocal insurer, to a sound financial
5 condition.

6 (2) That the conversion shall be accomplished without
7 granting subscription rights or other consideration to the
8 past, present or future subscribers.

9 (b) Authority of commissioner.--This section shall not alter
10 or limit the authority of the commissioner under the provisions
11 of law, including, but not limited to, Article V of The
12 Insurance Department Act of 1921.

13 § 3513. Rules and regulations.

14 The commissioner may promulgate rules and regulations to
15 administer and enforce this chapter.

16 § 3514. Laws applicable to stock company.

17 (a) Control of stock company.--A reciprocal insurer may not
18 convert under this chapter if as a direct result of the
19 conversion a person or the person's affiliates acquire control
20 of the stock company, unless that person and the person's
21 affiliates comply with the provisions of section 1402 of the act
22 of May 17, 1921 (P.L.682, No.284), known as The Insurance
23 Company Law of 1921. For purposes of this subsection, the term
24 "control" shall have the meaning provided in section 1401 of The
25 Insurance Company Law of 1921.

26 (b) Stock insurance company rules.--Except as otherwise
27 specified in this chapter, a stock company resulting from the
28 conversion of a reciprocal insurer under this chapter shall have
29 and may exercise the rights and privileges and shall be subject
30 to the requirements and regulations imposed upon stock insurance

1 companies formed under this act and other laws of this
2 Commonwealth relating to the regulation and supervision of
3 insurance companies, but it may not exercise rights or
4 privileges that other stock insurance companies may not
5 exercise.

6 § 3515. Licensing of stock company and commencement of business
7 as an insurance company.

8 The commissioner may waive the minimum surplus requirement of
9 a stock company in connection with the initial licensing of a
10 stock company that will be the successor to a reciprocal
11 insurer. The stock company may not engage in the business of
12 insurance as a stock company until the completion of the merger
13 with the reciprocal insurer and compliance with the provisions
14 of this chapter.

15 § 3516. Amendment of policies.

16 By endorsement or rider approved by the commissioner and sent
17 to the policyholder, a reciprocal insurer may simultaneously
18 with or after the adoption of a plan of conversion amend an
19 outstanding insurance policy for the purpose of extinguishing a
20 right of the holder of the policy to share in the surplus of the
21 reciprocal insurer. This amendment shall be void if the plan of
22 conversion is not submitted to the commissioner or, if
23 submitted, is disapproved by the commissioner or, if approved by
24 the commissioner, is not approved by the eligible subscribers on
25 or before the first anniversary of its approval by the
26 commissioner.

27 § 3517. Prohibition on acquisitions of control.

28 Except as otherwise specifically provided in section 3503
29 (relating to contents of plan of conversion), from the date a
30 plan of conversion is adopted until the effective date of the

1 plan of conversion, a person may not directly or indirectly
2 offer to acquire, make an announcement to acquire or acquire in
3 any manner, including making a filing with the department for
4 acquisition under a statute or regulation of this Commonwealth,
5 the beneficial ownership of 10% or more of a class of a voting
6 security of the attorney or the stock company that will be the
7 successor of the reciprocal insurer or of a person that controls
8 the voting securities of the attorney or the stock company that
9 will be the successor of the reciprocal insurer.

10 Section 2. This act shall take effect in 60 days.