

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 602 Session of  
1995

INTRODUCED BY MICOZZIE, BUXTON, COLAFELLA, TIGUE, VAN HORNE,  
YOUNGBLOOD, TRELLO, GIGLIOTTI, PISTELLA, SERAFINI, DeLUCA,  
WASHINGTON, BELFANTI, CAPPABIANCA, ADOLPH, CIVERA AND  
HENNESSEY, FEBRUARY 7, 1995

AS AMENDED ON THIRD CONSIDERATION, IN SENATE, DECEMBER 11, 1995

AN ACT

1 Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An  
2 act relating to insurance; amending, revising, and  
3 consolidating the law providing for the incorporation of  
4 insurance companies, and the regulation, supervision, and  
5 protection of home and foreign insurance companies, Lloyds  
6 associations, reciprocal and inter-insurance exchanges, and  
7 fire insurance rating bureaus, and the regulation and  
8 supervision of insurance carried by such companies,  
9 associations, and exchanges, including insurance carried by  
10 the State Workmen's Insurance Fund; providing penalties; and  
11 repealing existing laws," further providing for financial  
12 requirements, for agents, for prohibition of commissions and  
13 other considerations, for rate filing, for making of rates  
14 and for penalties; FURTHER PROVIDING FOR THE OPERATION OF THE <—  
15 PENNSYLVANIA PROPERTY AND CASUALTY INSURANCE GUARANTY  
16 ASSOCIATION ~~AND~~, FOR COVERED CLAIMS AND FOR LOANS TO <—  
17 COMPANIES; ~~and~~ providing for conditions with respect to <—  
18 escrow, closing and settlement services and title  
19 indemnification accounts and for division of fees; PROVIDING <—  
20 FOR MUTUAL TO STOCK CONVERSION, ~~FOR RECIPROCAL EXCHANGE TO~~ <—  
21 ~~STOCK CONVERSION~~ AND FOR CONTRIBUTIONS TO SURPLUS; FURTHER  
22 PROVIDING FOR INVESTMENT; PROVIDING FOR ADDITIONAL INVESTMENT  
23 AUTHORITY FOR SUBSIDIARIES; AND MAKING REPEALS.

24 The General Assembly of the Commonwealth of Pennsylvania

25 hereby enacts as follows:

26 ~~Section 1. Section 705 of the act of May 17, 1921 (P.L.682,~~ <—

1 ~~No.284), known as The Insurance Company Law of 1921, added~~  
2 ~~August 14, 1963 (P.L.922, No.439), is amended to read:~~

3 SECTION 1. SECTIONS 322.1 AND 404.2(10) OF THE ACT OF MAY <—  
4 17, 1921 (P.L.682, NO.284), KNOWN AS THE INSURANCE COMPANY LAW  
5 OF 1921, AMENDED OR ADDED DECEMBER 18, 1992 (P.L.1519, NO.178),  
6 ARE AMENDED TO READ:

7 SECTION 322.1. CONTRIBUTIONS TO SURPLUS.--(A) ANY DIRECTOR,  
8 OFFICER, PERSON, CORPORATION OR OTHER ENTITY MAY ADVANCE TO A  
9 DOMESTIC STOCK INSURANCE COMPANY OR MUTUAL LIFE INSURANCE  
10 COMPANY, IN EXCHANGE FOR A SURPLUS NOTE, ANY SUM OR SUMS OF  
11 MONEY NECESSARY FOR THE PURPOSE OF ITS BUSINESS OR TO ENABLE IT  
12 TO COMPLY WITH ANY OF THE REQUIREMENTS OF LAW. IF, AS A RESULT  
13 OF SUCH ADVANCE, THE DIRECTOR, OFFICER, PERSON, CORPORATION OR  
14 OTHER ENTITY IS PRESUMED TO SECURE CONTROL, AS THAT TERM IS  
15 DEFINED IN ARTICLE XII OF THIS ACT, THE ADVANCE CAN ONLY BE MADE  
16 AFTER THE DIRECTOR, OFFICER, PERSON, CORPORATION OR OTHER ENTITY  
17 PROVIDES A FILING TO THE INSURANCE COMMISSIONER IN ACCORDANCE  
18 WITH THE PROVISIONS OF ARTICLE XII OF THIS ACT.

19 (B) THE SURPLUS NOTE AND INTEREST THEREON SHALL NOT BE A  
20 LIABILITY OR CLAIM AGAINST THE COMPANY OR ANY OF ITS ASSETS,  
21 EXCEPT AS SPECIFIED IN THIS SECTION. PAYMENTS OF PRINCIPAL  
22 AND/OR INTEREST CAN ONLY BE MADE FROM THE UNASSIGNED SURPLUS OF  
23 THE INSURER AND MUST BE SUBORDINATED TO PAYMENT OF ALL OTHER  
24 LIABILITIES OF THE INSURER. IF UNASSIGNED SURPLUS IS  
25 INSUFFICIENT AND THE INSURER IS UNABLE TO MAKE PAYMENTS OF  
26 PRINCIPAL AND/OR INTEREST IN A GIVEN YEAR, THE INTEREST EARNED  
27 FOR THAT YEAR WILL BE FORFEITED AND CANNOT BE PAID IN SUBSEQUENT  
28 YEARS UNLESS THE INSURER ESTABLISHES UNPAID INTEREST AS A  
29 LIABILITY IN EACH ANNUAL AND QUARTERLY STATEMENT FILED WITH THE  
30 INSURANCE COMMISSIONER.

1       †(C) NO COMMISSIONS, PROMOTION EXPENSES OR FINDERS FEES       <—  
2       SHALL BE PAID IN CONNECTION WITH THE ADVANCE OF SUCH MONEY TO  
3       ~~THE COMPANY.~~] THE COMPANY[.] EXCEPT FOR SUCH COMMISSIONS AND       <—  
4       FEES CUSTOMARILY INCURRED WITHIN THE CONTEXT OF PUBLIC OR  
5       PRIVATE PLACEMENT OFFERINGS UNDERWRITTEN BY AN INVESTMENT  
6       BANKING ENTITY.

7       (D) SUCH COMPANY SHALL, PRIOR TO ANY TRANSACTION, PROVIDE  
8       THE INSURANCE COMMISSIONER WITH SUCH EVIDENCE AS HE MAY, BY  
9       REGULATION, PRESCRIBE CONCERNING THE RECEIPT OF ANY SUCH ADVANCE  
10      OR THE MAKING OF ANY PAYMENTS, WHETHER OF PRINCIPAL OR INTEREST,  
11      ON ACCOUNT THEREOF.

12      SECTION 404.2. INVESTMENT.--SUBJECT TO THE PROVISIONS OF  
13      SECTIONS 405.2 AND 406.1, THE ASSETS OF ANY LIFE INSURANCE  
14      COMPANY ORGANIZED UNDER THE LAWS OF THIS COMMONWEALTH SHALL BE  
15      INVESTED IN THE FOLLOWING CLASSES OF INVESTMENT, PROVIDED THE  
16      VALUE OF WHICH, AS DETERMINED FOR ANNUAL STATEMENT PURPOSES, BUT  
17      IN NO EVENT IN EXCESS OF COST, SHALL NOT EXCEED THE SPECIFIED  
18      PERCENTAGE OF SUCH COMPANY'S ASSETS AS OF THE THIRTY-FIRST DAY  
19      OF DECEMBER NEXT PRECEDING THE DATE OF INVESTMENT:

20      \* \* \*

21      (10) EQUITY INTERESTS:

22      (I) INVESTMENTS (OTHER THAN INVESTMENTS PROVIDED FOR IN  
23      SECTION 406, CLAUSES (11) AND (13) OF THIS SECTION 404.2 AND  
24      INVESTMENTS IN SUBSIDIARIES AS PROVIDED FOR IN SECTION 405.2(C))  
25      IN COMMON STOCKS, LIMITED PARTNERSHIP INTERESTS, TRUST  
26      CERTIFICATES (EXCEPT EQUIPMENT TRUST CERTIFICATES DESCRIBED IN  
27      CLAUSE (5)) OR OTHER EQUITY INTERESTS (OTHER THAN PREFERRED  
28      STOCKS) OF CORPORATIONS, JOINT-STOCK ASSOCIATIONS, BUSINESS  
29      TRUSTS, BUSINESS PARTNERSHIPS AND BUSINESS JOINT VENTURES  
30      INCORPORATED, ORGANIZED OR EXISTING UNDER THE LAWS OF THE UNITED

1 STATES, OR OF ANY STATE, DISTRICT OR TERRITORY THEREOF.

2 (II) STOCKS OR SHARES OF ANY REGULATED INVESTMENT COMPANY  
3 WHICH IS REGISTERED AS AN INVESTMENT COMPANY UNDER THE FEDERAL  
4 INVESTMENT COMPANY ACT OF 1940 (54 STAT 789, 15 U.S.C. §§ 80A-1  
5 TO 80A-52, 107), AS, FROM TIME TO TIME, AMENDED, AND WHICH HAS  
6 NO PREFERRED STOCK, BONDS, LOANS OR ANY OTHER OUTSTANDING  
7 SECURITIES HAVING PREFERENCE OR PRIORITY AS TO THE ASSETS OR  
8 EARNINGS OVER ITS COMMON STOCK AT THE DATE OF PURCHASE.

9 (III) INVESTMENTS UNDER THIS CLAUSE SHALL NOT EXCEED TWENTY-  
10 FIVE PER CENTUM (25%) OF SUCH COMPANY'S ADMITTED ASSETS, AND NO  
11 INVESTMENT IN ANY SINGLE CORPORATION OR ENTITY CONTEMPLATED BY  
12 THIS CLAUSE SHALL EXCEED FIVE PER CENTUM (5%) OF SUCH COMPANY'S  
13 ADMITTED ASSETS. THE LIMITATIONS SET FORTH IN THIS CLAUSE SHALL  
14 NOT APPLY TO INVESTMENTS IN ANY CORPORATION OR ENTITY WHICH IS  
15 AN INSURANCE COMPANY OR A HEALTH MAINTENANCE ORGANIZATION  
16 HOLDING A CERTIFICATE OF AUTHORITY UNDER THE ACT OF DECEMBER 29,  
17 1972 (P.L.1701, NO.364), KNOWN AS THE "HEALTH MAINTENANCE  
18 ORGANIZATION ACT."

19 (IV) LIMITED PARTNERSHIP INTERESTS UNDER THIS CLAUSE SHALL  
20 NOT EXCEED TEN PER CENTUM (10%) OF THE COMPANY'S ADMITTED ASSETS  
21 IN THE AGGREGATE. A COMPANY MAY NOT INVEST MORE THAN TEN PER  
22 CENTUM (10%) OF ITS CAPITAL AND SURPLUS IN ANY ONE SUCH LIMITED  
23 PARTNERSHIP.

24 \* \* \*

25 SECTION 2. SECTION 405.2(C) OF THE ACT, ADDED JUNE 11, 1986  
26 (P.L.226, NO.64), IS AMENDED TO READ:

27 SECTION 405.2. ADDITIONAL INVESTMENT AUTHORITY FOR  
28 SUBSIDIARIES.--\* \* \*

29 (C) (1) AT NO TIME SHALL A DOMESTIC LIFE INSURANCE COMPANY  
30 MAKE AN INVESTMENT IN ANY SUBSIDIARY WHICH WILL BRING THE

1 AGGREGATE VALUE OF ITS INVESTMENTS, AS DETERMINED FOR ANNUAL  
2 STATEMENT PURPOSES BUT NOT IN EXCESS OF COST, IN ALL  
3 SUBSIDIARIES UNDER THIS SUBSECTION TO AN AMOUNT IN EXCESS OF TEN  
4 PER CENTUM (10%) OF ITS TOTAL ADMITTED ASSETS AS OF THE  
5 IMMEDIATELY PRECEDING THIRTY-FIRST DAY OF DECEMBER. IN  
6 DETERMINING THE AMOUNT OF INVESTMENTS OF ANY DOMESTIC LIFE  
7 INSURANCE COMPANY IN SUBSIDIARIES FOR PURPOSES OF THIS  
8 SUBSECTION, THERE SHALL BE INCLUDED INVESTMENTS MADE DIRECTLY BY  
9 SUCH INSURANCE COMPANY AND, IF SUCH INVESTMENT IS MADE BY  
10 ANOTHER SUBSIDIARY, THEN TO THE EXTENT THAT FUNDS FOR SUCH  
11 INVESTMENTS ARE PROVIDED BY THE INSURANCE COMPANY FOR SUCH  
12 PURPOSE.

13 (2) THE LIMITATIONS SET FORTH IN CLAUSE (1) OF THIS  
14 SUBSECTION SHALL NOT APPLY TO INVESTMENTS IN ANY SUBSIDIARY  
15 WHICH IS:

16 (I) AN INSURANCE COMPANY[.] OR A HEALTH MAINTENANCE  
17 ORGANIZATION HOLDING A CERTIFICATE OF AUTHORITY UNDER THE ACT OF  
18 DECEMBER 29, 1972 (P.L.1701, NO.364), KNOWN AS THE "HEALTH  
19 MAINTENANCE ORGANIZATION ACT."

20 (II) A HOLDING COMPANY TO THE EXTENT ITS BUSINESS CONSISTS  
21 OF THE HOLDING OF THE STOCK OF, OR OTHERWISE CONTROLLING, ITS  
22 OWN SUBSIDIARIES.

23 (III) A CORPORATION WHOSE BUSINESS PRIMARILY CONSISTS OF  
24 DIRECT OR INDIRECT OWNERSHIP, OPERATION OR MANAGEMENT OF ASSETS  
25 AUTHORIZED AS INVESTMENTS PURSUANT TO SECTIONS 404.1 AND 406.

26 (IV) A COMPANY ENGAGED IN ANY COMBINATION OF THE ACTIVITIES  
27 DESCRIBED IN SUBCLAUSES (I), (II) AND (III) OF THIS CLAUSE.

28 INVESTMENTS MADE PURSUANT TO SUBCLAUSE (I) SHALL NOT BE  
29 RESTRICTED IN AMOUNT PROVIDED THAT AFTER SUCH INVESTMENT, AS  
30 CALCULATED FOR NAIC ANNUAL STATEMENT PURPOSES, THE INSURER'S

1 SURPLUS WILL BE REASONABLE IN RELATION TO THE INSURER'S  
2 OUTSTANDING LIABILITIES AND ADEQUATE TO ITS FINANCIAL NEEDS.  
3 INVESTMENTS MADE PURSUANT TO SUBCLAUSE (II), OR TO THE EXTENT  
4 APPLICABLE IN THIS SUBCLAUSE, SHALL IN ADDITION NOT BE SUBJECT  
5 TO ANY LIMITATIONS ON THE AMOUNT OF A DOMESTIC LIFE INSURANCE  
6 COMPANY'S ASSETS PROVIDED FOR UNDER ANY OTHER PROVISION OF THIS  
7 ACT AND WHICH MIGHT OTHERWISE BE APPLICABLE: PROVIDED, HOWEVER,  
8 THAT SUCH LIFE INSURANCE COMPANY'S INVESTMENTS, TO THE EXTENT  
9 THAT SUCH LIFE INSURANCE COMPANY PROVIDED THE FUNDS THEREFOR, IN  
10 EACH OF THE SUBSIDIARIES OF SUCH HOLDING COMPANY SHALL BE  
11 SUBJECT TO THE LIMITATIONS, IF ANY, APPLICABLE TO SUCH  
12 INVESTMENT AS IF THE HOLDING COMPANY'S INTEREST IN EACH SUCH  
13 SUBSIDIARY WERE INSTEAD OWNED DIRECTLY BY THE LIFE INSURANCE  
14 COMPANY. INVESTMENTS MADE PURSUANT TO SUBCLAUSE (III), OR, TO  
15 THE EXTENT APPLICABLE, THIS CLAUSE, SHALL BE COUNTED IN  
16 DETERMINING THE LIMITATIONS CONTAINED IN APPLICABLE SUBSECTIONS  
17 OF SECTIONS 404.2 AND 406: PROVIDED, HOWEVER, THAT THE VALUE AS  
18 CALCULATED FOR ANNUAL STATEMENT PURPOSES, BUT NOT IN EXCESS OF  
19 THE COST THEREOF, OF SUCH INVESTMENT SHALL INCLUDE ONLY FUNDS  
20 PROVIDED BY THE INSURANCE COMPANY THEREFOR. INVESTMENTS MADE IN  
21 OTHER SUBSIDIARIES OF SUCH LIFE INSURANCE COMPANY BY ANY  
22 SUBSIDIARY DESCRIBED IN SUBCLAUSES (I), (II), (III) AND THIS  
23 SUBCLAUSE OR BY A PERSON WHOSE BUSINESS PRIMARILY CONSISTS OF  
24 DIRECT OR INDIRECT OWNERSHIP, OPERATION OR MANAGEMENT OF REAL  
25 PROPERTY AND INTEREST THEREIN UNDER SECTION 406 SHALL BE DEEMED  
26 INVESTMENTS MADE BY THE INSURANCE COMPANY ONLY TO THE EXTENT THE  
27 FUNDS FOR SUCH INVESTMENT WERE PROVIDED BY SUCH INSURANCE  
28 COMPANY.

29 SECTION 3. SECTION 705 OF THE ACT, ADDED AUGUST 14, 1963  
30 (P.L.922, NO.439), IS AMENDED TO READ:

1       Section 705. Financial Requirements.--Every title insurance  
2 company shall have a minimum capital, which shall be paid in and  
3 maintained, of not less than [two hundred fifty thousand dollars  
4 (\$250,000)] five hundred thousand dollars (\$500,000) and, in  
5 addition, paid-in initial surplus at least equal to fifty  
6 percent of its capital.

7       Section ~~2~~ 4. Section 723 of the act is repealed. <—

8       ~~Section 3. Sections 724 and 726 of the act, added August 14,~~ <—  
9 ~~1963 (P.L.922, No.439), are amended to read:~~

10       SECTION 5. SECTION 724 OF THE ACT, ADDED AUGUST 14, 1963 <—  
11 (P.L.922, NO.439), IS AMENDED TO READ:

12       Section 724. Agents; Defined.--[An agent is a person, firm,  
13 association, corporation, cooperative or joint-stock company,  
14 authorized in writing by a title insurance company directly or  
15 indirectly:

16       (1) To solicit risks and collect premiums, and to issue or  
17 countersign policies in its behalf; or

18       (2) To solicit risks and collect premiums in its behalf.]

19 ~~(a) A title insurance agent is any licensed person, firm,~~ <—  
20 ~~association, corporation, partnership or any other legal entity~~  
21 ~~authorized, in writing, by a licensed title insurance company to~~  
22 ~~perform the following:~~

23       ~~(1) Solicits SOLICIT title insurance risks and collects~~ <—  
24 ~~COLLECT title insurance premiums on behalf of the title~~ <—  
25 ~~insurance company;~~ <—

26       ~~(2) Issues ISSUE commitments to insure title, or reports of~~ <—  
27 ~~title, based upon a search and examination of title and/or~~  
28 ~~conducts, CONDUCT real estate closings, disburses funds, clears~~ <—  
29 ~~title and records DISBURSE FUNDS, CLEAR TITLE AND RECORD closing~~ <—  
30 ~~documents;~~ <—

~~(3) Issues and countersigns ISSUE AND COUNTERSIGN title insurance policies based on independent determination of insurability following underwriting rules and standards prescribed by the title insurance company; AND~~

~~(4) Assumes ASSUME financial responsibility for all the acts which the agent was appointed to perform by the title insurance company.~~ (A) A TITLE INSURANCE AGENT MEANS AN AUTHORIZED

PERSON, FIRM, ASSOCIATION, CORPORATION, PARTNERSHIP OR OTHER LEGAL ENTITY, OTHER THAN A BONA FIDE EMPLOYEE OF THE TITLE INSURER WHO, ON BEHALF OF THE TITLE INSURER, PERFORMS THE FOLLOWING ACTS, IN CONJUNCTION WITH THE ISSUANCE OF A TITLE INSURANCE REPORT OR POLICY:

(1) DETERMINES INSURABILITY AND ISSUES TITLE INSURANCE REPORTS OR POLICIES, OR BOTH, BASED UPON THE PERFORMANCE OR REVIEW OF A SEARCH, OR AN ABSTRACT OF TITLE; AND

(2) PERFORMS ONE OR MORE OF THE FOLLOWING FUNCTIONS:

(I) COLLECTS OR DISBURSES PREMIUMS, ESCROW OR SECURITY DEPOSITS OR OTHER FUNDS;

(II) HANDLES ESCROW, SETTLEMENTS OR CLOSINGS;

(III) SOLICITS OR NEGOTIATES TITLE INSURANCE BUSINESS; OR

(IV) RECORDS CLOSING DOCUMENTS.

(b) No bank, trust company, bank and trust company or other lending institution, mortgage service, mortgage brokerage or mortgage guaranty company or any officer or employee of any of the foregoing shall be permitted to act as an agent for a title insurance company. The word "agent" shall not include approved attorneys, nor shall it include officers and salaried employees of any title insurance company authorized to do a title insurance business within this Commonwealth.

~~Section 726. Agents; To be [Licensed.] CERTIFIED. (a)~~



1 ~~Agents for a title insurance company shall be [licensed]~~ <—  
2 ~~CERTIFIED in the manner provided for agents of insurance~~ <—  
3 ~~companies in section 603 of the act of May 17, 1921 (P.L.789),~~  
4 ~~known as "The Insurance Department Act of 1921": Provided,~~  
5 ~~however, That in the event that an applicant for [an agent's~~ <—  
6 ~~license] CERTIFICATION is presently an agent of a title insurer~~ <—  
7 ~~for a licensed insurance broker or an attorney at law], the~~  
8 ~~applicant shall not be required to take an examination to~~  
9 ~~qualify for [such license. Licenses of] CERTIFICATION.~~ <—  
10 ~~CERTIFICATION OF A title insurance [agents] AGENT shall expire~~ <—  
11 ~~[annually] biennially [at midnight of June 30,] BASED ON THE~~ <—  
12 ~~AGENT'S MONTH AND YEAR OF BIRTH, unless sooner terminated as the~~  
13 ~~result of severance of business relations between the company~~  
14 ~~and the agent, or unless revoked by the commissioner for cause.~~  
15 ~~THE CERTIFICATE OF A TITLE INSURANCE AGENT BORN IN AN EVEN~~ <—  
16 ~~NUMBERED YEAR WILL EXPIRE AT THE END OF THE AGENT'S BIRTH MONTH~~  
17 ~~IN EVEN NUMBERED YEARS. THE CERTIFICATE OF A TITLE INSURANCE~~  
18 ~~AGENT BORN IN AN ODD NUMBERED YEAR WILL EXPIRE AT THE END OF THE~~  
19 ~~AGENT'S BIRTH MONTH IN ODD NUMBERED YEARS.~~

20 SECTION 6. THE ACT IS AMENDED BY ADDING SECTIONS TO READ: <—

21 SECTION 724.1. ADDITIONAL REQUIREMENTS.--A TITLE INSURANCE  
22 AGENT MUST HOLD A VALID CERTIFICATE OF QUALIFICATION ISSUED BY  
23 THE INSURANCE DEPARTMENT AND MUST PERFORM THE ACTS LISTED IN  
24 SECTION 724(A) UNDER A WRITTEN CONTRACT WITH A LICENSED TITLE  
25 INSURANCE COMPANY.

26 SECTION 724.2. FINANCIAL RESPONSIBILITY.--AGENTS SHALL  
27 ASSUME FINANCIAL RESPONSIBILITY FOR ALL OF THE ACTS WHICH THE  
28 AGENT WAS APPOINTED TO PERFORM BY THE TITLE INSURANCE COMPANY.

29 SECTION 7. SECTION 726 OF THE ACT, ADDED AUGUST 14, 1963  
30 (P.L.922, NO.439), IS AMENDED TO READ:

1       SECTION 726. AGENTS; TO BE [LICENSED.--AGENTS FOR A TITLE  
2 INSURANCE COMPANY SHALL BE LICENSED IN THE MANNER PROVIDED FOR  
3 AGENTS OF INSURANCE COMPANIES IN SECTION 603 OF THE ACT OF MAY  
4 17, 1921 (P.L.789), KNOWN AS "THE INSURANCE DEPARTMENT ACT OF  
5 1921": PROVIDED, HOWEVER, THAT IN THE EVENT THAT AN APPLICANT  
6 FOR AN AGENT'S LICENSE IS PRESENTLY AN AGENT OF A TITLE INSURER  
7 OR A LICENSED INSURANCE BROKER OR AN ATTORNEY AT LAW, THE  
8 APPLICANT SHALL NOT BE REQUIRED TO TAKE AN EXAMINATION TO  
9 QUALIFY FOR SUCH LICENSE. LICENSES OF TITLE INSURANCE AGENTS  
10 SHALL EXPIRE ANNUALLY AT MIDNIGHT OF JUNE 30, UNLESS SOONER  
11 TERMINATED AS THE RESULT OF SEVERANCE OF BUSINESS RELATIONS  
12 BETWEEN THE COMPANY AND THE AGENT, OR UNLESS REVOKED BY THE  
13 COMMISSIONER FOR CAUSE.] CERTIFIED AND APPOINTED.--(A) AGENTS  
14 SHALL MAKE APPLICATION FOR A CERTIFICATE OF QUALIFICATION WITH  
15 THE INSURANCE DEPARTMENT FOR AUTHORITY TO ACT AS A TITLE  
16 INSURANCE AGENT IN THE MANNER PROVIDED FOR IN SECTION 603 OF THE  
17 ACT OF MAY 17, 1921 (P.L.789, NO.285), KNOWN AS "THE INSURANCE  
18 DEPARTMENT ACT OF 1921." UPON CERTIFICATION, AN AGENT MAY BE  
19 APPOINTED BY A TITLE INSURER WITH NOTICE OF SUCH APPOINTMENT TO  
20 THE INSURANCE DEPARTMENT IN THE MANNER PROVIDED FOR IN SECTION  
21 605 OF "THE INSURANCE DEPARTMENT ACT OF 1921."

22       (B) CERTIFICATES OF QUALIFICATION FOR AGENTS SHALL EXPIRE  
23 BIENNIALLY BASED ON THE DATE OF ORIGINAL ISSUE. CERTIFICATES OF  
24 QUALIFICATION SHALL BE RENEWED IN ACCORDANCE WITH PROCEDURES AND  
25 SCHEDULES SET FORTH UNDER SECTION 601 OF "THE INSURANCE  
26 DEPARTMENT ACT OF 1921," AND ANY REGULATIONS PROMULGATED  
27 THEREUNDER.

28       ~~(b) In addition to the requirements set forth in subsection~~ <—  
29 ~~(a), all agents for a title insurance company shall:~~

30       ~~(1) Pass an examination given by the Insurance Commissioner~~

~~or any testing service selected by the commissioner covering the search and examination of title to real property, insurance principles relating to title insurance and the fiduciary duties and procedures of escrow, closing and settlement of real estate transactions.~~

~~(2) Obtain errors and omissions insurance in an amount~~

~~(B) (C) IN ADDITION TO THE REQUIREMENTS SET FORTH IN~~ <—  
~~SUBSECTION (A), ALL AGENTS FOR A TITLE INSURANCE COMPANY SHALL:~~

~~(1) PASS AN EXAMINATION REQUIRED BY THE INSURANCE DEPARTMENT~~  
~~DEMONSTRATING REASONABLE FAMILIARITY WITH APPLICABLE INSURANCE~~  
~~LAWS AND THE BUSINESS OF TITLE INSURANCE IN GENERAL; AND~~

~~(2) SATISFY THE CONTINUING EDUCATION REQUIREMENTS FOR AGENTS~~  
~~AND BROKERS UNDER 31 PA. CODE CH. 39 (RELATING TO CONTINUING~~  
~~EDUCATION FOR INSURANCE AGENTS AND BROKERS), WITH THE FOLLOWING~~  
~~EXCEPTIONS:~~

~~(I) TITLE INSURANCE AGENTS WILL NOT BE SUBJECT TO THE FORTY-~~  
~~EIGHT CREDIT-HOUR REQUIREMENT UNDER 31 PA. CODE § 39.8(B)(2)~~  
~~(RELATING TO CREDIT HOURS), BUT IN LIEU OF FORTY-EIGHT CREDIT~~  
~~HOURS, WILL BE REQUIRED TO COMPLETE TWENTY-FOUR CREDIT HOURS FOR~~  
~~EACH LICENSING PERIOD.~~

~~(II) TITLE INSURANCE AGENTS WHO ARE ATTORNEYS AND BY VIRTUE~~  
~~OF SATISFYING THEIR CONTINUING LEGAL EDUCATION (CLE) REQUIREMENT~~  
~~NEED ONLY TO COMPLETE AT LEAST THREE CREDIT HOURS OF COURSES OF~~  
~~TITLE INSURANCE CONTENT APPROVED BY THE INSURANCE DEPARTMENT.~~

SECTION 4 8. THE ACT IS AMENDED BY ADDING A SECTION TO READ: <—

SECTION 726.1. OTHER REQUIREMENTS.--AGENTS FOR A TITLE  
INSURANCE COMPANY SHALL BE REQUIRED TO:

(1) OBTAIN ERRORS AND OMISSIONS INSURANCE IN AN AMOUNT  
acceptable to the insurer appointing the agent, but in no event  
in an amount less than two hundred fifty thousand dollars

(\$250,000) per claim and an aggregate limit of five hundred thousand dollars (\$500,000) with a deductible no greater than twenty-five thousand dollars (\$25,000). The required errors and omissions insurance shall be paid by the title insurance agent, and a A title insurer shall not provide the insurance directly or indirectly on behalf of a title insurance agent. In the event errors and omissions insurance is unavailable generally, the Insurance Department shall promulgate rules for alternative methods to comply with this paragraph.

(3) Obtain a fidelity bond in an amount acceptable to the insurer appointing the agent, but in no event in an amount less than two hundred fifty thousand dollars (\$250,000). The required bond shall be paid by the title insurance agent, and a title insurer shall not provide the bond directly or indirectly on behalf of a title insurance agent. In the event a fidelity bond is unavailable generally, the Insurance Department shall promulgate rules for alternative methods to comply with this paragraph.

(4) Post a surety bond of not less than one hundred thousand dollars (\$100,000). The required bond shall be paid by the title insurance agent, and a title insurer shall not provide the bond directly or indirectly on behalf of a title insurance agent. The bond shall secure the performance by the agent of his duties and responsibilities under his issuing agency contracts with each underwriter for which he is licensed. The bond shall be maintained unimpaired as long as the agent continues in business in this Commonwealth and until one year after termination of all title insurance agent licenses held by the agent. The agent shall be entitled to the return of the bond together with accrued interest after the year has passed, provided that no

~~1 claim has been made against the bond. In the event a surety bond~~  
~~2 is unavailable generally, the Insurance Department may~~  
~~3 promulgate rules for alternative methods to comply with this~~  
~~4 paragraph. With respect to alternative methods for compliance,~~  
~~5 the Insurance Department shall be guided by the past business~~  
~~6 performance and good reputation and character of the proposed~~  
~~7 title insurance agent. A surety bond is deemed to be unavailable~~  
~~8 generally if the prevailing annual premium exceeds twenty five~~  
~~9 percent of the principal amount of the bond: Provided, however,~~  
~~10 That title insurers are exempt from the requirement of obtaining~~  
~~11 a surety bond.~~

~~12 (5) (i) An agent shall complete twenty four hours,~~  
~~13 biennially, of continuing education. The Insurance Commission~~  
~~14 shall, within three months of the enactment of this subsection,~~  
~~15 be authorized to promulgate rules and regulations for a~~  
~~16 continuing education program.~~

~~17 (ii) This clause shall not apply to attorneys at law who are~~  
~~18 approved attorneys as defined in section 701 of this article.~~

~~19 (2) OBTAIN A BLANKET FIDELITY BOND COVERING ALL AGENCY~~ <—  
~~20 EMPLOYES IN AN AMOUNT ACCEPTABLE TO THE TITLE INSURANCE COMPANY~~  
~~21 APPOINTING THE AGENT, BUT IN NO EVENT IN AN AMOUNT LESS THAN ONE~~  
~~22 HUNDRED FIFTY THOUSAND DOLLARS (\$150,000) AND WITH A DEDUCTIBLE~~  
~~23 NOT LARGE LARGER THAN FIFTEEN PERCENT OF THE BOND PENALTY. THE~~ <—  
~~24 BOND SHALL BE EXECUTED BY AN INSURANCE COMPANY AUTHORIZED TO DO~~  
~~25 BUSINESS IN THIS COMMONWEALTH. WHEN THE AGENCY HAS NO EMPLOYES~~  
~~26 EXCEPT THE OWNERS, PARTNERS OR STOCKHOLDERS, THE AGENCY, WITH~~  
~~27 SUFFICIENT DOCUMENTATION, MAY APPLY TO THE INSURANCE DEPARTMENT~~  
~~28 FOR A WAIVER OF THIS FIDELITY BOND REQUIREMENT. THE REQUIRED~~  
~~29 BOND PREMIUM SHALL BE PAID BY THE TITLE INSURANCE AGENT, AND A~~  
~~30 TITLE INSURER SHALL NOT PROVIDE THE BOND DIRECTLY OR INDIRECTLY~~

1 ON BEHALF OF A TITLE INSURANCE AGENT. EXCEPT FOR THE INCEPTION  
2 OF THIS REQUIREMENT, THE BOND TERM MUST CONFORM TO THE TERM OF  
3 THE AGENT'S CERTIFICATION, AND DOCUMENTATION OF COVERAGE MUST BE  
4 FURNISHED TO THE INSURANCE DEPARTMENT AT THE TIME OF  
5 CERTIFICATION RENEWAL. THE IN THE EVENT OF CANCELLATION BY THE <—  
6 INSURANCE COMPANY, THE INSURER MUST GIVE THE COMMONWEALTH THIRTY  
7 (30) DAYS WRITTEN NOTICE BEFORE THE CANCELLATION WILL BE DEEMED  
8 EFFECTIVE.

9 (3) POST A SURETY BOND IN THE FORM PRESCRIBED BY THE  
10 INSURANCE DEPARTMENT OF NOT LESS THAN ONE HUNDRED THOUSAND  
11 DOLLARS (\$100,000). THE BOND SHALL BE EXECUTED BY AN INSURANCE  
12 COMPANY AUTHORIZED TO DO BUSINESS IN THIS COMMONWEALTH. FOR  
13 PURPOSES OF THIS SECTION, AN AGENCY IS DEFINED AS AN INDIVIDUAL  
14 PERSON, PARTNERSHIP, CORPORATION OR OTHER LEGAL ENTITY THAT  
15 CONDUCTS THE BUSINESS OF TITLE INSURANCE ON BEHALF OF A TITLE  
16 INSURER. THE BOND SHALL SECURE PERFORMANCE BY THE AGENT OF HIS  
17 FIDUCIARY DUTIES AND RESPONSIBILITIES. THE BOND WILL REMAIN IN  
18 FULL FORCE AND EFFECT UNTIL CANCELLED. IN THE EVENT OF  
19 CANCELLATIONS BY THE SURETY, THIRTY (30) DAYS NOTICE MUST BE  
20 GIVEN TO THE INSURANCE DEPARTMENT BEFORE THE CANCELLATION WILL  
21 BE DEEMED EFFECTIVE. THE PREMIUM REQUIRED FOR THE BOND SHALL BE  
22 PAID BY THE TITLE INSURANCE AGENT AND A TITLE INSURANCE COMPANY  
23 SHALL NOT PROVIDE THE BOND DIRECTLY OR INDIRECTLY ON BEHALF OF A  
24 TITLE INSURANCE AGENT. THE AGGREGATE LIABILITY OF THE SURETY FOR  
25 ANY AND ALL BREACHES OF THE CONDITIONS OF THE BOND SHALL IN NO  
26 EVENT EXCEED THE PENAL SUM OF THE BOND. TITLE INSURERS ARE  
27 EXEMPT FROM THE REQUIREMENT OF OBTAINING A SURETY BOND.

28 ~~(6)~~ (4) Render accounts to the title insurer detailing all <—  
29 transactions and remit all funds and policies due under the  
30 contract to the title insurer on a specified basis.

1     ~~(7)~~ (5) Collect and hold in a fiduciary capacity for the     <—  
2 account of a title insurer all funds due the title insurer in a  
3 bank or other financial institution insured by an agency of the  
4 Federal Government. Each account shall be used for all payments  
5 on behalf of the title insurer with whom a title agency contract  
6 exists.

7     ~~(8)~~ (6) Keep separate records of business written for each     <—  
8 title insurer. The title insurer shall have access and a right  
9 to copy all files, accounts and records related to its business  
10 in a form acceptable to the title insurer, and the Insurance  
11 Commissioner shall have access to all files, books, bank  
12 accounts and records of the title insurance agent in a form  
13 usable to the Insurance Commissioner.

14     Section ~~4-5~~ 9. Section 730 of the act is repealed.     <—

15     Section ~~5-6~~ 10. Sections 731, 737(a) and 739(a) of the act,     <—  
16 added August 14, 1963 (P.L.922, No.439), are amended to read:

17     Section 731. Commissions; Other Considerations Prohibited.--

18     (a) No title insurance company or agent or approved attorney of  
19 a title insurance company shall pay, give or award to an  
20 applicant for title insurance any compensation, consideration,  
21 benefit or remuneration, directly or indirectly[, except as  
22 provided in section 730].

23     (b) The following activities, whether performed directly or  
24 indirectly, are deemed per se inducements for the placement or  
25 referral of title insurance business by any person and are  
26 unlawful:

27     (1) Paying or offering to pay, furnishing or offering to  
28 furnish, or providing or offering to provide assistance with the  
29 business expenses of any person, including, but not limited to,  
30 rent, employe salaries, furniture, copiers, facsimile machines,

automobiles, telephone services or equipment or computers.

(2) Providing or offering to provide any form of consideration intended for the benefit of any person, including cash, below market rate loans, automobile charges, merchandise or merchandise credits.

(3) Placing or offering to place compensating balances on behalf of any person.

(4) Advancing or paying or offering to advance or pay money on behalf of any person into escrow to facilitate a closing, except a sum which represents the proceeds of a loan made in the ordinary course of business.

(5) Disbursing or offering to disburse on behalf of any person escrow funds held by a title insurance company or title insurance agent before the conditions of the escrow applicable to the disbursement have been met.

(6) Furnishing or offering to furnish all or any part of the time or productive effort of any employe of the title insurance company or title insurance agent to any person for any service unrelated to the title business.

(c) Reasonable expenditures for food, beverages, entertainment, educational programs and promotional items constituting ordinary business expenses are deemed not to constitute an inducement for the placement or referral of title business, if the expenditures are correctly reported and properly substantiated as an ordinary and necessary business expense under provisions of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and regulations issued thereunder, and the expenditures do not violate any other law.

(d) The provision or payment of any form of consideration as



1 an inducement for the placement or referral of title business  
2 not specifically set forth in this section shall not be presumed  
3 lawful merely because it is not specifically prohibited.

4 (e) The Insurance Commissioner may determine compliance and  
5 enforce the provisions of this section by written order,  
6 regulation or written consent.

7 Section 737. Rate Filing.--(a) Every title insurance company  
8 shall file with the commissioner every manual of  
9 classifications, rules, plans, and schedules of fees[,  
10 commissions payable to applicants for title insurance] and every  
11 modification of any of the foregoing relating to the rates which  
12 it proposes to use. Every such filing shall state the proposed  
13 effective date thereof, and shall indicate the character and  
14 extent of the coverage contemplated.

15 \* \* \*

16 Section 739. Making of Rates.--(a) In making rates, due  
17 consideration shall be given to past and prospective loss  
18 experience, to exposure to loss, to underwriting practice and  
19 judgment, to the extent appropriate, to past and prospective  
20 expenses, including commissions paid to agents [and applicants  
21 for title insurance], the expenses incurred by title insurance  
22 companies, to a reasonable margin for profit and contingencies,  
23 and to all other relevant factors both within and outside of  
24 this Commonwealth.

25 \* \* \*

26 Section ~~6-7~~ 11. The act is amended by adding sections to  
27 read:

28 Section 739.1. Conditions.--A title insurer or title agent  
29 may engage in the escrow, settlement or closing business or any  
30 combination of such businesses and operate as an escrow,

settlement or closing agent, in connection with the issuance of  
a title insurance policy, provided that:

(1) Funds deposited in connection with any escrow,  
settlement, closing or title indemnification shall be deposited  
in a separate fiduciary trust account or accounts in a bank or  
other financial institution insured by an agency of the Federal  
Government. Such funds shall be the property of the person or  
persons entitled thereto in accordance with the provision of the  
escrow, settlement, closing or title indemnification and shall  
be segregated by escrow, settlement, closing or title  
indemnification in the records of the title insurer or title  
agent. Such funds shall not be subject to any debts of the title  
insurer or title agent and shall be used only in accordance with  
the terms of the individual escrow, settlement, closing or title  
indemnification under which the funds were accepted.

(2) The title insurer or title agent shall maintain separate  
records of all receipts and disbursements of escrow, settlement,  
closing or title indemnification funds.

(3) The title insurer or title agent shall comply with any  
rules or regulations promulgated by the Insurance Commissioner  
pertaining to escrow, settlement, closing or title  
indemnification transactions.

Section 739.2. Division of Fees.--(a) Nothing in this act  
shall be construed as prohibiting the division of fees between  
or among a title insurer and its title agent, two or more title  
insurers and their title agent, two or more title insurers, one  
or more title insurers and one or more title agents, or two or  
more title agents, provided such division of fees does not  
constitute an unlawful rebate or inducement under the provisions  
of this act.

<—

~~(b) Notwithstanding subsection (a), with respect to any title insurance policy issued after the effective date of this act, no title insurer shall pay to any title insurance agent or permit such agent to retain any amount exceeding that which is promulgated by the Insurance Department on a periodic basis.~~

~~(c) (B) This maximum retainage shall not be increased directly or indirectly by an insurer providing services to an agent for less than actual cost or fair market value.~~

Section 7-8 12. Section 748(a) of the act, added August 14, 1963 (P.L.922, No.439), is amended to read:

Section 748. Penalties.--(a) The commissioner may, if he finds that any person or organization has violated any provision of this article, impose a penalty of not more than [fifty dollars (\$50)] five hundred dollars (\$500) for each such violation, but if he finds such violation to be wilful, he may impose a penalty of not more than [five hundred dollars (\$500)] five thousand dollars (\$5,000) for each such violation. Such penalties may be in addition to any other penalty provided by law.

\* \* \*

SECTION 13. SECTION 809 OF THE ACT, AMENDED APRIL 17, 1968 (P.L.94, NO.44), IS AMENDED TO READ:

SECTION 809. LOANS TO COMPANIES.--ANY DIRECTOR, OFFICER, OR MEMBER OF ANY MUTUAL INSURANCE COMPANY, OTHER THAN A MUTUAL LIFE COMPANY, OR ANY OTHER PERSON, MAY ADVANCE TO SUCH COMPANY ANY SUM OR SUMS OF MONEY NECESSARY FOR THE PURPOSE OF ITS BUSINESS OR TO ENABLE IT TO COMPLY WITH ANY OF THE REQUIREMENTS OF THE LAW. SUCH MONEYS, AND SUCH INTEREST THEREON AS MAY HAVE BEEN AGREED UPON, NOT EXCEEDING TEN PER CENTUM (10%) PER ANNUM, SHALL NOT BE A LIABILITY OR CLAIM AGAINST THE COMPANY OR ANY OF ITS

1 ASSETS, AND SHALL BE REPAID ONLY OUT OF THE SURPLUS EARNINGS OF  
2 SUCH COMPANY. NO COMMISSION OR PROMOTION EXPENSES SHALL BE PAID  
3 IN CONNECTION WITH THE ADVANCE OF ANY SUCH MONEY TO THE COMPANY,  
4 [AND THE] EXCEPT FOR SUCH COMMISSIONS AND FEES CUSTOMARILY  
5 INCURRED WITHIN THE CONTEXT OF PUBLIC OR PRIVATE PLACEMENT  
6 OFFERINGS UNDERWRITTEN BY AN INVESTMENT BANKING ENTITY. THE  
7 AMOUNT OF SUCH ADVANCE SHALL BE REPORTED IN EACH ANNUAL  
8 STATEMENT.

9 SUCH COMPANY SHALL PRIOR TO MAKING SUCH ADVANCES PROVIDE THE  
10 INSURANCE COMMISSIONER WITH SUCH EVIDENCE AS HE MAY BY  
11 REGULATION PRESCRIBE CONCERNING THE MAKING OF ANY SUCH ADVANCE  
12 OR THE MAKING OF ANY PAYMENTS, WHETHER OF PRINCIPAL OR INTEREST,  
13 ON ACCOUNT THEREOF.

14 SECTION ~~13~~ 14. THE ACT IS AMENDED BY ADDING ~~ARTICLES~~ AN  
15 ARTICLE TO READ:

16 ARTICLE VIII-A.

17 MUTUAL-TO-STOCK CONVERSION.

18 SECTION 801-A. SHORT TITLE OF ARTICLE.--THIS ARTICLE SHALL  
19 BE KNOWN AND MAY BE CITED AS THE INSURANCE COMPANY MUTUAL-TO-  
20 STOCK CONVERSION ACT.

21 SECTION 802-A. DEFINITIONS.--AS USED IN THIS ARTICLE THE  
22 FOLLOWING WORDS AND PHRASES SHALL HAVE THE MEANINGS GIVEN TO  
23 THEM IN THIS SECTION:

24 "COMMISSIONER." THE INSURANCE COMMISSIONER OF THE  
25 COMMONWEALTH.

26 "CONVERTED STOCK COMPANY." A PENNSYLVANIA-DOMICILED STOCK  
27 INSURANCE COMPANY THAT CONVERTED FROM A PENNSYLVANIA-DOMICILED  
28 MUTUAL INSURANCE COMPANY UNDER THIS ARTICLE.

29 "DEPARTMENT." THE INSURANCE DEPARTMENT OF THE COMMONWEALTH.

30 "ELIGIBLE MEMBER." A MEMBER OF A MUTUAL COMPANY WHOSE POLICY

1 IS IN FORCE ON THE DATE THE MUTUAL COMPANY'S BOARD OF DIRECTORS  
2 ADOPTS A PLAN OF CONVERSION. A PERSON INSURED UNDER A GROUP  
3 POLICY IS NOT AN ELIGIBLE MEMBER. A PERSON WHOSE POLICY BECOMES  
4 EFFECTIVE AFTER THE BOARD OF DIRECTORS ADOPTS THE PLAN BUT  
5 BEFORE THE PLAN'S EFFECTIVE DATE IS NOT AN ELIGIBLE MEMBER BUT  
6 SHALL HAVE THOSE RIGHTS ESTABLISHED UNDER SECTION 809-A.

7 "MUTUAL COMPANY." A PENNSYLVANIA DOMESTIC MUTUAL INSURANCE  
8 COMPANY THAT IS SEEKING TO CONVERT TO A STOCK INSURANCE COMPANY  
9 UNDER THIS ARTICLE.

10 "PARTICIPATING POLICY." A POLICY THAT GRANTS A HOLDER THE  
11 RIGHT TO RECEIVE DIVIDENDS IF, AS AND WHEN DECLARED BY THE  
12 MUTUAL COMPANY.

13 "PLAN OF CONVERSION" OR "PLAN." A PLAN ADOPTED BY A MUTUAL  
14 COMPANY'S BOARD OF DIRECTORS UNDER THIS ARTICLE TO CONVERT THE  
15 MUTUAL COMPANY INTO A STOCK COMPANY.

16 "POLICY." AN INSURANCE POLICY, INCLUDING AN ANNUITY  
17 CONTRACT.

18 "STOCK COMPANY." A STOCK INSURANCE COMPANY THAT MEETS ALL OF  
19 THE CURRENT REQUIREMENTS FOR ADMISSION TO DO BUSINESS AS A  
20 DOMESTIC PENNSYLVANIA INSURER.

21 SECTION 803-A. ADOPTION OF PLAN OF CONVERSION.--(A) NO PLAN  
22 OF CONVERSION SHALL BECOME EFFECTIVE UNLESS THE MUTUAL COMPANY  
23 SEEKING TO CONVERT TO A STOCK COMPANY SHALL HAVE ADOPTED, BY THE  
24 AFFIRMATIVE VOTE OF NOT LESS THAN TWO-THIRDS OF ITS BOARD OF  
25 DIRECTORS, A PLAN OF CONVERSION CONSISTENT WITH THE REQUIREMENTS  
26 OF SECTIONS 804-A, 805-A AND 806-A. AT ANY TIME BEFORE APPROVAL  
27 OF A PLAN BY THE COMMISSIONER, THE MUTUAL COMPANY, BY THE  
28 AFFIRMATIVE VOTE OF NOT LESS THAN TWO-THIRDS OF ITS BOARD OF  
29 DIRECTORS, MAY AMEND OR WITHDRAW THE PLAN.

30 (B) BEFORE A MUTUAL COMPANY'S ELIGIBLE MEMBERS MAY VOTE ON

1 APPROVAL OF A PLAN, A MUTUAL COMPANY WHOSE BOARD OF DIRECTORS  
2 HAS ADOPTED A PLAN SHALL FILE ALL OF THE FOLLOWING DOCUMENTS  
3 WITH THE COMMISSIONER WITHIN NINETY (90) DAYS AFTER ADOPTION OF  
4 THE PLAN:

5 (1) THE PLAN OF CONVERSION, INCLUDING THE INDEPENDENT  
6 EVALUATION OF PRO FORMA MARKET VALUE REQUIRED BY SECTION 804-  
7 A(D).

8 (2) THE FORM OF NOTICE REQUIRED BY SUBSECTION (F).

9 (3) THE FORM OF PROXY TO BE SOLICITED FROM ELIGIBLE MEMBERS  
10 PURSUANT TO SUBSECTION (G).

11 (4) THE FORM OF NOTICE REQUIRED BY SECTION 809-A TO PERSONS  
12 WHOSE POLICIES ARE ISSUED AFTER ADOPTION OF THE PLAN BUT BEFORE  
13 ITS EFFECTIVE DATE.

14 (5) THE PROPOSED AMENDED ARTICLES OF INCORPORATION AND  
15 BYLAWS OF THE CONVERTED STOCK COMPANY.

16 (6) THE ACQUISITION OF CONTROL STATEMENT, AS REQUIRED BY  
17 SECTION 1402.

18 (7) SUCH OTHER INFORMATION AS THE COMMISSIONER MAY REQUEST.

19 UPON FILING OF THE FOREGOING DOCUMENTS WITH THE COMMISSIONER,

20 THE MUTUAL COMPANY SHALL SEND TO ELIGIBLE MEMBERS A NOTICE

21 ADVISING ELIGIBLE MEMBERS OF THE ADOPTION AND FILING OF THE

22 PLAN, THEIR ABILITY TO PROVIDE THE COMMISSIONER AND THE MUTUAL

23 COMPANY WITH COMMENTS ON THE PLAN WITHIN THIRTY (30) DAYS OF THE

24 DATE OF SUCH NOTICE AND PROCEDURE THEREFOR.

25 (C) THE COMMISSIONER SHALL APPROVE OR DISAPPROVE THE PLAN BY

26 NOT LATER THAN SIXTY (60) DAYS AFTER THE FILING OF THE DOCUMENTS

27 UNDER SUBSECTION (B). THE COMMISSIONER MAY EXTEND THE TIME FOR

28 APPROVAL OR DISAPPROVAL BY AN ADDITIONAL SIXTY (60) DAYS UPON

29 WRITTEN NOTICE TO THE MUTUAL COMPANY. THE COMMISSIONER SHALL

30 IMMEDIATELY GIVE WRITTEN NOTICE TO THE MUTUAL COMPANY OF ANY

1 DECISION AND, IN THE EVENT OF DISAPPROVAL, A STATEMENT IN DETAIL  
2 OF THE REASONS FOR THE DECISION. THE COMMISSIONER SHALL APPROVE  
3 THE PLAN IF THE COMMISSIONER FINDS EACH OF THE FOLLOWING:

4 (1) THE PLAN COMPLIES WITH THIS ARTICLE.

5 (2) THE PLAN WILL NOT PREJUDICE THE INTERESTS OF THE  
6 MEMBERS.

7 (3) THE PLAN'S METHOD OF ALLOCATING SUBSCRIPTION RIGHTS IS  
8 FAIR AND EQUITABLE.

9 (D) THE COMMISSIONER MAY RETAIN, AT THE MUTUAL COMPANY'S  
10 EXPENSE, ANY QUALIFIED EXPERT NOT OTHERWISE A PART OF THE  
11 COMMISSIONER'S STAFF TO ASSIST IN REVIEWING THE PLAN AND THE  
12 INDEPENDENT EVALUATION OF THE PRO FORMA MARKET VALUE REQUIRED  
13 UNDER SECTION 804-A(D).

14 (E) THE COMMISSIONER MAY ORDER A HEARING ON WHETHER THE  
15 TERMS OF THE PLAN COMPLY WITH THIS ARTICLE AFTER GIVING WRITTEN  
16 NOTICE TO THE MUTUAL COMPANY AND OTHER INTERESTED PERSONS, ALL  
17 OF WHOM HAVE THE RIGHT TO APPEAR AT THE HEARING.

18 (F) ALL ELIGIBLE MEMBERS SHALL BE SENT NOTICE OF THE  
19 MEMBERS' MEETING TO VOTE UPON THE PLAN. THE NOTICE SHALL BRIEFLY  
20 BUT FAIRLY DESCRIBE THE PROPOSED CONVERSION PLAN, SHALL INFORM  
21 THE MEMBER OF HIS RIGHT TO VOTE UPON THE PLAN AND SHALL BE SENT  
22 TO EACH MEMBER'S LAST KNOWN ADDRESS, AS SHOWN ON THE MUTUAL  
23 COMPANY'S RECORDS, AT LEAST THIRTY (30) DAYS BEFORE THE TIME  
24 FIXED FOR THE MEETING. IF THE MEETING TO VOTE UPON THE PLAN IS  
25 HELD DURING THE MUTUAL COMPANY'S ANNUAL MEETING OF  
26 POLICYHOLDERS, ONLY A COMBINED NOTICE OF MEETING IS REQUIRED.

27 (G) THE PLAN SHALL BE VOTED UPON BY ELIGIBLE MEMBERS AND  
28 SHALL BE ADOPTED UPON RECEIVING THE AFFIRMATIVE VOTE OF AT LEAST  
29 TWO-THIRDS OF THE VOTES CAST BY ELIGIBLE MEMBERS. MEMBERS  
30 ENTITLED TO VOTE UPON THE PROPOSED PLAN MAY VOTE IN PERSON OR BY

1 PROXY. THE NUMBER OF VOTES EACH ELIGIBLE MEMBER MAY CAST SHALL  
2 BE DETERMINED BY THE MUTUAL COMPANY'S BYLAWS. IF THE BYLAWS ARE  
3 SILENT, EACH ELIGIBLE MEMBER MAY CAST ONE VOTE.

4 (H) THE AMENDED ARTICLES SHALL BE CONSIDERED AT THE MEETING  
5 OF THE POLICYHOLDERS CALLED FOR THE PURPOSE OF ADOPTING THE PLAN  
6 OF CONVERSION AND SHALL REQUIRE FOR ADOPTION THE AFFIRMATIVE  
7 VOTE OF AT LEAST TWO-THIRDS OF THE VOTES CAST BY ELIGIBLE  
8 MEMBERS.

9 (I) DOCUMENTS TO BE FILED FOLLOWING APPROVAL.--WITHIN THIRTY  
10 (30) DAYS AFTER THE ELIGIBLE MEMBERS HAVE APPROVED THE PLAN, THE  
11 CONVERTED STOCK COMPANY SHALL FILE BOTH OF THE FOLLOWING  
12 DOCUMENTS WITH THE COMMISSIONER:

13 (1) THE MINUTES OF THE MEETING OF THE ELIGIBLE MEMBERS AT  
14 WHICH THE PLAN WAS APPROVED.

15 (2) THE AMENDED ARTICLES OF INCORPORATION AND BYLAWS OF THE  
16 CONVERTED STOCK COMPANY.

17 SECTION 804-A. REQUIRED PROVISIONS OF PLAN OF CONVERSION.--

18 (A) THE FOLLOWING PROVISIONS SHALL BE INCLUDED IN THE PLAN:

19 (1) THE REASONS FOR PROPOSED CONVERSION.

20 (2) THE EFFECT OF CONVERSION ON EXISTING POLICIES, INCLUDING  
21 ALL OF THE FOLLOWING:

22 (I) A PROVISION THAT ALL POLICIES IN FORCE ON THE EFFECTIVE  
23 DATE OF CONVERSION CONTINUE TO REMAIN IN FORCE UNDER THE TERMS  
24 OF THE POLICIES, EXCEPT THAT THE FOLLOWING RIGHTS, TO THE EXTENT  
25 THEY EXISTED IN THE MUTUAL COMPANY, SHALL BE EXTINGUISHED ON THE  
26 EFFECTIVE DATE OF THE CONVERSION:

27 (A) ANY VOTING RIGHTS OF THE POLICYHOLDERS PROVIDED UNDER  
28 THE POLICIES.

29 (B) EXCEPT AS PROVIDED UNDER SUBPARAGRAPH (II), ANY RIGHT TO  
30 SHARE IN THE SURPLUS OF THE MUTUAL COMPANY PROVIDED FOR UNDER



1 THE POLICIES.

2 (C) ANY ASSESSMENT PROVISIONS PROVIDED FOR UNDER THE  
3 POLICIES OF THE TYPE DESCRIBED IN SECTION 808.

4 (II) EXCEPT AS PROVIDED IN SUBPARAGRAPH (III), A PROVISION  
5 THAT HOLDERS OF PARTICIPATING POLICIES IN EFFECT ON THE DATE OF  
6 CONVERSION CONTINUE TO HAVE A RIGHT TO RECEIVE DIVIDENDS AS  
7 PROVIDED IN THE PARTICIPATING POLICIES, IF ANY.

8 (III) A PROVISION THAT, EXCEPT FOR THE MUTUAL COMPANY'S LIFE  
9 POLICIES, GUARANTEED RENEWABLE ACCIDENT AND HEALTH POLICIES AND  
10 GUARANTEED RENEWABLE, NONCANCELABLE ACCIDENT AND HEALTH  
11 POLICIES, UPON THE RENEWAL DATE OF A PARTICIPATING POLICY, THE  
12 CONVERTED STOCK COMPANY MAY ISSUE THE INSURED A NONPARTICIPATING  
13 POLICY AS A SUBSTITUTE FOR THE PARTICIPATING POLICY.

14 (3) THE SUBSCRIPTION RIGHTS TO ELIGIBLE MEMBERS, INCLUDING  
15 BOTH OF THE FOLLOWING:

16 (I) A PROVISION THAT EACH ELIGIBLE MEMBER IS TO RECEIVE,  
17 WITHOUT PAYMENT, NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PURCHASE  
18 A PORTION OF THE CAPITAL STOCK OF THE CONVERTED STOCK COMPANY  
19 AND THAT, IN THE AGGREGATE, ALL ELIGIBLE MEMBERS SHALL HAVE THE  
20 RIGHT, PRIOR TO THE RIGHT OF ANY OTHER PARTY, TO PURCHASE ONE  
21 HUNDRED PER CENTUM (100%) OF THE CAPITAL STOCK OF THE CONVERTED  
22 COMPANY, EXCLUSIVE OF ANY SHARES OF CAPITAL STOCK REQUIRED TO BE  
23 SOLD OR DISTRIBUTED TO THE HOLDERS OF SURPLUS NOTES, IF ANY, AND  
24 CAPITAL STOCK PURCHASED BY THE COMPANY'S TAX-QUALIFIED EMPLOYEE  
25 STOCK BENEFIT PLAN THAT IS IN EXCESS OF THE TOTAL PRICE OF THE  
26 CAPITAL STOCK ESTABLISHED UNDER SUBSECTION (D), AS PERMITTED BY  
27 SECTION 806-A(C). AS AN ALTERNATIVE TO SUBSCRIPTION RIGHTS IN  
28 THE CONVERTED STOCK COMPANY, THE PLAN MAY PROVIDE THAT EACH  
29 ELIGIBLE MEMBER IS TO RECEIVE, WITHOUT PAYMENT, NONTRANSFERABLE  
30 SUBSCRIPTION RIGHTS TO PURCHASE A PORTION OF THE CAPITAL STOCK

1 OF ONE OF THE FOLLOWING:

2 (A) A CORPORATION ORGANIZED FOR THE PURPOSE OF PURCHASING  
3 AND HOLDING ALL THE STOCK OF THE CONVERTED STOCK COMPANY;

4 (B) A STOCK INSURANCE COMPANY OWNED BY THE MUTUAL COMPANY  
5 INTO WHICH THE MUTUAL COMPANY WILL BE MERGED; OR

6 (C) AN UNAFFILIATED STOCK INSURANCE COMPANY OR OTHER  
7 CORPORATION THAT WILL PURCHASE ALL THE STOCK OF THE CONVERTED  
8 STOCK COMPANY.

9 (II) A PROVISION THAT THE SUBSCRIPTION RIGHTS SHALL BE  
10 ALLOCATED IN WHOLE SHARES AMONG THE ELIGIBLE MEMBERS USING A  
11 FAIR AND EQUITABLE FORMULA. THIS FORMULA MAY, BUT NEED NOT, TAKE  
12 INTO ACCOUNT HOW THE DIFFERENT CLASSES OF POLICIES OF THE  
13 ELIGIBLE MEMBERS CONTRIBUTED TO THE SURPLUS OF THE MUTUAL  
14 COMPANY OR ANY OTHER FACTORS THAT MAY BE FAIR OR EQUITABLE.

15 (B) THE PLAN SHALL PROVIDE A FAIR AND EQUITABLE MEANS FOR  
16 ALLOCATING SHARES OF CAPITAL STOCK IN THE EVENT OF AN  
17 OVERSUBSCRIPTION TO SHARES BY ELIGIBLE MEMBERS EXERCISING  
18 SUBSCRIPTION RIGHTS RECEIVED UNDER SUBSECTION (A)(3).

19 (C) THE PLAN SHALL PROVIDE THAT ANY SHARES OF CAPITAL STOCK  
20 NOT SUBSCRIBED TO BY ELIGIBLE MEMBERS EXERCISING SUBSCRIPTION  
21 RIGHTS RECEIVED UNDER SUBSECTION (A)(3) SHALL BE SOLD IN A  
22 PUBLIC OFFERING THROUGH AN UNDERWRITER. IF THE NUMBER OF SHARES  
23 OF CAPITAL STOCK NOT SUBSCRIBED BY ELIGIBLE MEMBERS IS SO SMALL  
24 IN NUMBER OR OTHER FACTORS EXIST THAT DO NOT WARRANT THE TIME OR  
25 EXPENSE OF A PUBLIC OFFERING, THE PLAN OF CONVERSION MAY PROVIDE  
26 FOR SALE OF THE UNSUBSCRIBED SHARES THROUGH A PRIVATE PLACEMENT  
27 OR OTHER ALTERNATIVE METHOD APPROVED BY THE COMMISSIONER THAT IS  
28 FAIR AND EQUITABLE TO ELIGIBLE MEMBERS.

29 (D) THE PLAN SHALL SET THE TOTAL PRICE OF THE CAPITAL STOCK  
30 EQUAL TO THE ESTIMATED PRO FORMA MARKET VALUE OF THE CONVERTED

1 STOCK COMPANY BASED UPON AN INDEPENDENT EVALUATION BY A  
2 QUALIFIED EXPERT. THIS PRO FORMA MARKET VALUE MAY BE THAT VALUE  
3 THAT IS ESTIMATED TO BE NECESSARY TO ATTRACT FULL SUBSCRIPTION  
4 FOR THE SHARES, AS INDICATED BY THE INDEPENDENT EVALUATION AND  
5 MAY BE STATED AS A RANGE OF PRO FORMA MARKET VALUE.

6 (E) THE PLAN SHALL SET THE PURCHASE PRICE PER SHARE OF  
7 CAPITAL STOCK EQUAL TO ANY REASONABLE AMOUNT. HOWEVER, THE  
8 MINIMUM SUBSCRIPTION AMOUNT REQUIRED OF ANY ELIGIBLE MEMBER  
9 CANNOT EXCEED FIVE HUNDRED (\$500) DOLLARS, BUT THE PLAN MAY  
10 PROVIDE THAT THE MINIMUM NUMBER OF SHARES ANY PERSON MAY  
11 PURCHASE PURSUANT TO THE PLAN IS TWENTY-FIVE (25) SHARES.

12 (F) THE PLAN SHALL PROVIDE THAT ANY PERSON OR GROUP OF  
13 PERSONS ACTING IN CONCERT SHALL NOT ACQUIRE, IN THE PUBLIC  
14 OFFERING OR PURSUANT TO THE EXERCISE OF SUBSCRIPTION RIGHTS,  
15 MORE THAN FIVE PER CENTUM (5%) OF THE CAPITAL STOCK OF THE  
16 CONVERTED STOCK COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT  
17 IS PARTICIPATING IN THE CONVERSION PLAN, AS PROVIDED IN  
18 SUBSECTION (A)(3)(I), EXCEPT WITH THE APPROVAL OF THE  
19 COMMISSIONER. THIS LIMITATION DOES NOT APPLY TO ANY ENTITY THAT  
20 IS TO PURCHASE ONE HUNDRED PER CENTUM (100%) OF THE CAPITAL  
21 STOCK OF THE CONVERTED COMPANY AS PART OF THE PLAN OF CONVERSION  
22 APPROVED BY THE COMMISSIONER.

23 (G) THE PLAN SHALL PROVIDE THAT NO DIRECTOR OR OFFICER OR  
24 PERSON ACTING IN CONCERT WITH A DIRECTOR OR OFFICER OF THE  
25 MUTUAL COMPANY SHALL ACQUIRE ANY CAPITAL STOCK OF THE CONVERTED  
26 STOCK COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT IS  
27 PARTICIPATING IN THE CONVERSION PLAN, AS PROVIDED IN SUBSECTION  
28 (A)(3)(I), FOR THREE (3) YEARS AFTER THE EFFECTIVE DATE OF THE  
29 PLAN, EXCEPT THROUGH A BROKER-DEALER, WITHOUT THE PERMISSION OF  
30 THE COMMISSIONER. THIS PROVISION DOES NOT PROHIBIT THE DIRECTORS

AND OFFICERS FROM MAKING BLOCK PURCHASES OF ONE PER CENTUM (1%)  
OR MORE OF THE OUTSTANDING COMMON STOCK:

(1) OTHER THAN THROUGH A BROKER-DEALER IF APPROVED IN  
WRITING BY THE DEPARTMENT;

(2) THROUGH THE EXERCISE OF SUBSCRIPTION RIGHTS RECEIVED  
UNDER THE PLAN; OR

(3) FROM PARTICIPATING IN A STOCK BENEFIT PLAN PERMITTED BY  
SECTION 806-A(C) OR APPROVED BY SHAREHOLDERS PURSUANT TO SECTION  
811-A(B).

(H) THE PLAN SHALL PROVIDE THAT NO DIRECTOR OR OFFICER MAY  
SELL STOCK PURCHASED PURSUANT TO THIS SECTION OR SECTION 806-  
A(A) WITHIN ONE (1) YEAR AFTER THE EFFECTIVE DATE OF THE  
CONVERSION.

(I) THE PLAN SHALL PROVIDE THAT THE RIGHTS OF A HOLDER OF A  
SURPLUS NOTE TO PARTICIPATE IN THE CONVERSION, IF ANY, SHALL BE  
GOVERNED BY THE TERMS OF THE SURPLUS NOTE.

(J) THE PLAN SHALL PROVIDE THAT, WITHOUT THE PRIOR APPROVAL  
OF THE COMMISSIONER, NO CONVERTED STOCK COMPANY, OR ANY  
CORPORATION PARTICIPATING IN THE CONVERSION PLAN PURSUANT TO  
SUBSECTION (A)(3)(I)(A) OR (B), SHALL FOR A PERIOD OF THREE (3)  
YEARS FROM THE DATE OF THE COMPLETION OF THE CONVERSION  
REPURCHASE ANY OF ITS CAPITAL STOCK FROM ANY PERSON, EXCEPT THAT  
THIS RESTRICTION SHALL NOT APPLY TO EITHER:

(1) A REPURCHASE ON A PRO RATA BASIS PURSUANT TO AN OFFER  
MADE TO ALL SHAREHOLDERS OF THE CONVERTED STOCK COMPANY OR ANY  
CORPORATION PARTICIPATING IN THE CONVERSION PLAN PURSUANT TO  
SUBSECTION (A)(3)(I)(A) OR (B); OR

(2) A PURCHASE IN THE OPEN MARKET BY A TAX-QUALIFIED OR NON-  
TAX-QUALIFIED EMPLOYEE STOCK BENEFIT PLAN IN AN AMOUNT REASONABLE  
AND APPROPRIATE TO FUND THE PLAN.

1       SECTION 805-A.   CLOSED BLOCK OF BUSINESS FOR PARTICIPATING  
2 LIFE POLICIES.--(A)   THE PLAN SHALL PROVIDE THAT A MUTUAL LIFE  
3 INSURANCE COMPANY'S PARTICIPATING LIFE POLICIES IN FORCE ON THE  
4 EFFECTIVE DATE OF THE CONVERSION SHALL BE OPERATED BY THE  
5 CONVERTED STOCK COMPANY FOR DIVIDEND PURPOSES AS A CLOSED BLOCK  
6 OF PARTICIPATING BUSINESS, EXCEPT THAT ANY AND ALL CLASSES OF  
7 GROUP PARTICIPATING POLICIES MAY BE EXCLUDED FROM THE CLOSED  
8 BLOCK.

9       (B)   THE PLAN SHALL PROVIDE THAT SUFFICIENT ASSETS OF THE  
10 MUTUAL COMPANY SHALL BE ALLOCATED FOR THE BENEFIT OF THE CLOSED  
11 BLOCK OF BUSINESS SO THAT THE ASSETS, TOGETHER WITH THE REVENUE  
12 FROM THE CLOSED BLOCK OF BUSINESS, ARE SUFFICIENT TO SUPPORT THE  
13 CLOSED BLOCK, INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF  
14 CLAIMS, EXPENSES, TAXES AND ANY DIVIDENDS THAT ARE PROVIDED FOR  
15 UNDER THE TERMS OF THE PARTICIPATING POLICIES, WITH APPROPRIATE  
16 ADJUSTMENTS IN THE DIVIDENDS FOR EXPERIENCE CHANGES. THE PLAN  
17 SHALL BE ACCOMPANIED BY AN OPINION OF A QUALIFIED ACTUARY OR AN  
18 APPOINTED ACTUARY WHO MEETS THE STANDARDS SET FORTH IN THE  
19 INSURANCE LAWS OR REGULATIONS OF THIS COMMONWEALTH FOR THE  
20 SUBMISSION OF ACTUARIAL OPINIONS AS TO THE ADEQUACY OF RESERVES  
21 OR ASSETS. THE OPINION SHALL RELATE TO THE ADEQUACY OF THE  
22 ASSETS ALLOCATED IN SUPPORT OF THE CLOSED BLOCK OF BUSINESS. THE  
23 ACTUARIAL OPINION SHALL BE BASED ON METHODS OF ANALYSIS DEEMED  
24 APPROPRIATE FOR THOSE PURPOSES BY THE ACTUARIAL STANDARDS BOARD.

25       (C)   THE AMOUNT OF ASSETS ALLOCATED FOR THE BENEFIT OF THE  
26 CLOSED BLOCK SHALL BE BASED UPON THE MUTUAL LIFE INSURANCE  
27 COMPANY'S LAST ANNUAL STATEMENT, UPDATED TO THE LAST DAY OF THE  
28 QUARTER IMMEDIATELY PRECEDING THE EFFECTIVE DATE OF THE  
29 CONVERSION.

30       (D)   THE CONVERTED STOCK COMPANY SHALL KEEP A SEPARATE

1 ACCOUNTING FOR THE CLOSED BLOCK AND SHALL MAKE AND INCLUDE IN  
2 THE ANNUAL STATEMENT TO BE FILED WITH THE COMMISSIONER EACH YEAR  
3 A SEPARATE STATEMENT SHOWING THE GAINS, LOSSES AND EXPENSES  
4 PROPERLY ATTRIBUTABLE TO THE CLOSED BLOCK.

5 (E) PERIODICALLY, UPON THE COMMISSIONER'S APPROVAL, THOSE  
6 ASSETS ALLOCATED TO THE CLOSED BLOCK THAT ARE IN EXCESS OF THE  
7 AMOUNT OF ASSETS NECESSARY TO SUPPORT THE REMAINING POLICIES IN  
8 THE CLOSED BLOCK SHALL REVERT TO THE BENEFIT OF THE CONVERTED  
9 STOCK COMPANY.

10 (F) THE COMMISSIONER MAY WAIVE THE REQUIREMENT FOR  
11 ESTABLISHING A CLOSED BLOCK OF BUSINESS IF IT IS IN THE BEST  
12 INTERESTS OF POLICYHOLDERS TO DO SO. THE COMMISSIONER MAY WAIVE  
13 FROM INCLUSION IN THE CLOSED BLOCK OF PARTICIPATING POLICIES  
14 THOSE PARTICIPATING POLICIES FOR WHICH THERE IS NO EXPECTATION  
15 OF DIVIDENDS BEING PAID, IF IT IS FAIR AND EQUITABLE TO DO SO.

16 (G) THIS SECTION APPLIES ONLY TO MUTUAL LIFE INSURANCE  
17 COMPANIES.

18 SECTION 806-A. OPTIONAL PROVISIONS OF PLAN OF CONVERSION.--

19 (A) THE PLAN MAY PROVIDE THAT THE DIRECTORS AND OFFICERS OF THE  
20 MUTUAL COMPANY SHALL RECEIVE, WITHOUT PAYMENT, NONTRANSFERABLE  
21 SUBSCRIPTION RIGHTS TO PURCHASE CAPITAL STOCK OF THE CONVERTED  
22 STOCK COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT IS  
23 PARTICIPATING IN THE CONVERSION PLAN, AS PROVIDED IN SECTION  
24 804-A(A)(3)(I). THESE SUBSCRIPTION RIGHTS SHALL BE ALLOCATED  
25 AMONG THE DIRECTORS AND OFFICERS BY A FAIR AND EQUITABLE FORMULA  
26 AND SHALL BE SUBORDINATE TO THE SUBSCRIPTION RIGHTS OF ELIGIBLE  
27 MEMBERS. NOTHING CONTAINED IN THIS ARTICLE SHALL REQUIRE THE  
28 SUBORDINATION OF SUBSCRIPTION RIGHTS RECEIVED BY DIRECTORS AND  
29 OFFICERS IN THEIR CAPACITY AS ELIGIBLE MEMBERS, IF ANY.

30 (B) THE AGGREGATE TOTAL NUMBER OF SHARES THAT MAY BE

1 PURCHASED BY DIRECTORS AND OFFICERS OF THE MUTUAL COMPANY IN  
2 THEIR CAPACITY UNDER SUBSECTION (A) AND IN THEIR CAPACITY AS  
3 ELIGIBLE MEMBERS UNDER SECTION 804-A(A)(3)(I) SHALL NOT EXCEED  
4 THIRTY-FIVE PER CENTUM (35%) OF THE TOTAL NUMBER OF SHARES TO BE  
5 ISSUED FOR A MUTUAL COMPANY IF TOTAL ASSETS OF THE MUTUAL  
6 COMPANY ARE LESS THAN FIFTY MILLION (\$50,000,000) DOLLARS OR  
7 TWENTY-FIVE PER CENTUM (25%) OF THE TOTAL NUMBER OF SHARES TO BE  
8 ISSUED FOR A MUTUAL COMPANY IF TOTAL ASSETS OF THE MUTUAL  
9 COMPANY ARE MORE THAN FIVE HUNDRED MILLION (\$500,000,000)  
10 DOLLARS. FOR MUTUAL COMPANIES WITH TOTAL ASSETS OF OR BETWEEN  
11 FIFTY MILLION (\$50,000,000) DOLLARS AND FIVE HUNDRED MILLION  
12 (\$500,000,000) DOLLARS, THE PERCENTAGE OF THE TOTAL NUMBER OF  
13 SHARES THAT MAY BE PURCHASED SHALL BE INTERPOLATED.

14 (C) THE PLAN MAY ALLOCATE TO A TAX-QUALIFIED EMPLOYE BENEFIT  
15 PLAN NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PURCHASE UP TO TEN  
16 PER CENTUM (10%) OF THE CAPITAL STOCK OF THE CONVERTED STOCK  
17 COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT IS  
18 PARTICIPATING IN THE CONVERSION PLAN, AS PROVIDED IN SECTION  
19 804-A(A)(3)(I). A TAX-QUALIFIED EMPLOYE BENEFIT PLAN IS ENTITLED  
20 TO EXERCISE SUBSCRIPTION RIGHTS GRANTED UNDER THIS SUBSECTION  
21 REGARDLESS OF THE TOTAL NUMBER OF SHARES PURCHASED BY OTHER  
22 PERSONS.

23 (D) THE PLAN MAY PROVIDE FOR THE CREATION OF A LIQUIDATION  
24 ACCOUNT FOR THE BENEFIT OF MEMBERS IN THE EVENT OF VOLUNTARY  
25 LIQUIDATION SUBSEQUENT TO CONVERSION IN AN AMOUNT EQUAL TO THE  
26 SURPLUS OF THE MUTUAL COMPANY, EXCLUSIVE OF THE PRINCIPAL AMOUNT  
27 OF ANY SURPLUS NOTE, ON THE LAST DAY OF THE QUARTER IMMEDIATELY  
28 PRECEDING THE DATE OF ADOPTION OF THE PLAN.

29 SECTION 807-A. ALTERNATIVE PLAN OF CONVERSION.--THE BOARD OF  
30 DIRECTORS MAY ADOPT A PLAN OF CONVERSION THAT DOES NOT RELY IN

WHOLE OR IN PART UPON ISSUING NONTRANSFERABLE SUBSCRIPTION  
RIGHTS TO MEMBERS TO PURCHASE STOCK OF THE CONVERTED STOCK  
COMPANY IF THE COMMISSIONER FINDS THAT THE PLAN DOES NOT  
PREJUDICE THE INTERESTS OF THE MEMBERS, IS FAIR AND EQUITABLE  
AND IS NOT INCONSISTENT WITH THE PURPOSE AND INTENT OF THIS ACT.  
AN ALTERNATIVE PLAN MAY:

(1) INCLUDE THE MERGER OF A DOMESTIC MUTUAL INSURER INTO A  
DOMESTIC OR FOREIGN STOCK INSURER.

(2) PROVIDE FOR ISSUING STOCK, CASH OR OTHER CONSIDERATION  
TO POLICYHOLDERS INSTEAD OF SUBSCRIPTION RIGHTS.

(3) PROVIDE FOR PARTIAL CONVERSION OF THE MUTUAL COMPANY AND  
FORMATION OF A MUTUAL HOLDING COMPANY.

(4) SET FORTH ANOTHER PLAN CONTAINING ANY OTHER PROVISIONS  
APPROVED BY THE COMMISSIONER.

NO ALTERNATIVE PLAN OF CONVERSION PROVIDING FOR THE FORMATION OF  
A MUTUAL HOLDING COMPANY SHALL BE APPROVED BY THE COMMISSIONER  
BEFORE REGULATIONS PERMITTING PARTIAL CONVERSION AND FORMATION  
OF A MUTUAL HOLDING COMPANY ARE ADOPTED BY THE COMMISSIONER. THE  
COMMISSIONER MAY RETAIN, AT THE MUTUAL COMPANY'S EXPENSE, ANY  
QUALIFIED EXPERT NOT OTHERWISE A PART OF THE COMMISSIONER'S  
STAFF TO ASSIST IN REVIEWING WHETHER THE PLAN MAY BE APPROVED BY  
THE COMMISSIONER.

SECTION 808-A. EFFECTIVE DATE OF PLAN.--A PLAN IS EFFECTIVE  
WHEN THE COMMISSIONER HAS APPROVED THE PLAN, THE ELIGIBLE  
MEMBERS HAVE APPROVED THE PLAN AND ADOPTED THE AMENDED ARTICLES  
OF INCORPORATION AND THE MUTUAL COMPANY FILES THE AMENDED  
ARTICLES OF INCORPORATION IN THE OFFICE OF THE SECRETARY OF THE  
COMMONWEALTH.

SECTION 809-A. RIGHTS OF MEMBERS WHOSE POLICIES ARE ISSUED  
AFTER ADOPTION OF PLAN AND BEFORE EFFECTIVE DATE.--(A) ALL



1 MEMBERS WHOSE POLICIES ARE ISSUED AFTER THE PROPOSED PLAN HAS  
2 BEEN ADOPTED BY THE BOARD OF DIRECTORS AND BEFORE THE EFFECTIVE  
3 DATE OF THE PLAN SHALL BE SENT A WRITTEN NOTICE REGARDING THE  
4 PLAN UPON ISSUANCE OF SUCH POLICY.

5 (B) A MEMBER OF A LIFE OR HEALTH INSURANCE COMPANY ENTITLED  
6 TO BE SENT THE NOTICE DESCRIBED IN SUBSECTION (A) IS ENTITLED TO  
7 RESCIND THE MEMBER'S POLICY AND RECEIVE A FULL REFUND OF ANY  
8 AMOUNTS PAID FOR THE POLICY OR CONTRACT WITHIN TEN (10) DAYS  
9 AFTER HE HAS RECEIVED THE NOTICE. EXCEPT AS PROVIDED IN  
10 SUBSECTION (C) EACH MEMBER OF A PROPERTY OR CASUALTY INSURANCE  
11 COMPANY ENTITLED TO RECEIVE THE NOTICE PROVIDED FOR IN  
12 SUBSECTION (A) SHALL BE ADVISED OF THE MEMBER'S RIGHT OF  
13 CANCELLATION AND TO A PRO RATA REFUND OF UNEARNED PREMIUMS.

14 (C) NO MEMBER OF A LIFE OR HEALTH INSURANCE COMPANY OR  
15 PROPERTY OR CASUALTY INSURANCE COMPANY WHO HAS MADE OR FILED A  
16 CLAIM UNDER HIS INSURANCE POLICY SHALL BE ENTITLED TO ANY RIGHT  
17 TO RECEIVE ANY REFUND UNDER SUBSECTION (B). NO PERSON WHO HAS  
18 EXERCISED THE RIGHTS PROVIDED BY SUBSECTION (B) SHALL BE  
19 ENTITLED TO MAKE OR FILE ANY CLAIM UNDER HIS INSURANCE POLICY.

20 SECTION 810-A. CORPORATE EXISTENCE.--(A) ON THE EFFECTIVE  
21 DATE OF THE CONVERSION, THE CORPORATE EXISTENCE OF THE MUTUAL  
22 COMPANY CONTINUES IN THE CONVERTED STOCK COMPANY. ON THE  
23 EFFECTIVE DATE OF THE CONVERSION, ALL THE ASSETS, RIGHTS,  
24 FRANCHISES AND INTERESTS OF THE MUTUAL COMPANY IN AND TO EVERY  
25 SPECIES OF PROPERTY, REAL, PERSONAL AND MIXED, AND ANY  
26 ACCOMPANYING THINGS IN ACTION, ARE VESTED IN THE CONVERTED STOCK  
27 COMPANY, WITHOUT ANY DEED OR TRANSFER AND THE CONVERTED STOCK  
28 COMPANY ASSUMES ALL THE OBLIGATIONS AND LIABILITIES OF THE  
29 MUTUAL COMPANY.

30 (B) UNLESS OTHERWISE SPECIFIED IN THE PLAN OF CONVERSION,

1 THE PERSONS WHO ARE DIRECTORS AND OFFICERS OF THE MUTUAL COMPANY  
2 ON THE EFFECTIVE DATE OF THE CONVERSION SHALL SERVE AS DIRECTORS  
3 AND OFFICERS OF THE CONVERTED STOCK COMPANY UNTIL NEW DIRECTORS  
4 AND OFFICERS OF THE CONVERTED STOCK COMPANY ARE ELECTED PURSUANT  
5 TO THE ARTICLES OF INCORPORATION AND BYLAWS OF THE CONVERTED  
6 STOCK COMPANY.

7 SECTION 811-A. CONFLICT OF INTEREST.--(A) A DIRECTOR,  
8 OFFICER, AGENT OR EMPLOYE OF THE MUTUAL COMPANY SHALL NOT  
9 RECEIVE ANY FEE, COMMISSION OR OTHER VALUABLE CONSIDERATION,  
10 OTHER THAN HIS USUAL REGULAR SALARY OR COMPENSATION, FOR AIDING,  
11 PROMOTING OR ASSISTING IN A CONVERSION UNDER THIS ARTICLE EXCEPT  
12 AS PROVIDED FOR IN THE PLAN APPROVED BY THE COMMISSIONER. THIS  
13 PROVISION DOES NOT PROHIBIT THE PAYMENT OF REASONABLE FEES AND  
14 COMPENSATION TO ATTORNEYS, ACCOUNTANTS AND ACTUARIES FOR  
15 SERVICES PERFORMED IN THE INDEPENDENT PRACTICE OF THEIR  
16 PROFESSIONS, EVEN IF THE ATTORNEY, ACCOUNTANT OR ACTUARY IS ALSO  
17 A DIRECTOR OR OFFICER OF THE MUTUAL COMPANY.

18 (B) FOR A PERIOD OF TWO (2) YEARS AFTER THE EFFECTIVE DATE  
19 OF THE CONVERSION, NO CONVERTED STOCK COMPANY SHALL IMPLEMENT  
20 ANY NON-TAX-QUALIFIED STOCK BENEFIT PLAN UNLESS THE PLAN IS  
21 APPROVED BY A MAJORITY OF VOTES ELIGIBLE TO BE CAST AT A MEETING  
22 OF SHAREHOLDERS HELD NOT LESS THAN SIX (6) MONTHS AFTER THE  
23 EFFECTIVE DATE OF THE CONVERSION.

24 (C) ALL THE COSTS AND EXPENSES CONNECTED WITH A PLAN OF  
25 CONVERSION SHALL BE PAID FOR OR REIMBURSED BY THE MUTUAL COMPANY  
26 OR THE CONVERTED STOCK COMPANY. HOWEVER, IF THE PLAN PROVIDES  
27 FOR PARTICIPATION BY ANOTHER CORPORATION OR STOCK COMPANY IN THE  
28 PLAN PURSUANT TO SECTION 804-A(A)(3)(I), THE CORPORATION OR  
29 STOCK COMPANY MAY PAY FOR OR REIMBURSE ALL OR A PORTION OF THE  
30 COSTS AND EXPENSES CONNECTED WITH THE PLAN.

1     SECTION 812-A. FAILURE TO GIVE NOTICE.--IF THE MUTUAL  
2     COMPANY COMPLIES SUBSTANTIALLY AND IN GOOD FAITH WITH THE NOTICE  
3     REQUIREMENTS OF THIS ARTICLE, THE MUTUAL COMPANY'S FAILURE TO  
4     SEND A MEMBER THE REQUIRED NOTICE DOES NOT IMPAIR THE VALIDITY  
5     OF ANY ACTION TAKEN UNDER THIS ARTICLE.

6     SECTION 813-A. LIMITATION ON ACTIONS.--ANY ACTION  
7     CHALLENGING THE VALIDITY OF OR ARISING OUT OF ACTS TAKEN OR  
8     PROPOSED TO BE TAKEN UNDER THIS ARTICLE SHALL BE COMMENCED NO  
9     LATER THAN THIRTY (30) DAYS AFTER THE EFFECTIVE DATE OF THE  
10    PLAN.

11    SECTION 814-A. INSOLVENT MUTUAL COMPANY.--(A) IF A MUTUAL  
12    COMPANY IS INSOLVENT OR, IN THE JUDGMENT OF THE COMMISSIONER, IS  
13    IN HAZARDOUS FINANCIAL CONDITION, ITS BOARD OF DIRECTORS, BY A  
14    MAJORITY VOTE, MAY REQUEST IN ITS PETITION THAT THE COMMISSIONER  
15    WAIVE THE REQUIREMENTS IMPOSING NOTICE TO AND POLICYHOLDER  
16    APPROVAL OF THE PLANNED CONVERSION. THE PETITION SHALL SPECIFY  
17    BOTH OF THE FOLLOWING:

18    (1) THE METHOD AND BASIS FOR THE ISSUANCE OF THE CONVERTED  
19    STOCK COMPANY'S SHARES OF ITS CAPITAL STOCK TO AN INDEPENDENT  
20    PARTY IN CONNECTION WITH AN INVESTMENT BY THE INDEPENDENT PARTY  
21    IN AN AMOUNT SUFFICIENT TO RESTORE THE CONVERTED STOCK COMPANY  
22    TO A SOUND FINANCIAL CONDITION.

23    (2) THAT THE CONVERSION SHALL BE ACCOMPLISHED WITHOUT  
24    CONSIDERATION TO THE PAST, PRESENT OR FUTURE POLICYHOLDERS, IF  
25    THE COMMISSIONER FINDS THAT THE VALUE OF THE MUTUAL COMPANY IS  
26    INSUFFICIENT TO WARRANT CONSIDERATION.

27    (B) IF THE COMMISSIONER, UPON REVIEW OF THE PLAN OF  
28    CONVERSION AND AFTER A FINANCIAL EXAMINATION, FINDS THAT THE  
29    MUTUAL COMPANY NO LONGER MEETS STATUTORY REQUIREMENTS WITH  
30    RESPECT TO CAPITAL, SURPLUS, DEPOSITS OR ASSETS, THE

1 COMMISSIONER MAY WAIVE, BY A WRITTEN ORDER, THE REQUIREMENTS OF  
2 SECTION 803-A(F).

3 SECTION 815-A. RULES AND REGULATIONS.--THE COMMISSIONER MAY  
4 PROMULGATE RULES AND REGULATIONS TO ADMINISTER AND ENFORCE THIS  
5 ARTICLE.

6 SECTION 816-A. LAWS APPLICABLE TO CONVERTED STOCK COMPANY.--  
7 (A) NO MUTUAL COMPANY SHALL BE PERMITTED TO CONVERT UNDER THIS  
8 ARTICLE IF AS A DIRECT RESULT OF THE CONVERSION ANY PERSON OR  
9 ANY AFFILIATE THEREOF ACQUIRES CONTROL OF THE CONVERTED STOCK  
10 COMPANY, UNLESS THAT PERSON AND HIS AFFILIATES COMPLY WITH THE  
11 PROVISIONS OF SECTION 1402. FOR PURPOSES OF THIS SUBSECTION,  
12 "CONTROL" SHALL HAVE THE MEANING GIVEN TO SUCH TERM IN SECTION  
13 1401.

14 (B) EXCEPT AS OTHERWISE SPECIFIED IN THIS ARTICLE, A STOCK  
15 COMPANY CONVERTED UNDER THIS ARTICLE SHALL HAVE AND MAY EXERCISE  
16 ALL THE RIGHTS AND PRIVILEGES AND SHALL BE SUBJECT TO ALL OF THE  
17 REQUIREMENTS AND REGULATIONS IMPOSED UPON STOCK INSURANCE  
18 COMPANIES FORMED UNDER THIS ACT, AND ANY OTHER LAWS OF THIS  
19 COMMONWEALTH RELATING TO THE REGULATION AND SUPERVISION OF  
20 INSURANCE COMPANIES, BUT IT SHALL EXERCISE NO RIGHTS OR  
21 PRIVILEGES WHICH OTHER STOCK INSURANCE COMPANIES MAY NOT  
22 EXERCISE.

23 SECTION 817-A. COMMENCEMENT OF BUSINESS AS A STOCK INSURANCE  
24 COMPANY.--NO MUTUAL COMPANY SHALL HAVE THE POWER TO ENGAGE IN  
25 THE BUSINESS OF INSURANCE AS A STOCK COMPANY UNTIL IT COMPLIES  
26 WITH ALL PROVISIONS OF THIS ARTICLE.

27 SECTION 818-A. AMENDMENT OF POLICIES.--A MUTUAL COMPANY, BY  
28 ENDORSEMENT OR RIDER APPROVED BY THE COMMISSIONER AND SENT TO  
29 THE POLICYHOLDER, MAY SIMULTANEOUSLY WITH OR AT ANY TIME AFTER  
30 THE ADOPTION OF A PLAN OF CONVERSION AMEND ANY OUTSTANDING

1 INSURANCE POLICY FOR THE PURPOSE OF EXTINGUISHING THE RIGHT OF  
2 THE HOLDER OF ANY SUCH POLICY TO SHARE IN THE SURPLUS OF THE  
3 MUTUAL COMPANY. HOWEVER, THIS AMENDMENT SHALL BE NULL AND VOID  
4 IF THE PLAN OF CONVERSION IS NOT SUBMITTED TO THE COMMISSIONER  
5 OR, IF SUBMITTED, IS DISAPPROVED BY THE COMMISSIONER OR, IF  
6 APPROVED BY THE COMMISSIONER, IS NOT APPROVED BY THE ELIGIBLE  
7 MEMBERS ON OR BEFORE THE FIRST ANNIVERSARY OF ITS APPROVAL BY  
8 THE COMMISSIONER.

9 ARTICLE VIII B.

10 RECIPROCAL EXCHANGE STOCK CONVERSION.

11 SECTION 801 B. SHORT TITLE OF ARTICLE. THIS ARTICLE SHALL  
12 BE KNOWN AND MAY BE CITED AS THE RECIPROCAL EXCHANGE STOCK  
13 CONVERSION ACT.

14 SECTION 802 B. DEFINITIONS. AS USED IN THIS ARTICLE THE  
15 FOLLOWING WORDS AND PHRASES SHALL HAVE THE MEANINGS GIVEN TO  
16 THEM IN THIS SECTION:

17 "COMMISSIONER." THE INSURANCE COMMISSIONER OF THE  
18 COMMONWEALTH.

19 "CONVERTED STOCK COMPANY." A PENNSYLVANIA DOMICILED STOCK  
20 INSURANCE COMPANY THAT CONVERTED FROM A PENNSYLVANIA DOMICILED  
21 RECIPROCAL EXCHANGE UNDER THIS ARTICLE.

22 "DEPARTMENT." THE INSURANCE DEPARTMENT OF THE COMMONWEALTH.

23 "ELIGIBLE MEMBER." A SUBSCRIBER OF A RECIPROCAL EXCHANGE  
24 WHOSE POLICY IS IN FORCE ON THE DATE THE RECIPROCAL EXCHANGE'S  
25 ATTORNEY IN FACT ADOPTS A PLAN OF CONVERSION. A PERSON INSURED  
26 UNDER A GROUP POLICY IS NOT AN ELIGIBLE MEMBER. A PERSON WHOSE  
27 POLICY BECOMES EFFECTIVE AFTER THE RECIPROCAL EXCHANGE'S  
28 ATTORNEY IN FACT ADOPTS THE PLAN BUT BEFORE THE PLAN'S EFFECTIVE  
29 DATE IS NOT AN ELIGIBLE MEMBER BUT SHALL HAVE THOSE RIGHTS  
30 ESTABLISHED UNDER SECTION 808 B.

~~"PARTICIPATING POLICY." A POLICY THAT GRANTS A HOLDER THE  
RIGHT TO RECEIVE DIVIDENDS IF, AS AND WHEN DECLARED BY THE  
RECIPROCAL EXCHANGE.~~

~~"PLAN OF CONVERSION" OR "PLAN." A PLAN ADOPTED BY THE  
RECIPROCAL EXCHANGE'S ATTORNEY IN FACT UNDER THIS ARTICLE TO  
CONVERT THE RECIPROCAL EXCHANGE INTO A STOCK COMPANY.~~

~~"POLICY." AN INSURANCE POLICY, INCLUDING AN ANNUITY  
CONTRACT.~~

~~"RECIPROCAL EXCHANGE." A PENNSYLVANIA DOMESTIC RECIPROCAL  
EXCHANGE THAT IS SEEKING TO CONVERT INTO A STOCK COMPANY UNDER  
THIS ARTICLE.~~

~~"STOCK COMPANY." A STOCK INSURANCE COMPANY THAT MEETS ALL OF  
THE CURRENT REQUIREMENTS FOR ADMISSION TO DO BUSINESS AS A  
DOMESTIC PENNSYLVANIA INSURER.~~

~~SECTION 803 B. ADOPTION OF PLAN OF CONVERSION. (A) NO PLAN  
OF CONVERSION SHALL BECOME EFFECTIVE UNLESS THE ATTORNEY IN FACT  
OF A RECIPROCAL EXCHANGE SEEKING TO CONVERT TO A STOCK COMPANY  
SHALL HAVE ADOPTED A PLAN OF CONVERSION CONSISTENT WITH THE  
REQUIREMENTS OF SECTIONS 804 B AND 805 B. AT ANY TIME BEFORE  
APPROVAL OF A PLAN BY THE COMMISSIONER, THE ATTORNEY IN FACT OF  
A RECIPROCAL EXCHANGE MAY AMEND OR WITHDRAW THE PLAN.~~

~~(B) BEFORE A RECIPROCAL EXCHANGE'S ELIGIBLE MEMBERS MAY VOTE  
ON APPROVAL OF A PLAN, AN ATTORNEY IN FACT OF A RECIPROCAL  
EXCHANGE SHALL FILE ALL OF THE FOLLOWING DOCUMENTS WITH THE  
COMMISSIONER WITHIN NINETY (90) DAYS AFTER ADOPTION OF THE PLAN:~~

~~(1) THE PLAN OF CONVERSION, INCLUDING THE INDEPENDENT  
EVALUATION OF PRO FORMA MARKET VALUE REQUIRED BY SECTION 804  
B(D).~~

~~(2) THE FORM OF NOTICE REQUIRED BY SUBSECTION (F).~~

~~(3) THE FORM OF PROXY TO BE SOLICITED FROM ELIGIBLE MEMBERS~~

~~PURSUANT TO SUBSECTION (G).~~

~~(4) THE FORM OF NOTICE REQUIRED BY SECTION 808 B TO PERSONS  
WHOSE POLICIES ARE ISSUED AFTER ADOPTION OF THE PLAN BUT BEFORE  
ITS EFFECTIVE DATE.~~

~~(5) THE PROPOSED ARTICLES OF INCORPORATION AND BYLAWS OF THE  
CONVERTED STOCK COMPANY.~~

~~(6) THE ACQUISITION OF CONTROL STATEMENT, AS REQUIRED BY  
SECTION 1402.~~

~~(7) THE PROPOSED ARTICLES OF INCORPORATION.~~

~~(8) SUCH OTHER INFORMATION AS THE COMMISSIONER MAY REQUEST.~~

~~UPON FILING OF THE FOREGOING DOCUMENTS WITH THE COMMISSIONER,~~

~~THE RECIPROCAL EXCHANGE SHALL SEND TO ELIGIBLE MEMBERS A NOTICE~~

~~ADVISING ELIGIBLE MEMBERS OF THE ADOPTION AND FILING OF THE~~

~~PLAN, THEIR ABILITY TO PROVIDE THE COMMISSIONER AND THE~~

~~RECIPROCAL EXCHANGE WITH COMMENTS ON THE PLAN WITHIN THIRTY (30)~~

~~DAYS OF THE DATE OF SUCH NOTICE AND PROCEDURE THEREFOR.~~

~~(C) THE COMMISSIONER SHALL APPROVE OR DISAPPROVE THE PLAN BY~~

~~NOT LATER THAN SIXTY (60) DAYS AFTER THE FILING OF THE DOCUMENTS~~

~~UNDER SUBSECTION (B). THE COMMISSIONER MAY EXTEND THE TIME FOR~~

~~APPROVAL OR DISAPPROVAL BY AN ADDITIONAL SIXTY (60) DAYS UPON~~

~~WRITTEN NOTICE TO THE RECIPROCAL EXCHANGE. THE COMMISSIONER~~

~~SHALL IMMEDIATELY GIVE WRITTEN NOTICE TO THE RECIPROCAL EXCHANGE~~

~~OF ANY DECISION AND, IN THE EVENT OF DISAPPROVAL, A STATEMENT IN~~

~~DETAIL OF THE REASONS FOR THE DECISION. THE COMMISSIONER SHALL~~

~~APPROVE THE PLAN IF THE COMMISSIONER FINDS EACH OF THE~~

~~FOLLOWING:~~

~~(1) THE PLAN COMPLIES WITH THIS ACT.~~

~~(2) THE PLAN WILL NOT PREJUDICE THE INTERESTS OF THE  
SUBSCRIBERS OF THE RECIPROCAL EXCHANGE.~~

~~(3) THE PLAN'S METHOD OF ALLOCATING SUBSCRIPTION RIGHTS IS~~

1 ~~FAIR AND EQUITABLE.~~

2 ~~(D) THE COMMISSIONER MAY RETAIN, AT THE RECIPROCAL~~  
3 ~~EXCHANGE'S EXPENSE, ANY QUALIFIED EXPERT NOT OTHERWISE A PART OF~~  
4 ~~THE COMMISSIONER'S STAFF TO ASSIST IN REVIEWING THE PLAN AND THE~~  
5 ~~INDEPENDENT EVALUATION OF THE PRO FORMA MARKET VALUE REQUIRED~~  
6 ~~UNDER SECTION 804 B(D).~~

7 ~~(E) THE COMMISSIONER MAY ORDER A HEARING ON WHETHER THE~~  
8 ~~TERMS OF THE PLAN COMPLY WITH THIS ARTICLE AFTER GIVING WRITTEN~~  
9 ~~NOTICE TO THE RECIPROCAL EXCHANGE AND OTHER INTERESTED PERSONS,~~  
10 ~~ALL OF WHOM HAVE THE RIGHT TO APPEAR AT THE HEARING.~~

11 ~~(F) ALL ELIGIBLE MEMBERS SHALL BE SENT NOTICE OF THE~~  
12 ~~MEMBERS' MEETING TO VOTE UPON THE PLAN. THE NOTICE SHALL BRIEFLY~~  
13 ~~BUT FAIRLY DESCRIBE THE PROPOSED CONVERSION PLAN, SHALL INFORM~~  
14 ~~THE MEMBER OF HIS RIGHT TO VOTE UPON THE PLAN AND SHALL BE SENT~~  
15 ~~TO EACH MEMBER'S LAST KNOWN ADDRESS, AS SHOWN ON THE RECIPROCAL~~  
16 ~~EXCHANGE'S RECORDS, AT LEAST THIRTY (30) DAYS BEFORE THE TIME~~  
17 ~~FIXED FOR THE MEETING. IF THE MEETING TO VOTE UPON THE PLAN IS~~  
18 ~~HELD DURING THE RECIPROCAL EXCHANGE'S ANNUAL MEETING OF~~  
19 ~~SUBSCRIBERS, ONLY A COMBINED NOTICE OF MEETING IS REQUIRED.~~

20 ~~(G) THE PLAN SHALL BE VOTED UPON BY ELIGIBLE MEMBERS AND~~  
21 ~~SHALL BE ADOPTED UPON RECEIVING THE AFFIRMATIVE VOTE OF AT LEAST~~  
22 ~~TWO THIRDS OF THE VOTES CAST BY ELIGIBLE MEMBERS. MEMBERS~~  
23 ~~ENTITLED TO VOTE UPON THE PROPOSED PLAN MAY VOTE IN PERSON OR BY~~  
24 ~~PROXY. THE NUMBER OF VOTES EACH ELIGIBLE MEMBER MAY CAST SHALL~~  
25 ~~BE DETERMINED BY THE RECIPROCAL EXCHANGE'S BYLAWS. IF THE BYLAWS~~  
26 ~~ARE SILENT, EACH ELIGIBLE MEMBER MAY CAST ONE VOTE.~~

27 ~~(H) THE ARTICLES SHALL BE CONSIDERED AT THE MEETING OF THE~~  
28 ~~SUBSCRIBERS CALLED FOR THE PURPOSE OF ADOPTING THE PLAN OF~~  
29 ~~CONVERSION AND SHALL REQUIRE FOR ADOPTION THE AFFIRMATIVE VOTE~~  
30 ~~OF AT LEAST TWO THIRDS OF THE VOTES CAST BY ELIGIBLE MEMBERS.~~



~~(I) WITHIN THIRTY (30) DAYS AFTER THE ELIGIBLE MEMBERS HAVE  
APPROVED THE PLAN, THE CONVERTED STOCK COMPANY SHALL FILE BOTH  
OF THE FOLLOWING DOCUMENTS WITH THE COMMISSIONER:~~

~~(1) THE MINUTES OF THE MEETING OF THE ELIGIBLE MEMBERS AT  
WHICH THE PLAN WAS APPROVED.~~

~~(2) THE ARTICLES OF INCORPORATION AND BYLAWS OF THE  
CONVERTED STOCK COMPANY.~~

~~SECTION 804 B. REQUIRED PROVISIONS OF PLAN OF CONVERSION.~~

~~(A) THE FOLLOWING PROVISIONS SHALL BE INCLUDED IN THE PLAN:~~

~~(1) THE REASONS FOR PROPOSED CONVERSION.~~

~~(2) THE EFFECT OF CONVERSION ON EXISTING POLICIES, INCLUDING  
ALL OF THE FOLLOWING:~~

~~(I) A PROVISION THAT ALL POLICIES IN FORCE ON THE EFFECTIVE  
DATE OF CONVERSION CONTINUE TO REMAIN IN FORCE UNDER THE TERMS  
OF THE POLICIES, EXCEPT THAT THE FOLLOWING RIGHTS, TO THE EXTENT  
THEY EXISTED IN THE RECIPROCAL EXCHANGE, SHALL BE EXTINGUISHED  
ON THE EFFECTIVE DATE OF THE CONVERSION:~~

~~(A) ANY VOTING RIGHTS OF THE SUBSCRIBERS PROVIDED UNDER THE  
POLICIES.~~

~~(B) EXCEPT AS PROVIDED UNDER SUBPARAGRAPH (II), ANY RIGHT TO  
SHARE IN THE SURPLUS OF THE RECIPROCAL EXCHANGE PROVIDED FOR  
UNDER THE POLICIES.~~

~~(C) ANY ASSESSMENT PROVISIONS PROVIDED FOR UNDER THE  
POLICIES OF THE TYPE DESCRIBED IN SECTION 1004.~~

~~(II) EXCEPT AS PROVIDED IN SUBPARAGRAPH (III), A PROVISION  
THAT HOLDERS OF PARTICIPATING POLICIES IN EFFECT ON THE DATE OF  
CONVERSION CONTINUE TO HAVE A RIGHT TO RECEIVE DIVIDENDS AS  
PROVIDED IN THE PARTICIPATING POLICIES, IF ANY.~~

~~(III) A PROVISION THAT, EXCEPT FOR THE RECIPROCAL EXCHANGE'S  
GUARANTEED RENEWABLE ACCIDENT AND HEALTH POLICIES AND GUARANTEED~~

~~RENEWABLE, NONCANCELABLE ACCIDENT AND HEALTH POLICIES, UPON THE  
RENEWAL DATE OF A PARTICIPATING POLICY, THE CONVERTED STOCK  
COMPANY MAY ISSUE THE INSURED A NONPARTICIPATING POLICY AS A  
SUBSTITUTE FOR THE PARTICIPATING POLICY.~~

~~(3) THE SUBSCRIPTION RIGHTS, IF ANY, TO ELIGIBLE MEMBERS,  
INCLUDING BOTH OF THE FOLLOWING:~~

~~(1) A PROVISION THAT EACH ELIGIBLE MEMBER IS TO RECEIVE,  
WITHOUT PAYMENT, NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PURCHASE  
A PORTION OF THE CAPITAL STOCK OF THE CONVERTED STOCK COMPANY  
AND THAT, IN THE AGGREGATE, ALL ELIGIBLE MEMBERS SHALL HAVE THE  
RIGHT, PRIOR TO THE RIGHT OF ANY OTHER PARTY, TO PURCHASE ONE  
HUNDRED PER CENTUM (100%) OF THE CAPITAL STOCK OF THE CONVERTED  
COMPANY, EXCLUSIVE OF ANY SHARES OF CAPITAL STOCK REQUIRED TO BE  
SOLD OR DISTRIBUTED TO THE HOLDERS OF SURPLUS NOTES, IF ANY, AND  
CAPITAL STOCK PURCHASED BY THE COMPANY'S TAX QUALIFIED EMPLOYEE  
STOCK BENEFIT PLAN THAT IS IN EXCESS OF THE TOTAL PRICE OF THE  
CAPITAL STOCK ESTABLISHED UNDER SUBSECTION (D), AS PERMITTED BY  
SECTION 805 B(C). AS AN ALTERNATIVE TO SUBSCRIPTION RIGHTS IN  
THE CONVERTED STOCK COMPANY, THE PLAN MAY PROVIDE THAT EACH  
ELIGIBLE MEMBER IS TO RECEIVE, WITHOUT PAYMENT, NONTRANSFERABLE  
SUBSCRIPTION RIGHTS TO PURCHASE A PORTION OF THE CAPITAL STOCK  
OF ONE OF THE FOLLOWING:~~

~~(A) A CORPORATION ORGANIZED FOR THE PURPOSE OF PURCHASING  
AND HOLDING ALL THE STOCK OF THE CONVERTED STOCK COMPANY;~~

~~(B) A STOCK INSURANCE COMPANY OWNED BY THE CONVERTED STOCK  
COMPANY INTO WHICH THE CONVERTED STOCK COMPANY WILL BE MERGED;  
OR~~

~~(C) AN UNAFFILIATED STOCK INSURANCE COMPANY OR OTHER  
CORPORATION THAT WILL PURCHASE ALL THE STOCK OF THE CONVERTED  
STOCK COMPANY.~~

~~(II) A PROVISION THAT THE SUBSCRIPTION RIGHTS SHALL BE  
ALLOCATED IN WHOLE SHARES AMONG THE ELIGIBLE MEMBERS USING A  
FAIR AND EQUITABLE FORMULA. THIS FORMULA MAY, BUT NEED NOT, TAKE  
INTO ACCOUNT HOW THE DIFFERENT CLASSES OF POLICIES OF THE  
ELIGIBLE MEMBERS CONTRIBUTED TO THE SURPLUS OF THE RECIPROCAL  
EXCHANGE OR ANY OTHER FACTORS THAT MAY BE FAIR OR EQUITABLE.~~

~~(4) THE INCORPORATION OF THE RECIPROCAL EXCHANGE.~~

~~(B) THE PLAN SHALL PROVIDE A FAIR AND EQUITABLE MEANS FOR  
ALLOCATING SHARES OF CAPITAL STOCK IN THE EVENT OF AN  
OVERSUBSCRIPTION TO SHARES BY ELIGIBLE MEMBERS EXERCISING  
SUBSCRIPTION RIGHTS RECEIVED UNDER SUBSECTION (A)(3).~~

~~(C) THE PLAN SHALL PROVIDE THAT ANY SHARES OF CAPITAL STOCK  
NOT SUBSCRIBED TO BY ELIGIBLE MEMBERS EXERCISING SUBSCRIPTION  
RIGHTS RECEIVED UNDER SUBSECTION (A)(3) SHALL BE SOLD IN A  
PUBLIC OFFERING THROUGH AN UNDERWRITER. IF THE NUMBER OF SHARES  
OF CAPITAL STOCK NOT SUBSCRIBED BY ELIGIBLE MEMBERS IS SO SMALL  
IN NUMBER OR OTHER FACTORS EXIST THAT DO NOT WARRANT THE TIME OR  
EXPENSE OF A PUBLIC OFFERING, THE PLAN OF CONVERSION MAY PROVIDE  
FOR SALE OF THE UNSUBSCRIBED SHARES THROUGH A PRIVATE PLACEMENT  
OR OTHER ALTERNATIVE METHOD APPROVED BY THE COMMISSIONER THAT IS  
FAIR AND EQUITABLE TO ELIGIBLE MEMBERS.~~

~~(D) THE PLAN SHALL SET THE TOTAL PRICE OF THE CAPITAL STOCK  
EQUAL TO THE ESTIMATED PRO FORMA MARKET VALUE OF THE CONVERTED  
STOCK COMPANY BASED UPON AN INDEPENDENT EVALUATION BY A  
QUALIFIED EXPERT. THIS PRO FORMA MARKET VALUE MAY BE THAT VALUE  
THAT IS ESTIMATED TO BE NECESSARY TO ATTRACT FULL SUBSCRIPTION  
FOR THE SHARES, AS INDICATED BY THE INDEPENDENT EVALUATION AND  
MAY BE STATED AS A RANGE OF PRO FORMA MARKET VALUE.~~

~~(E) THE PLAN SHALL SET THE PURCHASE PRICE PER SHARE OF  
CAPITAL STOCK EQUAL TO ANY REASONABLE AMOUNT. HOWEVER, THE~~

~~MINIMUM SUBSCRIPTION AMOUNT REQUIRED OF ANY ELIGIBLE MEMBER  
CANNOT EXCEED FIVE HUNDRED (\$500) DOLLARS, BUT THE PLAN MAY  
PROVIDE THAT THE MINIMUM NUMBER OF SHARES ANY PERSON MAY  
PURCHASE PURSUANT TO THE PLAN IS TWENTY FIVE (25) SHARES.~~

~~(F) THE PLAN SHALL PROVIDE THAT ANY PERSON OR GROUP OF  
PERSONS ACTING IN CONCERT SHALL NOT ACQUIRE, IN THE PUBLIC  
OFFERING OR PURSUANT TO THE EXERCISE OF SUBSCRIPTION RIGHTS,  
MORE THAN FIVE PER CENTUM (5%) OF THE CAPITAL STOCK OF THE  
CONVERTED STOCK COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT  
IS PARTICIPATING IN THE CONVERSION PLAN, AS PROVIDED IN  
SUBSECTION (A)(3)(I), EXCEPT WITH THE APPROVAL OF THE  
COMMISSIONER. THIS LIMITATION DOES NOT APPLY TO ANY ENTITY THAT  
IS TO PURCHASE ONE HUNDRED PER CENTUM (100%) OF THE CAPITAL  
STOCK OF THE CONVERTED COMPANY AS PART OF THE PLAN OF CONVERSION  
APPROVED BY THE COMMISSIONER.~~

~~(G) THE PLAN SHALL PROVIDE THAT NO DIRECTOR OR OFFICER OR  
PERSON ACTING IN CONCERT WITH A DIRECTOR OR OFFICER OF THE  
RECIPROCAL EXCHANGE SHALL ACQUIRE ANY CAPITAL STOCK OF THE  
CONVERTED STOCK COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT  
IS PARTICIPATING IN THE CONVERSION PLAN, AS PROVIDED IN  
SUBSECTION (A)(3)(I), FOR THREE YEARS AFTER THE EFFECTIVE DATE  
OF THE PLAN, EXCEPT THROUGH A BROKER DEALER, WITHOUT THE  
PERMISSION OF THE COMMISSIONER. THIS PROVISION DOES NOT PROHIBIT  
THE DIRECTORS AND OFFICERS FROM MAKING BLOCK PURCHASES OF ONE  
PER CENTUM (1%) OR MORE OF THE OUTSTANDING COMMON STOCK:~~

~~(1) OTHER THAN THROUGH A BROKER DEALER IF APPROVED IN  
WRITING BY THE DEPARTMENT;~~

~~(2) THROUGH THE EXERCISE OF SUBSCRIPTION RIGHTS RECEIVED  
UNDER THE PLAN; OR~~

~~(3) FROM PARTICIPATING IN A STOCK BENEFIT PLAN PERMITTED BY~~

~~SECTION 805 B(C) OR APPROVED BY SHAREHOLDERS PURSUANT TO SECTION 810 B(B).~~

~~(H) THE PLAN SHALL PROVIDE THAT NO DIRECTOR OR OFFICER MAY SELL STOCK PURCHASED PURSUANT TO THIS SECTION OR SECTION 805 B(A) WITHIN ONE YEAR AFTER THE EFFECTIVE DATE OF THE CONVERSION.~~

~~(I) THE PLAN SHALL PROVIDE THAT THE RIGHTS OF A HOLDER OF A SURPLUS NOTE TO PARTICIPATE IN THE CONVERSION, IF ANY, SHALL BE GOVERNED BY THE TERMS OF THE SURPLUS NOTE.~~

~~(J) THE PLAN SHALL PROVIDE THAT, WITHOUT THE PRIOR APPROVAL OF THE COMMISSIONER, NO CONVERTED STOCK COMPANY, OR ANY CORPORATION PARTICIPATING IN THE CONVERSION PLAN PURSUANT TO SUBSECTION (A)(3)(I)(A) OR (B), SHALL FOR A PERIOD OF THREE (3) YEARS FROM THE DATE OF THE COMPLETION OF THE CONVERSION REPURCHASE ANY OF ITS CAPITAL STOCK FROM ANY PERSON, EXCEPT THAT THIS RESTRICTION SHALL NOT APPLY TO EITHER:~~

~~(1) A REPURCHASE ON A PRO RATA BASIS PURSUANT TO AN OFFER MADE TO ALL SHAREHOLDERS OF THE CONVERTED STOCK COMPANY OR ANY CORPORATION PARTICIPATING IN THE CONVERSION PLAN PURSUANT TO SUBSECTION (A)(3)(I)(A) OR (B); OR~~

~~(2) A PURCHASE IN THE OPEN MARKET BY A TAX QUALIFIED OR NON-TAX QUALIFIED EMPLOYEE STOCK BENEFIT PLAN IN AN AMOUNT REASONABLE AND APPROPRIATE TO FUND THE PLAN.~~

~~SECTION 805 B. OPTIONAL PROVISIONS OF PLAN OF CONVERSION.~~

~~(A) THE PLAN MAY PROVIDE THAT THE ATTORNEY IN FACT OF THE RECIPROCAL EXCHANGE SHALL RECEIVE, WITHOUT PAYMENT, NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PURCHASE CAPITAL STOCK OF THE CONVERTED STOCK COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT IS PARTICIPATING IN THE CONVERSION PLAN, AS PROVIDED IN SECTION 804 B(A)(3)(I). THESE SUBSCRIPTION RIGHTS SHALL BE ALLOCATED AMONG THE DIRECTORS AND OFFICERS BY A FAIR AND~~

~~EQUITABLE FORMULA AND SHALL BE SUBORDINATE TO THE SUBSCRIPTION RIGHTS OF ELIGIBLE MEMBERS. NOTHING CONTAINED IN THIS ARTICLE SHALL REQUIRE THE SUBORDINATION OF SUBSCRIPTION RIGHTS RECEIVED BY DIRECTORS AND OFFICERS IN THEIR CAPACITY AS ELIGIBLE MEMBERS, IF ANY.~~

~~(B) THE AGGREGATE TOTAL NUMBER OF SHARES THAT MAY BE PURCHASED BY DIRECTORS AND OFFICERS OF THE RECIPROCAL EXCHANGE IN THEIR CAPACITY UNDER SUBSECTION (A) AND IN THEIR CAPACITY AS ELIGIBLE MEMBERS UNDER SECTION 804 B(A)(3)(I) SHALL NOT EXCEED THIRTY FIVE PER CENTUM (35%) OF THE TOTAL NUMBER OF SHARES TO BE ISSUED FOR A RECIPROCAL EXCHANGE IF TOTAL ASSETS OF THE RECIPROCAL EXCHANGE ARE LESS THAN FIFTY MILLION (\$50,000,000) DOLLARS OR TWENTY FIVE PER CENTUM (25%) OF THE TOTAL NUMBER OF SHARES TO BE ISSUED FOR A RECIPROCAL EXCHANGE IF TOTAL ASSETS OF THE RECIPROCAL EXCHANGE ARE MORE THAN FIVE HUNDRED MILLION (\$500,000,000) DOLLARS. FOR A RECIPROCAL EXCHANGE WITH TOTAL ASSETS OF OR BETWEEN FIFTY MILLION (\$50,000,000) DOLLARS AND FIVE HUNDRED MILLION (\$500,000,000) DOLLARS, THE PERCENTAGE OF THE TOTAL NUMBER OF SHARES THAT MAY BE PURCHASED SHALL BE INTERPOLATED.~~

~~(C) THE PLAN MAY ALLOCATE TO A TAX QUALIFIED EMPLOYEE BENEFIT PLAN NONTRANSFERABLE SUBSCRIPTION RIGHTS TO PURCHASE UP TO TEN PER CENTUM (10%) OF THE CAPITAL STOCK OF THE CONVERTED STOCK COMPANY OR THE STOCK OF ANOTHER CORPORATION THAT IS PARTICIPATING IN THE CONVERSION PLAN, AS PROVIDED IN SECTION 804 B(A)(3)(I). A TAX QUALIFIED EMPLOYEE BENEFIT PLAN IS ENTITLED TO EXERCISE SUBSCRIPTION RIGHTS GRANTED UNDER THIS SUBSECTION REGARDLESS OF THE TOTAL NUMBER OF SHARES PURCHASED BY OTHER PERSONS.~~

~~(D) THE PLAN MAY PROVIDE FOR THE CREATION OF A LIQUIDATION~~

~~ACCOUNT FOR THE BENEFIT OF SUBSCRIBERS OF A RECIPROCAL EXCHANGE  
IN THE EVENT OF VOLUNTARY LIQUIDATION SUBSEQUENT TO CONVERSION  
IN AN AMOUNT EQUAL TO THE SURPLUS OF THE RECIPROCAL EXCHANGE,  
EXCLUSIVE OF THE PRINCIPAL AMOUNT OF ANY SURPLUS NOTE, ON THE  
LAST DAY OF THE QUARTER IMMEDIATELY PRECEDING THE DATE OF  
ADOPTION OF THE PLAN.~~

~~SECTION 806 B. ALTERNATIVE PLAN OF CONVERSION. THE  
ATTORNEY IN FACT OF A RECIPROCAL EXCHANGE MAY ADOPT A PLAN OF  
CONVERSION THAT DOES NOT RELY IN WHOLE OR IN PART UPON ISSUING  
NONTRANSFERABLE SUBSCRIPTION RIGHTS TO SUBSCRIBERS TO PURCHASE  
STOCK OF THE CONVERTED STOCK COMPANY IF THE COMMISSIONER FINDS  
THAT THE PLAN DOES NOT PREJUDICE THE INTERESTS OF THE  
SUBSCRIBERS, IS FAIR AND EQUITABLE AND IS NOT INCONSISTENT WITH  
THE PURPOSE AND INTENT OF THIS ARTICLE. AN ALTERNATIVE PLAN MAY:~~

~~(1) INCLUDE THE MERGER OF A DOMESTIC RECIPROCAL EXCHANGE  
CONVERTED STOCK COMPANY INTO A DOMESTIC OR FOREIGN STOCK  
INSURER.~~

~~(2) PROVIDE FOR ISSUING STOCK, CASH OR OTHER CONSIDERATION  
TO SUBSCRIBERS INSTEAD OF SUBSCRIPTION RIGHTS.~~

~~(3) PROVIDE FOR PARTIAL CONVERSION OF THE RECIPROCAL  
EXCHANGE AND FORMATION OF A HOLDING COMPANY.~~

~~(4) SET FORTH ANOTHER PLAN CONTAINING ANY OTHER PROVISIONS  
APPROVED BY THE COMMISSIONER.~~

~~NO ALTERNATIVE PLAN OF CONVERSION PROVIDING FOR THE FORMATION OF  
A HOLDING COMPANY SHALL BE APPROVED BY THE COMMISSIONER BEFORE  
REGULATIONS PERMITTING PARTIAL CONVERSION AND FORMATION OF A  
RECIPROCAL EXCHANGE'S HOLDING COMPANY ARE ADOPTED BY THE  
COMMISSIONER. THE COMMISSIONER MAY RETAIN, AT THE RECIPROCAL  
EXCHANGE'S EXPENSE, ANY QUALIFIED EXPERT NOT OTHERWISE A PART OF  
THE COMMISSIONER'S STAFF TO ASSIST IN REVIEWING WHETHER THE PLAN~~

~~MAY BE APPROVED BY THE COMMISSIONER.~~

~~SECTION 807 B. EFFECTIVE DATE OF PLAN. A PLAN IS EFFECTIVE WHEN THE COMMISSIONER HAS APPROVED THE PLAN, THE ELIGIBLE MEMBERS HAVE APPROVED THE PLAN AND ADOPTED THE ARTICLES OF INCORPORATION AND THE RECIPROCAL EXCHANGE FILES THE ARTICLES OF INCORPORATION IN THE OFFICE OF THE SECRETARY OF THE COMMONWEALTH.~~

~~SECTION 808 B. RIGHTS OF SUBSCRIBERS WHOSE POLICIES ARE ISSUED AFTER ADOPTION OF PLAN AND BEFORE EFFECTIVE DATE. (A) ALL SUBSCRIBERS OF A RECIPROCAL EXCHANGE WHOSE POLICIES ARE ISSUED AFTER THE PROPOSED PLAN HAS BEEN ADOPTED BY THE ATTORNEY IN FACT OF A RECIPROCAL EXCHANGE AND BEFORE THE EFFECTIVE DATE OF THE PLAN SHALL BE SENT A WRITTEN NOTICE REGARDING THE PLAN UPON ISSUANCE OF SUCH POLICY.~~

~~(B) A SUBSCRIBER OF A HEALTH RECIPROCAL EXCHANGE ENTITLED TO BE SENT THE NOTICE DESCRIBED IN SUBSECTION (A) IS ENTITLED TO RESCIND THE SUBSCRIBER'S POLICY AND RECEIVE A FULL REFUND OF ANY AMOUNTS PAID FOR THE POLICY OR CONTRACT WITHIN TEN (10) DAYS AFTER HE HAS RECEIVED THE NOTICE. EXCEPT AS PROVIDED IN SUBSECTION (C) EACH SUBSCRIBER OF A RECIPROCAL EXCHANGE ENTITLED TO RECEIVE THE NOTICE PROVIDED FOR IN SUBSECTION (A) SHALL BE ADVISED OF THE SUBSCRIBER'S RIGHT OF CANCELLATION AND TO A PRO RATA REFUND OF UNEARNED PREMIUMS.~~

~~(C) NO SUBSCRIBER OF A HEALTH RECIPROCAL EXCHANGE OR A PROPERTY OR CASUALTY RECIPROCAL EXCHANGE WHO HAS MADE OR FILED A CLAIM UNDER HIS INSURANCE POLICY SHALL BE ENTITLED TO ANY RIGHT TO RECEIVE ANY REFUND UNDER SUBSECTION (B). NO PERSON WHO HAS EXERCISED THE RIGHTS PROVIDED BY SUBSECTION (B) SHALL BE ENTITLED TO MAKE OR FILE ANY CLAIM UNDER HIS INSURANCE POLICY.~~

~~SECTION 809 B. CORPORATE EXISTENCE. (A) THE CORPORATE~~



~~EXISTENCE OF THE CONVERTED STOCK COMPANY SHALL BECOME EFFECTIVE AT SUCH TIME AS ALL APPLICABLE SECTIONS UNDER THE PENNSYLVANIA BUSINESS CORPORATION LAW, INCLUDING, BUT NOT LIMITED TO, THE FILING OF CORPORATE DOCUMENTS WITH THE SECRETARY OF THE COMMONWEALTH, HAVE BEEN COMPLIED WITH. ON THE EFFECTIVE DATE OF THE CONVERSION, ALL THE ASSETS, RIGHTS, FRANCHISES AND INTERESTS OF THE RECIPROCAL EXCHANGE IN AND TO EVERY SPECIES OF PROPERTY, REAL, PERSONAL AND MIXED, AND ANY ACCOMPANYING THINGS IN ACTION, ARE VESTED IN THE CONVERTED STOCK COMPANY, WITHOUT ANY DEED OR TRANSFER AND THE CONVERTED STOCK COMPANY ASSUMES ALL THE OBLIGATIONS AND LIABILITIES OF THE RECIPROCAL EXCHANGE.~~

~~(B) UNLESS OTHERWISE SPECIFIED IN THE PLAN OF CONVERSION, THE PERSONS WHO ARE DIRECTORS AND OFFICERS OF THE ATTORNEY IN FACT OF THE RECIPROCAL EXCHANGE ON THE EFFECTIVE DATE OF THE CONVERSION SHALL SERVE AS DIRECTORS AND OFFICERS OF THE CONVERTED STOCK COMPANY UNTIL NEW DIRECTORS AND OFFICERS OF THE CONVERTED STOCK COMPANY ARE ELECTED PURSUANT TO THE ARTICLES OF INCORPORATION AND BYLAWS OF THE CONVERTED STOCK COMPANY.~~

~~SECTION 810 B. CONFLICT OF INTEREST. (A) A DIRECTOR, OFFICER, AGENT OR EMPLOYE OF EITHER THE RECIPROCAL EXCHANGE OR THE ATTORNEY IN FACT SHALL NOT RECEIVE ANY FEE, COMMISSION OR OTHER VALUABLE CONSIDERATION, OTHER THAN HIS USUAL REGULAR SALARY OR COMPENSATION, FOR AIDING, PROMOTING OR ASSISTING IN A CONVERSION UNDER THIS ARTICLE EXCEPT AS PROVIDED FOR IN THE PLAN APPROVED BY THE COMMISSIONER. THIS PROVISION DOES NOT PROHIBIT THE PAYMENT OF REASONABLE FEES AND COMPENSATION TO ATTORNEYS, ACCOUNTANTS AND ACTUARIES FOR SERVICES PERFORMED IN THE INDEPENDENT PRACTICE OF THEIR PROFESSIONS, EVEN IF THE ATTORNEY, ACCOUNTANT OR ACTUARY IS ALSO A DIRECTOR OR OFFICER OF EITHER THE RECIPROCAL EXCHANGE OR THE ATTORNEY IN FACT.~~

~~(B) FOR A PERIOD OF TWO YEARS AFTER THE EFFECTIVE DATE OF THE CONVERSION, NO CONVERTED STOCK COMPANY SHALL IMPLEMENT ANY NON TAX QUALIFIED STOCK BENEFIT PLAN UNLESS THE PLAN IS APPROVED BY A MAJORITY OF VOTES ELIGIBLE TO BE CAST AT A MEETING OF SHAREHOLDERS HELD NOT LESS THAN SIX (6) MONTHS AFTER THE EFFECTIVE DATE OF THE CONVERSION.~~

~~(C) ALL THE COSTS AND EXPENSES CONNECTED WITH A PLAN OF CONVERSION SHALL BE PAID FOR OR REIMBURSED BY THE RECIPROCAL EXCHANGE OR THE CONVERTED STOCK COMPANY. HOWEVER, IF THE PLAN PROVIDES FOR PARTICIPATION BY ANOTHER CORPORATION OR STOCK COMPANY IN THE PLAN PURSUANT TO SECTION 804 B(A)(3)(I), THE CORPORATION OR STOCK COMPANY MAY PAY FOR OR REIMBURSE ALL OR A PORTION OF THE COSTS AND EXPENSES CONNECTED WITH THE PLAN.~~

~~SECTION 811 B. FAILURE TO GIVE NOTICE. IF THE RECIPROCAL EXCHANGE COMPLIES SUBSTANTIALLY AND IN GOOD FAITH WITH THE NOTICE REQUIREMENTS OF THIS ARTICLE, THE RECIPROCAL EXCHANGE'S FAILURE TO SEND A SUBSCRIBER OF A RECIPROCAL EXCHANGE THE REQUIRED NOTICE DOES NOT IMPAIR THE VALIDITY OF ANY ACTION TAKEN UNDER THIS ARTICLE.~~

~~SECTION 812 B. LIMITATION ON ACTIONS. ANY ACTION CHALLENGING THE VALIDITY OF OR ARISING OUT OF ACTS TAKEN OR PROPOSED TO BE TAKEN UNDER THIS ARTICLE SHALL BE COMMENCED NO LATER THAN THIRTY (30) DAYS AFTER THE EFFECTIVE DATE OF THE PLAN.~~

~~SECTION 813 B. INSOLVENT RECIPROCAL EXCHANGE. (A) IF A RECIPROCAL EXCHANGE IS INSOLVENT OR, IN THE JUDGMENT OF THE COMMISSIONER, IS IN HAZARDOUS FINANCIAL CONDITION, ITS ATTORNEY IN FACT, BY A MAJORITY VOTE, MAY REQUEST IN ITS PETITION THAT THE COMMISSIONER WAIVE THE REQUIREMENTS IMPOSING NOTICE TO AND SUBSCRIBER APPROVAL OF THE PLANNED CONVERSION. THE PETITION~~

1 ~~SHALL SPECIFY BOTH OF THE FOLLOWING:~~

2 ~~(1) THE METHOD AND BASIS FOR THE ISSUANCE OF THE CONVERTED~~  
3 ~~STOCK COMPANY'S SHARES OF ITS CAPITAL STOCK TO AN INDEPENDENT~~  
4 ~~PARTY IN CONNECTION WITH AN INVESTMENT BY THE INDEPENDENT PARTY~~  
5 ~~IN AN AMOUNT SUFFICIENT TO RESTORE THE CONVERTED STOCK COMPANY~~  
6 ~~TO A SOUND FINANCIAL CONDITION.~~

7 ~~(2) THAT THE CONVERSION SHALL BE ACCOMPLISHED WITHOUT~~  
8 ~~CONSIDERATION TO THE PAST, PRESENT OR FUTURE SUBSCRIBERS, IF THE~~  
9 ~~COMMISSIONER FINDS THAT THE VALUE OF THE RECIPROCAL EXCHANGE IS~~  
10 ~~INSUFFICIENT TO WARRANT CONSIDERATION.~~

11 ~~(B) IF THE COMMISSIONER, UPON REVIEW OF THE PLAN OF~~  
12 ~~CONVERSION AND AFTER A FINANCIAL EXAMINATION, FINDS THAT THE~~  
13 ~~RECIPROCAL EXCHANGE NO LONGER MEETS STATUTORY REQUIREMENTS WITH~~  
14 ~~RESPECT TO CAPITAL, SURPLUS, DEPOSITS OR ASSETS, THE~~  
15 ~~COMMISSIONER MAY WAIVE, BY A WRITTEN ORDER, THE REQUIREMENTS OF~~  
16 ~~SECTION 803 B(F).~~

17 ~~SECTION 814 B. RULES AND REGULATIONS. THE COMMISSIONER MAY~~  
18 ~~PROMULGATE RULES AND REGULATIONS TO ADMINISTER AND ENFORCE THIS~~  
19 ~~ARTICLE.~~

20 ~~SECTION 815 B. LAWS APPLICABLE TO CONVERTED STOCK COMPANY.~~  
21 ~~(A) NO RECIPROCAL EXCHANGE SHALL BE PERMITTED TO CONVERT UNDER~~  
22 ~~THIS ARTICLE IF AS A DIRECT RESULT OF THE CONVERSION ANY PERSON~~  
23 ~~OR ANY AFFILIATE THEREOF ACQUIRES CONTROL OF THE CONVERTED STOCK~~  
24 ~~COMPANY, UNLESS THAT PERSON AND HIS AFFILIATES COMPLY WITH THE~~  
25 ~~PROVISIONS OF SECTION 1402. FOR PURPOSES OF THIS SUBSECTION,~~  
26 ~~"CONTROL" SHALL HAVE THE MEANING GIVEN TO SUCH TERM IN SECTION~~  
27 ~~1401.~~

28 ~~(B) EXCEPT AS OTHERWISE SPECIFIED IN THIS ARTICLE, A STOCK~~  
29 ~~COMPANY CONVERTED UNDER THIS ARTICLE SHALL HAVE AND MAY EXERCISE~~  
30 ~~ALL THE RIGHTS AND PRIVILEGES AND SHALL BE SUBJECT TO ALL OF THE~~

~~REQUIREMENTS AND REGULATIONS IMPOSED UPON STOCK INSURANCE  
COMPANIES FORMED UNDER THIS ACT, AND ANY OTHER LAWS OF THIS  
COMMONWEALTH RELATING TO THE REGULATION AND SUPERVISION OF  
INSURANCE COMPANIES, BUT IT SHALL EXERCISE NO RIGHTS OR  
PRIVILEGES WHICH OTHER STOCK INSURANCE COMPANIES MAY NOT  
EXERCISE.~~

~~SECTION 816 B. COMMENCEMENT OF BUSINESS AS A STOCK INSURANCE  
COMPANY. NO RECIPROCAL EXCHANGE SHALL HAVE THE POWER TO ENGAGE  
IN THE BUSINESS OF INSURANCE AS A STOCK COMPANY UNTIL IT  
COMPLIES WITH ALL PROVISIONS OF THIS ARTICLE.~~

~~SECTION 817 B. AMENDMENT OF POLICIES. A RECIPROCAL  
EXCHANGE, BY ENDORSEMENT OR RIDER APPROVED BY THE COMMISSIONER  
AND SENT TO THE SUBSCRIBER, MAY SIMULTANEOUSLY WITH OR AT ANY  
TIME AFTER THE ADOPTION OF A PLAN OF CONVERSION AMEND ANY  
OUTSTANDING INSURANCE POLICY FOR THE PURPOSE OF EXTINGUISHING  
THE RIGHT OF THE HOLDER OF ANY SUCH POLICY TO SHARE IN THE  
SURPLUS OF THE RECIPROCAL EXCHANGE. HOWEVER, THIS AMENDMENT  
SHALL BE NULL AND VOID IF THE PLAN OF CONVERSION IS NOT  
SUBMITTED TO THE COMMISSIONER OR, IF SUBMITTED, IS DISAPPROVED  
BY THE COMMISSIONER OR, IF APPROVED BY THE COMMISSIONER, IS NOT  
APPROVED BY THE ELIGIBLE MEMBERS ON OR BEFORE THE FIRST  
ANNIVERSARY OF ITS APPROVAL BY THE COMMISSIONER.~~

~~SECTION 14 15. SECTIONS 1802 AND 1803(B) OF THE ACT, ADDED~~ <—  
~~DECEMBER 12, 1994 (P.L.1005, NO.137), ARE AMENDED TO READ:~~

~~SECTION 1802. DEFINITIONS.--AS USED IN THIS ARTICLE THE  
FOLLOWING WORDS AND PHRASES SHALL HAVE THE MEANINGS GIVEN TO  
THEM IN THIS SECTION:~~

~~"ACCOUNT." EITHER OF THE TWO ACCOUNTS PROVIDED FOR UNDER  
SECTION 1808(A).~~

~~"ASSOCIATION." THE PENNSYLVANIA PROPERTY AND CASUALTY~~

1 INSURANCE GUARANTY ASSOCIATION.

2 "COMMISSIONER." THE INSURANCE COMMISSIONER OF THE  
3 COMMONWEALTH.

4 "COVERED CLAIM."

5 (1) AN UNPAID CLAIM, INCLUDING ONE FOR UNEARNED PREMIUMS,  
6 SUBMITTED BY A CLAIMANT, WHICH ARISES OUT OF AND IS WITHIN THE  
7 COVERAGE AND IS SUBJECT TO THE APPLICABLE LIMITS OF AN INSURANCE  
8 POLICY TO WHICH THIS ARTICLE APPLIES ISSUED BY AN INSURER IF  
9 SUCH INSURER BECOMES AN INSOLVENT INSURER AFTER THE EFFECTIVE  
10 DATE OF THIS ARTICLE AND:

11 (I) THE CLAIMANT OR INSURED IS A RESIDENT OF THIS  
12 COMMONWEALTH AT THE TIME OF THE INSURED EVENT: PROVIDED, THAT  
13 FOR ENTITIES OTHER THAN AN INDIVIDUAL, THE RESIDENCE OF A  
14 CLAIMANT OR INSURED IS THE STATE IN WHICH ITS PRINCIPAL PLACE OF  
15 BUSINESS IS LOCATED AT THE TIME OF THE INSURED EVENT; OR

16 (II) THE PROPERTY FROM WHICH THE CLAIM ARISES IS PERMANENTLY  
17 LOCATED IN THIS COMMONWEALTH.

18 (2) THE TERM SHALL NOT INCLUDE ANY AMOUNT AWARDED AS  
19 PUNITIVE OR EXEMPLARY DAMAGES; SOUGHT AS A RETURN OF PREMIUM  
20 UNDER ANY RETROSPECTIVE RATING PLAN; OR DUE ANY REINSURER,  
21 INSURER, INSURANCE POOL OR UNDERWRITING ASSOCIATION AS  
22 SUBROGATION RECOVERIES OR OTHERWISE.

23 (3) THE TERM SHALL NOT INCLUDE ANY FIRST-PARTY CLAIM BY AN  
24 INSURED WHOSE NET WORTH EXCEEDS TWENTY-FIVE MILLION  
25 (\$25,000,000) DOLLARS ON DECEMBER 31 OF THE YEAR PRIOR TO THE  
26 YEAR IN WHICH THE INSURER BECOMES AN INSOLVENT INSURER:  
27 PROVIDED, THAT AN INSURED'S NET WORTH ON THAT DATE SHALL BE  
28 DEEMED TO INCLUDE THE AGGREGATE NET WORTH OF THE INSURED AND ALL  
29 OF ITS SUBSIDIARIES AS CALCULATED ON A CONSOLIDATED BASIS.

30 "DEPARTMENT." THE INSURANCE DEPARTMENT OF THE COMMONWEALTH.

1 "EXHAUST." THE TERM, WITH RESPECT TO OTHER INSURANCE, MEANS  
2 OBTAINING THE MAXIMUM LIMIT UNDER THE POLICY. THE TERM, WITH  
3 RESPECT TO ANOTHER INSURANCE GUARANTY ASSOCIATION OR ITS  
4 EQUIVALENT, MEANS OBTAINING THE STATUTORY LIMIT OF RECOVERY OR A  
5 FINAL JUDGMENT FROM A COURT OF COMPETENT JURISDICTION  
6 DETERMINING THE AMOUNT OF THE CLAIM PAYABLE BY THE OTHER  
7 INSURANCE GUARANTY ASSOCIATION OR ITS EQUIVALENT.

8 "INSOLVENT INSURER." AN INSURER LICENSED TO TRANSACT  
9 INSURANCE IN THIS COMMONWEALTH, EITHER AT THE TIME THE POLICY  
10 WAS ISSUED OR WHEN THE INSURED EVENT OCCURRED, AND AGAINST WHOM  
11 AN ORDER OF LIQUIDATION WITH A FINDING OF INSOLVENCY HAS BEEN  
12 ENTERED AFTER THE EFFECTIVE DATE OF THIS ARTICLE BY A COURT OF  
13 COMPETENT JURISDICTION IN THE INSURER'S STATE OF DOMICILE OR OF  
14 THIS COMMONWEALTH AND WHICH ORDER OF LIQUIDATION HAS NOT BEEN  
15 STAYED OR BEEN THE SUBJECT OF A WRIT OF SUPERSEDEAS OR OTHER  
16 COMPARABLE ORDER.

17 "INSURER" OR "MEMBER INSURER." ANY INSURANCE COMPANY,  
18 ASSOCIATION OR EXCHANGE WHICH IS LICENSED TO WRITE AND IS  
19 ENGAGED IN WRITING WITHIN THIS COMMONWEALTH, ON A DIRECT BASIS,  
20 PROPERTY AND CASUALTY INSURANCE POLICIES.

21 "NET DIRECT WRITTEN PREMIUMS." DIRECT GROSS PREMIUMS WRITTEN  
22 IN THIS COMMONWEALTH ON PROPERTY AND CASUALTY INSURANCE  
23 POLICIES, INCLUDING POLICIES ISSUED TO SELF-INSURERS, WHETHER OR  
24 NOT DESIGNATED AS REINSURANCE CONTRACTS, LESS RETURN PREMIUMS  
25 THEREON AND DIVIDENDS PAID OR CREDITED TO POLICYHOLDERS OF SUCH  
26 POLICIES, BUT DOES NOT INCLUDE PREMIUMS ON CONTRACTS BETWEEN  
27 INSURERS OR REINSURERS.

28 "PERSON." AN INDIVIDUAL, A CORPORATION, A PARTNERSHIP, AN  
29 ASSOCIATION OR ANY OTHER HOLDER OF OR CLAIMANT UNDER A PROPERTY  
30 AND CASUALTY INSURANCE POLICY.

"PROPERTY AND CASUALTY INSURANCE POLICY." ANY CONTRACT,  
INCLUDING ANY ENDORSEMENT, RIDER, BINDER (WRITTEN OR ORAL),  
COVER NOTE, CERTIFICATE OR OTHER INSTRUMENT OF INSURANCE  
ATTACHED OR RELATING THERETO, WITHOUT REGARD TO THE NATURE OF  
THE FORM OF THE SAME, WHICH PROVIDES ANY OF THE COVERAGES  
ENUMERATED IN SECTION 202, EXCEPT:

(1) LIFE, ANNUITY, HEALTH OR DISABILITY INSURANCE.

(2) MORTGAGE GUARANTY, FINANCIAL GUARANTY OR OTHER FORMS OF  
INSURANCE OFFERING PROTECTION AGAINST INVESTMENT RISKS.

(3) FIDELITY OR SURETY BONDS OR ANY OTHER BONDING  
OBLIGATIONS.

(4) CREDIT INSURANCE, VENDORS' SINGLE INTEREST INSURANCE OR  
COLLATERAL PROTECTION INSURANCE OR ANY SIMILAR INSURANCE  
PROTECTING THE INTERESTS OF A CREDITOR ARISING OUT OF A  
CREDITOR-DEBTOR TRANSACTION.

(5) INSURANCE OF WARRANTIES OR SERVICE CONTRACTS.

(6) TITLE INSURANCE.

(7) OCEAN MARINE INSURANCE.

(8) ANY TRANSACTION OR COMBINATION OF TRANSACTIONS BETWEEN A  
PERSON, INCLUDING AFFILIATES OF SUCH PERSON, AND AN INSURER,  
INCLUDING AFFILIATES OF SUCH INSURER, WHICH INVOLVES THE  
TRANSFER OF INVESTMENT OR CREDIT RISK UNACCOMPANIED BY TRANSFER  
OF INSURANCE RISK.

(9) ANY INSURANCE PROVIDED BY OR GUARANTEED BY GOVERNMENT.

(10) WORKMEN'S COMPENSATION AND EMPLOYER'S LIABILITY  
INSURANCE.

SECTION 1803. PENNSYLVANIA PROPERTY AND CASUALTY INSURANCE  
GUARANTY ASSOCIATION.--\* \* \*

(B) THE ASSOCIATION SHALL HAVE THE FOLLOWING POWERS AND  
DUTIES:

1       (1)   (I)   TO BE OBLIGATED TO PAY COVERED CLAIMS EXISTING  
2 PRIOR TO THE DETERMINATION OF THE INSOLVENCY, ARISING WITHIN  
3 THIRTY (30) DAYS AFTER THE DETERMINATION OF INSOLVENCY OR BEFORE  
4 THE POLICY EXPIRATION DATE IF LESS THAN THIRTY (30) DAYS AFTER  
5 THE DETERMINATION OF INSOLVENCY OR BEFORE THE INSURED REPLACES  
6 THE POLICY OR CAUSES ITS CANCELLATION IF HE DOES SO WITHIN  
7 THIRTY (30) DAYS OF THE DETERMINATION. ANY OBLIGATION OF THE  
8 ASSOCIATION TO DEFEND AN INSURED SHALL CEASE UPON THE  
9 ASSOCIATION'S PAYMENT OR TENDER OF AN AMOUNT EQUAL TO THE LESSER  
10 OF THE ASSOCIATION'S COVERED CLAIM OBLIGATION OR THE APPLICABLE  
11 POLICY LIMIT. SUCH OBLIGATION SHALL BE SATISFIED BY PAYING TO  
12 THE CLAIMANT AN AMOUNT AS FOLLOWS:

13       (A)   AN AMOUNT NOT EXCEEDING TEN THOUSAND (\$10,000) DOLLARS  
14 PER POLICY FOR A COVERED CLAIM FOR THE RETURN OF UNEARNED  
15 PREMIUM.

16       (B)   AN AMOUNT NOT EXCEEDING THREE HUNDRED THOUSAND  
17 (\$300,000) DOLLARS PER CLAIMANT FOR ALL OTHER COVERED CLAIMS.

18       (II)   IN NO EVENT SHALL THE ASSOCIATION BE OBLIGATED TO PAY A  
19 CLAIMANT AN AMOUNT IN EXCESS OF THE OBLIGATION OF THE INSOLVENT  
20 INSURER UNDER THE POLICY OR COVERAGE FROM WHICH THE CLAIM  
21 ARISES. NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS ARTICLE, A  
22 COVERED CLAIM SHALL NOT INCLUDE ANY CLAIM FILED WITH THE  
23 ASSOCIATION AFTER THE FINAL DATE SET BY THE COURT FOR THE FILING  
24 OF CLAIMS AGAINST THE LIQUIDATOR OR RECEIVER OF AN INSOLVENT  
25 INSURER. [THE ASSOCIATION SHALL PAY ONLY THAT AMOUNT OF EACH  
26 UNEARNED PREMIUM WHICH IS IN EXCESS OF ONE HUNDRED (\$100)  
27 DOLLARS.]

28       (2)   TO BE DEEMED THE INSURER TO THE EXTENT OF ITS OBLIGATION  
29 ON THE COVERED CLAIMS AND, TO SUCH EXTENT, SHALL HAVE ALL  
30 RIGHTS, DUTIES AND OBLIGATIONS OF THE INSOLVENT INSURER AS IF



1 THAT INSURER HAD NOT BECOME INSOLVENT.

2 (3) TO ASSESS MEMBER INSURERS IN ACCORDANCE WITH SECTIONS  
3 1808 THROUGH 1811 THE AMOUNTS NECESSARY TO PAY THE OBLIGATIONS  
4 OF THE ASSOCIATION UNDER PARAGRAPH (1), THE EXPENSES OF HANDLING  
5 COVERED CLAIMS, THE COST OF EXAMINATIONS UNDER SECTIONS 1805 AND  
6 1812(A)(3) AND OTHER EXPENSES AUTHORIZED BY THIS ARTICLE.

7 (4) TO INVESTIGATE CLAIMS BROUGHT AGAINST THE ASSOCIATION  
8 AND ADJUST, COMPROMISE, SETTLE AND PAY COVERED CLAIMS TO THE  
9 EXTENT OF THE ASSOCIATION'S OBLIGATION AND DENY ALL OTHER  
10 CLAIMS, AND MAY REVIEW SETTLEMENTS, RELEASES AND JUDGMENTS TO  
11 WHICH THE INSOLVENT INSURER OR ITS INSURED WERE PARTIES TO  
12 DETERMINE THE EXTENT TO WHICH SUCH SETTLEMENTS, RELEASES AND  
13 JUDGMENTS MAY BE PROPERLY CONTESTED.

14 (5) TO GIVE SUCH NOTICE AS THE COMMISSIONER MAY DIRECT UNDER  
15 SECTION 1812(B)(1).

16 (6) TO HANDLE CLAIMS THROUGH ITS EMPLOYEES OR THROUGH ONE OR  
17 MORE OF ITS MEMBER INSURERS WHICH AGREES TO DO SO OR THROUGH  
18 OTHER PERSONS DESIGNATED WITH THE PRIOR APPROVAL OF THE  
19 COMMISSIONER AS SERVICING FACILITIES.

20 (7) TO REIMBURSE EACH SERVICING FACILITY FOR OBLIGATIONS OF  
21 THE ASSOCIATION PAID BY THE FACILITY AND FOR EXPENSES INCURRED  
22 BY THE FACILITY WHILE HANDLING CLAIMS ON BEHALF OF THE  
23 ASSOCIATION AND PAY SUCH OTHER EXPENSES OF THE ASSOCIATION AS  
24 ARE AUTHORIZED BY THIS ARTICLE.

25 (8) TO NOTIFY THE COMMISSIONER OF ANY INFORMATION INDICATING  
26 ANY MEMBER INSURER MAY BE INSOLVENT OR IN SUCH CONDITION THAT  
27 ITS FURTHER TRANSACTION OF BUSINESS WILL BE HAZARDOUS TO ITS  
28 POLICYHOLDERS, TO ITS CREDITORS OR TO THE PUBLIC.

29 (9) WITHIN NINETY (90) DAYS OF THE CONCLUSION OF ANY INSURER  
30 INSOLVENCY IN WHICH THE ASSOCIATION WAS OBLIGATED TO PAY COVERED

1 CLAIMS, TO PREPARE A REPORT ON THE HISTORY AND CAUSES OF SUCH  
2 INSOLVENCY BASED ON THE INFORMATION AVAILABLE TO THE ASSOCIATION  
3 AND SUBMIT SUCH REPORT TO THE COMMISSIONER.

4 \* \* \*

5 SECTION ~~15~~ 16. (A) THE FOLLOWING ACTS AND PARTS OF ACTS ARE <—  
6 REPEALED:

7 ACT OF DECEMBER 10, 1970 (P.L.884, NO.279), REFERRED TO AS  
8 THE MUTUAL INSURANCE COMPANY CONVERSION LAW.

9 ACT OF MAY 13, 1992 (P.L.214, NO.33), KNOWN AS THE MUTUAL  
10 LIFE INSURANCE COMPANY REORGANIZATION ACT.

11 (B) ALL OTHER ACTS AND PARTS OF ACTS ARE REPEALED INsofar AS  
12 THEY ARE INCONSISTENT WITH THIS ACT.

13 SECTION ~~16~~—THIS 17. THE AMENDMENT OF SECTIONS 1802 AND <—  
14 1803(B) OF THE ACT SHALL APPLY ONLY TO INSURERS THAT BECOME  
15 INSOLVENT INSURERS ON OR AFTER THE EFFECTIVE DATE OF THIS  
16 SECTION.

17 Section ~~8-9-17~~ 18. This act shall take effect in 60 days. <—