
 THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. **2340** Session of
2014

INTRODUCED BY KAMPF, TOBASH, ROSS AND GRELL, JUNE 10, 2014

AS AMENDED ON THIRD CONSIDERATION, IN SENATE, OCTOBER 7, 2014

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," IN CASUALTY INSURANCE, PROVIDING <--
12 FOR PHARMACEUTICAL COVERAGE FOR ORAL ANTICANCER MEDICATIONS;
13 AND providing for medical professional liability reciprocal
14 exchange-to-stock conversion.

15 The General Assembly of the Commonwealth of Pennsylvania
16 hereby enacts as follows:

17 ~~Section 1. The act of May 17, 1921 (P.L.682, No.284), known <--~~
18 ~~as The Insurance Company Law of 1921, is amended by adding an~~
19 ~~article to read:~~

20 SECTION 1. THE ACT OF MAY 17, 1921 (P.L.682, NO.284), KNOWN <--
21 AS THE INSURANCE COMPANY LAW OF 1921, IS AMENDED BY ADDING A
22 SECTION TO READ:

23 SECTION 631.1. PHARMACEUTICAL COVERAGE FOR ORAL ANTICANCER
24 MEDICATIONS.--(A) WHENEVER AN INDIVIDUAL OR GROUP HEALTH,

1 SICKNESS OR ACCIDENT INSURANCE POLICY OR SUBSCRIBER CONTRACT OR
2 CERTIFICATE ISSUED BY ANY ENTITY SUBJECT TO THE ACT OF DECEMBER
3 29, 1972 (P.L.1701, NO.364), KNOWN AS THE "HEALTH MAINTENANCE
4 ORGANIZATION ACT," 40 PA.C.S. CH. 61 (RELATING TO HOSPITAL PLAN
5 CORPORATIONS) OR 63 (RELATING TO PROFESSIONAL HEALTH SERVICES
6 PLAN CORPORATIONS) OR THIS ACT PROVIDES PHARMACEUTICAL COVERAGE
7 THAT INCLUDES COVERAGE FOR CANCER CHEMOTHERAPY OR ANTICANCER
8 MEDICATIONS WHICH HAVE BEEN APPROVED BY THE UNITED STATES FOOD
9 AND DRUG ADMINISTRATION FOR GENERAL USE IN THE TREATMENT OF
10 CANCER, THE POLICY SHALL NOT PLACE ORALLY ADMINISTERED
11 ANTICANCER MEDICATIONS ON A SPECIALTY TIER OR CHARGE A
12 COINSURANCE PAYMENT FOR ORALLY ADMINISTERED ANTICANCER
13 MEDICATIONS. THE PROHIBITION OF COINSURANCE PAYMENTS APPLIES TO
14 CHARGING A PERCENTAGE OF THE COST OF THE MEDICATION OR A FLAT-
15 FEE COST THAT IS SPECIFIC TO ANTICANCER MEDICATION, BUT DOES NOT
16 INCLUDE CHARGING THE MINIMAL COPAYMENT THAT IS USUAL FOR COVERED
17 PRESCRIPTION MEDICATIONS NOT ON A SPECIALTY TIER.

18 (B) NOTHING IN THIS SECTION SHALL SERVE TO DIMINISH THE
19 BENEFITS OF ANY INSURED OR SUBSCRIBER IN EFFECT ON THE EFFECTIVE
20 DATE OF THIS SECTION, NOR PREVENT THE OFFERING OR ACCEPTANCE OF
21 BENEFITS WHICH EXCEED THE MINIMUM BENEFITS REQUIRED BY THIS
22 SECTION.

23 (C) THIS SECTION SHALL APPLY TO THOSE INSURANCE POLICIES,
24 SUBSCRIBER CONTRACTS OR CERTIFICATES ISSUED OR ENTERED INTO OR
25 RENEWED ON OR AFTER THE EFFECTIVE DATE OF THIS SECTION.

26 (D) AS USED IN THIS SECTION:
27 "ANTICANCER MEDICATION" MEANS A DRUG OR BIOLOGICAL PRODUCT
28 THAT IS USED TO KILL, SLOW OR PREVENT THE GROWTH OF CANCEROUS
29 CELLS.

30 "SPECIALTY TIER" MEANS A FORMULARY CATEGORY FOR A

1 PRESCRIPTION DRUG THAT MEETS ONE OR MORE OF THE FOLLOWING

2 CRITERIA:

3 (1) A HIGH-COST MEDICATION THAT IS USED TO TREAT AND IS
4 PRESCRIBED FOR A PERSON WITH A COMPLEX, CHRONIC OR RARE MEDICAL
5 CONDITION.

6 (2) THE DRUG IS NOT TYPICALLY AVAILABLE AT COMMUNITY RETAIL
7 PHARMACIES.

8 (3) THE DRUG REQUIRES SPECIAL HANDLING, STORAGE OR HAS
9 DISTRIBUTION OR INVENTORY LIMITATIONS.

10 (4) THE DRUG HAS A COMPLEX DOSING REGIMEN OR REQUIRES
11 SPECIAL ADMINISTRATION.

12 (5) THE DRUG IS CONSIDERED TO HAVE LIMITED DISTRIBUTION BY
13 THE UNITED STATES FOOD AND DRUG ADMINISTRATION.

14 (6) THE DRUG REQUIRES COMPLEX AND EXTENDED PATIENT EDUCATION
15 OR COUNSELING, INTENSIVE MONITORING OR CLINICAL OVERSIGHT.

16 (7) THE DRUG HAS SIGNIFICANT SIDE EFFECTS OR RISK PROFILE.

17 SECTION 2. THE ACT IS AMENDED BY ADDING AN ARTICLE TO READ:

18 Article VIII-B.

19 Medical Professional Liability Reciprocal

20 Exchange-to-Stock Conversion

21 Section 801-B. Definitions.

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

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

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

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

30 "Eligible subscriber." A subscriber of a reciprocal insurer

1 whose policy is in force on at least one of the following dates:

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

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

7 A person insured under a group policy that is otherwise an
8 eligible subscriber also shall be an eligible subscriber. A
9 person whose policy becomes effective after the adoption of the
10 plan or the voting record date, if a later date, but before the
11 plan's effective date is not an eligible subscriber but shall
12 have the rights established under section 807-B.

13 "Participating policy." A policy that grants a holder the
14 right to receive dividends if, as and when declared by the
15 reciprocal insurer.

16 "Person." An individual, a corporation, a limited liability
17 company, a partnership, an association, a joint stock company, a
18 trust, an unincorporated organization, a similar entity or a
19 combination of the foregoing acting in concert.

20 "Plan of conversion" or "plan." A plan adopted under this
21 article to convert the reciprocal insurer into a stock company
22 by the subscribers' advisory committee or any equivalent
23 governing body of the reciprocal insurer or, in the absence of a
24 governing body, by the board of directors or governing body of
25 the attorney for such reciprocal insurer.

26 "Policy." An insurance policy issued by the reciprocal
27 insurer.

28 "Reciprocal insurer." A Pennsylvania domiciled reciprocal
29 and inter-insurance exchange, as defined in Article X, that is
30 authorized to write medical professional liability insurance and

1 at least 50% of its direct written premium in the calendar year
2 preceding adoption of the plan of conversion consisted of
3 medical professional liability insurance.

4 "Stock company." An insurance company that:

5 (1) meets all of the requirements for admission to do
6 business as a domestic Pennsylvania insurer;

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

9 (3) shall be the successor of the reciprocal insurer by
10 the merger of the reciprocal insurer with and into the stock
11 company or by any other means approved by the commissioner.

12 Section 802-B. Adoption of plan of conversion.

13 (a) Plan of conversion.--No plan of conversion may become
14 effective unless the reciprocal insurer seeking to convert to a
15 stock company shall have adopted, by the affirmative vote of not
16 less than two-thirds of the subscribers' advisory committee or
17 any equivalent governing body of the reciprocal insurer, or in
18 the absence of a governing body, by the board of directors or
19 governing body of the attorney for the reciprocal insurer, a
20 plan of conversion consistent with the requirements of sections
21 803-B and 804-B. At any time before approval of a plan by the
22 commissioner, the reciprocal insurer, by the affirmative vote of
23 not less than two-thirds of its subscribers' advisory committee
24 or any equivalent governing body of the reciprocal insurer or,
25 in the absence of a governing body, by the board of directors or
26 governing body of the attorney for the reciprocal insurer, may
27 amend or withdraw the plan.

28 (b) Documents.--Before a reciprocal insurer's eligible
29 subscribers may vote on approval of a plan, the reciprocal
30 insurer or the attorney shall file all of the following

1 documents with the commissioner within 90 days after adoption of
2 the plan:

3 (1) The plan of conversion, including the independent
4 evaluation of pro forma market value required under section
5 803-B(d).

6 (2) The form of notice required under subsection (f).

7 (3) The form of proxy to be solicited from eligible
8 subscribers under subsection (g).

9 (4) The form of notice required under section 808-B to
10 persons whose policies are issued after adoption of the plan,
11 but before its effective date.

12 (5) The proposed articles of incorporation and bylaws of
13 the stock company.

14 (6) The acquisition of control statement, as required
15 under section 1402.

16 (7) Such other information as the commissioner may
17 request.

18 Upon filing of the documents required under this subsection with
19 the commissioner, the reciprocal insurer shall send to eligible
20 subscribers a notice advising eligible subscribers of the
21 adoption and filing of the plan, their ability to provide the
22 commissioner and the reciprocal insurer with comments on the
23 plan within 30 days of the date of the notice and the procedure
24 for making comments.

25 (c) Notice and approval of plan.--The commissioner shall
26 immediately give written notice to the reciprocal insurer of any
27 decision and, in the event of disapproval, a statement in detail
28 of the reasons for the decision. The commissioner shall approve
29 the plan if the commissioner finds each of the following:

30 (1) The plan complies with this article.

1 (2) The plan will not prejudice the interests of the
2 subscribers.

3 (3) The plan's method of allocating subscription rights
4 is fair and equitable.

5 (d) Experts.--The commissioner may retain, at the reciprocal
6 insurer's expense, any qualified expert not otherwise a part of
7 the commissioner's staff to assist in reviewing the plan and the
8 independent evaluation of the pro forma market value required
9 under section 803-B(d).

10 (e) Hearing.--The commissioner may order a hearing on
11 whether the terms of the plan comply with this article after
12 giving written notice to the reciprocal insurer and other
13 interested persons, all of whom have the right to appear at the
14 hearing.

15 (f) Notice of subscribers' meeting.--All eligible
16 subscribers shall be sent notice of the subscribers' meeting to
17 vote upon the plan. The notice shall briefly, but fairly
18 describe the proposed conversion plan, shall inform the
19 subscriber of his right to vote upon the plan and shall be sent
20 to each subscriber's last known address, as shown on the
21 reciprocal insurer's records, at least 30 days before the time
22 fixed for the meeting. If the reciprocal insurer holds an annual
23 meeting of subscribers and the meeting to vote upon the plan is
24 held at such annual meeting, only a combined notice of meeting
25 is required.

26 (g) Voting.--The plan shall be voted upon by eligible
27 subscribers and shall be deemed approved upon receiving the
28 affirmative vote of at least two-thirds of the votes cast by
29 eligible subscribers. Unless the governing documents of the
30 reciprocal insurer establish a different date, the record date

1 for determining subscribers eligible to vote on the plan shall
2 be the date of adoption of the plan or such other date as shall
3 be set forth in the plan which shall be no less than 30 nor more
4 than 90 days before the date of the meeting. Eligible
5 subscribers entitled to vote upon the proposed plan may vote in
6 person or by proxy. Unless the governing documents of the
7 reciprocal insurer provide otherwise, each eligible subscriber
8 may cast one vote.

9 (h) Approval of plan.--A merger of the reciprocal insurer
10 with and into the stock company shall be approved at the meeting
11 of the subscribers called for the purpose of approving the plan
12 of conversion and shall require for approval or ratification the
13 affirmative vote of at least two-thirds of the votes cast by
14 eligible subscribers.

15 (i) Documents to be filed following approval.--Within 30
16 days after the eligible subscribers have approved the plan, the
17 stock company shall file all of the following documents with the
18 commissioner:

19 (1) The minutes of the meeting of the eligible
20 subscribers at which the plan was approved.

21 (2) The articles of incorporation and bylaws of the
22 stock company.

23 (3) Articles of merger for the merger of the reciprocal
24 insurer with and into the stock company. The plan shall be
25 consummated upon the filing such articles of merger.

26 Section 803-B. Contents of plan of conversion.

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

29 (1) The reasons for proposed conversion.

30 (2) The effect of conversion on existing policies,

1 including all of the following:

2 (i) A provision that all policies in force on the
3 effective date of conversion continue to remain in force
4 under the terms of the policies, except that the
5 following rights, to the extent they existed in the
6 reciprocal insurer, shall be extinguished on the
7 effective date of the conversion:

8 (A) Any voting rights of the subscribers
9 provided under the policies.

10 (B) Except as provided under subparagraph (ii),
11 any right to share in the surplus of the reciprocal
12 insurer provided for under the policies.

13 (C) Any assessment provisions provided for under
14 the policies.

15 (ii) Except as provided in subparagraph (iii), a
16 provision that holders of participating policies in
17 effect on the date of conversion continue to have a right
18 to receive dividends as provided in the participating
19 policies, if any.

20 (iii) A provision that upon the renewal date of a
21 participating policy, the stock company may issue the
22 insured a nonparticipating policy as a substitute for the
23 participating policy.

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

26 (i) A provision that each eligible subscriber is to
27 receive, without payment, nontransferable subscription
28 rights to purchase a portion of the capital stock of the
29 stock company and that, in the aggregate, all eligible
30 subscribers shall have the right, prior to the right of

1 any other party, to purchase 100% of the capital stock of
2 the stock company, exclusive of any shares of capital
3 stock required to be sold or distributed to the holders
4 of surplus notes or any shares of capital stock required
5 to be sold or distributed to subscribers under the
6 reciprocal insurer's constituent documents, if any.

7 (ii) As an alternative to subscription rights in the
8 stock company, the plan may provide that each eligible
9 subscriber is to receive, without payment,
10 nontransferable subscription rights to purchase a portion
11 of the capital stock of one of the following:

12 (A) the attorney or a holding company that will
13 act as the holding company for the stock company and,
14 in either case, will hold all the stock of the stock
15 company; or

16 (B) an insurance company or other corporation
17 that will purchase all the stock of or otherwise
18 acquire the stock company.

19 (iii) A provision that the subscription rights shall
20 be allocated in whole shares among the eligible
21 subscribers using a fair and equitable formula. This
22 formula may, but need not, take into account how the
23 different classes of policies of the eligible subscribers
24 contributed to the surplus of the reciprocal insurer or
25 any other factors that may be fair or equitable.

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

30 (c) Shares not subscribed.--The plan shall provide that any

1 shares of capital stock not subscribed to by eligible
2 subscribers exercising subscription rights received under
3 subsection (a)(3) shall be sold in a public offering through an
4 underwriter or in any other transaction approved by the
5 commissioner. If the number of shares of capital stock not
6 subscribed by eligible subscribers is so small in number or
7 other factors exist that do not warrant the time or expense of a
8 public offering, the plan of conversion may provide for sale of
9 the unsubscribed shares through a private placement or other
10 alternative method approved by the commissioner that is fair and
11 equitable to eligible subscribers.

12 (d) Market value of capital stock.--The plan shall set the
13 total price of the capital stock equal to the estimated pro
14 forma market value of the stock company as successor to the
15 reciprocal insurer based upon an independent evaluation by a
16 qualified expert. This pro forma market value may be that value
17 that is estimated to be necessary to attract full subscription
18 for the shares, as indicated by the independent evaluation and
19 may be stated as a range of pro forma market value. If the
20 attorney is a party to the conversion either as the entity that
21 grants subscription rights to subscribers or it is
22 simultaneously acquired by the stock company in connection with
23 the conversion, the incremental value of the attorney shall be
24 included in the estimate of pro forma market value of the stock
25 company as successor to the reciprocal insurer. The qualified
26 expert shall also consider the effect on the pro forma market
27 value of a right, if any, of subscribers to a return of capital
28 contained in the subscriber agreement or other operative
29 document of the reciprocal insurer.

30 (e) Purchase price of capital stock and minimum subscription

1 amount.--The plan shall set the purchase price per share of
2 capital stock equal to any reasonable amount. However, the
3 minimum subscription amount required of any eligible subscriber
4 cannot exceed \$500 dollars, but the plan may provide that the
5 minimum number of shares any person may purchase pursuant to the
6 plan is 25 shares.

7 (f) Limitation on amount of capital stock purchase.--The
8 plan shall provide that a person or group of persons acting in
9 concert shall not acquire, in the public offering or pursuant to
10 the exercise of subscription rights, more than 5% of the capital
11 stock of the stock company or the stock of another corporation
12 that is participating in the conversion plan, as provided in
13 subsection (a) (3) (i), except with the approval of the
14 commissioner. This limitation does not apply to any entity that
15 is to purchase 100% of the capital stock of the converted
16 company as part of the plan of conversion approved by the
17 commissioner.

18 (g) Limitation on directors and officers.--The plan shall
19 provide that no director or officer or person acting in concert
20 with a director or officer of the reciprocal insurer or the
21 attorney shall acquire any capital stock of the stock company or
22 the stock of another corporation that is participating in the
23 conversion plan, as provided in subsection (a) (3) (i), for three
24 years after the effective date of the plan, except through a
25 broker-dealer, without the permission of the commissioner. This
26 provision does not prohibit the directors and officers from
27 making block purchases of 1% or more of the outstanding common
28 stock:

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

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

3 (3) from participation in a stock benefit plan approved
4 by shareholders pursuant to section 809-B(b).

5 (h) Sale of stock by directors and officers.--The plan shall
6 provide that no director or officer may sell stock purchased
7 pursuant to this section or section 804-B(a) within one year
8 after the effective date of the conversion.

9 (i) Holders of surplus notes.--The plan shall provide that
10 the rights of a holder of a surplus note to participate in the
11 conversion, if any, shall be governed by the terms of the
12 surplus note and the rights, if any, of subscribers to a return
13 of capital shall be governed by the subscriber agreement or
14 other operative document of the reciprocal insurer.

15 (j) Repurchase of capital stock.--The plan shall provide
16 that, without the prior approval of the commissioner, no stock
17 company, or any corporation participating in the conversion plan
18 pursuant to subsection (a) (3) (i), may for a period of three
19 years from the date of the completion of the conversion
20 repurchase any of its capital stock from any person, except that
21 this restriction shall not apply to either:

22 (1) a repurchase on a pro rata basis pursuant to an
23 offer made to all shareholders of the stock company or any
24 corporation participating in the conversion plan pursuant to
25 subsection (a) (3) (i); or

26 (2) A purchase in the open market by a tax-qualified or
27 nontax-qualified employee stock benefit plan in an amount
28 reasonable and appropriate to fund the plan.

29 Section 804-B. Optional provisions of plan of conversion.

30 (a) Subscription rights.--The plan may provide that the

1 directors and officers of the attorney and the reciprocal
2 insurer shall receive, without payment, nontransferable
3 subscription rights to purchase capital stock of the stock
4 company or the stock of another corporation that is
5 participating in the conversion plan, as provided in section
6 803-B(a)(3)(ii). These subscription rights shall be allocated
7 among the directors and officers by a fair and equitable formula
8 and shall be subordinate to the subscription rights of eligible
9 subscribers. Nothing contained in this article may require the
10 subordination of subscription rights received by directors and
11 officers in their capacity as eligible subscribers, if any.

12 (b) Maximum share purchase by directors and officers.--The
13 aggregate total number of shares that may be purchased by
14 directors and officers of the attorney and the reciprocal
15 insurer in their capacity under subsection (a) and in their
16 capacity as eligible subscribers under section 803-B(a)(3) shall
17 not exceed 35% of the total number of shares to be issued if
18 total assets of the reciprocal insurer are less than \$50,000,000
19 or 25% of the total number of shares to be issued if total
20 assets of the reciprocal insurer are more than \$500,000,000. For
21 reciprocal companies with total assets of or between \$50,000,000
22 and \$500,000,000, the percentage of the total number of shares
23 that may be purchased shall be interpolated.

24 (c) Liquidation account.--The plan may provide for the
25 creation of a liquidation account for the benefit of subscribers
26 in the event of voluntary liquidation subsequent to conversion
27 in an amount equal to the surplus of the reciprocal insurer,
28 exclusive of the principal amount of any surplus note, on the
29 last day of the quarter immediately preceding the date of
30 adoption of the plan.

1 Section 805-B. Alternative plan of conversion.

2 A plan of conversion may be adopted that does not rely in
3 whole or in part upon issuing nontransferable subscription
4 rights to subscribers to purchase stock of the stock company if
5 the commissioner finds that the plan does not prejudice the
6 interests of the subscribers, is fair and equitable and is not
7 inconsistent with the purpose and intent of this act. An
8 alternative plan may:

9 (1) Include the acquisition or merger of the stock
10 company or any corporation participating in the conversion
11 plan pursuant to section 803-B(a) (3) (ii) by or into a
12 domestic or foreign stock company.

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

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

17 Section 806-B. Effective date of plan.

18 A plan is effective when all of the following have been
19 completed:

20 (1) The commissioner has approved the plan.

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

22 (3) If the stock company becomes successor to the
23 reciprocal insurer by merger, the eligible subscribers have
24 approved the merger of the reciprocal insurer with and into
25 the stock company and the articles of merger have been filed
26 with the Secretary of State of the Commonwealth.

27 Section 807-B. Rights of subscribers whose policies are issued
28 after adoption of plan and before effective date.

29 (a) Notice.--A subscriber shall be sent a written notice
30 regarding the plan upon issuance of a policy if the subscriber's

1 policy is issued after the later of:

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

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

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

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

10 (c) Limitation on subscribers.--No subscriber who has made
11 or filed a claim under the subscriber's insurance policy may
12 receive a refund under subsection (b). No person who has
13 exercised the rights provided under subsection (b) may make or
14 file a claim under the subscribers insurance policy.

15 Section 808-B. Corporate existence.

16 On the effective date of the conversion, the corporate
17 existence of the reciprocal insurer continues in the stock
18 company. On the effective date of the conversion, all of the
19 assets, rights, franchises and interests of the reciprocal
20 insurer in and to every species of property, real, personal and
21 mixed, and any accompanying things in action, are vested in the
22 stock company, without any deed or other instrument of transfer
23 and the stock company assumes all the obligations and
24 liabilities of the reciprocal insurer.

25 Section 809-B. Conflict of interest.

26 (a) Compensation.--A director, officer, agent or employee of
27 the attorney or reciprocal insurer shall not receive any fee,
28 commission or other valuable consideration, other than his usual
29 regular salary or compensation, for aiding, promoting or
30 assisting in a conversion under this article except as provided

1 for in the plan approved by the commissioner. This provision
2 does not prohibit the payment of reasonable fees and
3 compensation to counsel, accountants and actuaries for services
4 performed in the independent practice of their professions, even
5 if the counsel, accountant or actuary is also a director or
6 officer of the attorney or the reciprocal insurer.

7 (b) Stock benefit plan.--For a period of two years after the
8 effective date of the conversion, no stock company may implement
9 any nontax-qualified stock benefit plan unless the plan is
10 approved by a majority of votes eligible to be cast at a meeting
11 of shareholders held not less than six months after the
12 effective date of the conversion.

13 (c) Costs and expenses.--The costs and expenses connected
14 with a plan of conversion shall be paid for or reimbursed by the
15 reciprocal insurer or the stock company. If the plan provides
16 for participation by another corporation or stock company in the
17 plan pursuant to section 803-B(a)(3)(ii), the corporation or
18 stock company may pay for or reimburse all or a portion of the
19 costs and expenses connected with the plan.

20 Section 810-B. Failure to give notice.

21 If the reciprocal insurer complies substantially and in good
22 faith with the notice requirements of this article, the
23 reciprocal insurer's failure to send a subscriber the required
24 notice does not impair the validity of any action taken under
25 this article.

26 Section 811-B. Limitation on actions.

27 An action challenging the validity of or arising out of acts
28 taken or proposed to be taken under this article shall be
29 commenced no later than 30 days after the later of the approval
30 of the plan by the commissioner or the deemed approval of the

1 plan by a vote of the eligible subscribers.

2 Section 812-B. Reciprocal insurer insolvent or in hazardous
3 financial condition.

4 (a) Waiver of requirements.--If a reciprocal insurer seeking
5 to convert is insolvent or is in hazardous financial condition
6 according to information supplied in its most recent annual or
7 quarterly statement filed with the department or as determined
8 by a financial examination performed by the department pursuant
9 to Article IX of the act of May 17, 1921 (P.L.789, No.285),
10 known as The Insurance Department Act of 1921, the requirements
11 of this article, including notice to and policyholder approval
12 of the plan of conversion, may be waived at the discretion of
13 the commissioner, if requested by the attorney or the reciprocal
14 insurer. If a waiver under this section is ordered by the
15 commissioner, the reciprocal insurer shall specify all of the
16 following in its plan of conversion:

17 (1) The method and basis for the issuance of the stock
18 company's shares of its capital stock to an independent party
19 in connection with an investment by the independent party in
20 an amount sufficient to restore the stock company, as
21 successor to the reciprocal insurer, to a sound financial
22 condition.

23 (2) That the conversion shall be accomplished without
24 granting subscription rights or other consideration to the
25 past, present or future subscribers.

26 (b) Authority of commissioner.--Nothing contained in this
27 section shall alter or limit the authority of the commissioner
28 under any of the provisions of law, including, but not limited
29 to, Article V of The Insurance Department Act of 1921.

30 Section 813-B. Rules and regulations.

1 The commissioner may promulgate rules and regulations to
2 administer and enforce this article.

3 Section 814-B. Laws applicable to stock company.

4 (a) Control of stock company.--No reciprocal insurer may
5 convert under this article if as a direct result of the
6 conversion a person or the person's affiliates acquire control
7 of the stock company, unless that person and the person's
8 affiliates comply with the provisions of section 1402. For
9 purposes of this subsection, "control" shall have the meaning
10 given to such term in section 1401.

11 (b) Stock insurance company rules.--Except as otherwise
12 specified in this article, a stock company resulting from the
13 conversion of a reciprocal insurer under this article shall have
14 and may exercise all the rights and privileges and shall be
15 subject to all of the requirements and regulations imposed upon
16 stock insurance companies formed under this act and any other
17 laws of this Commonwealth relating to the regulation and
18 supervision of insurance companies, but it shall exercise no
19 rights or privileges which other stock insurance companies may
20 not exercise.

21 Section 815-B. Licensing of stock company and commencement of
22 business as an insurance company.

23 The commissioner may waive the minimum surplus requirement of
24 a stock company in connection with the initial licensing of a
25 stock company that will be the successor to a reciprocal
26 insurer. The stock company may not engage in the business of
27 insurance as a stock company until the completion of the merger
28 with the reciprocal insurer and compliance with all provisions
29 of this article.

30 Section 816-B. Amendment of policies.

1 A reciprocal insurer, by endorsement or rider approved by the
2 commissioner and sent to the policyholder, may simultaneously
3 with or at any time after the adoption of a plan of conversion
4 amend an outstanding insurance policy for the purpose of
5 extinguishing a right of the holder of such policy to share in
6 the surplus of the reciprocal insurer. This amendment shall be
7 void if the plan of conversion is not submitted to the
8 commissioner or, if submitted, is disapproved by the
9 commissioner or, if approved by the commissioner, is not
10 approved by the eligible subscribers on or before the first
11 anniversary of its approval by the commissioner.

12 Section 817-B. Prohibition on acquisitions of control.

13 Except as otherwise specifically provided in section 803-B,
14 from the date a plan of conversion is adopted until the
15 effective date of the plan of conversion, no person may directly
16 or indirectly offer to acquire, make an announcement to acquire
17 or acquire in any manner, including making a filing with the
18 department for acquisition under a statute or regulation of this
19 Commonwealth, the beneficial ownership of 10% or more of a class
20 of a voting security of the attorney or the stock company that
21 will be the successor of the reciprocal insurer or of a person
22 which controls the voting securities of the attorney or the
23 stock company that will be the successor of the reciprocal
24 insurer.

25 ~~Section 2. This act shall take effect in 60 days.~~ <--

26 SECTION 3. THIS ACT SHALL TAKE EFFECT AS FOLLOWS: <--

27 (1) THE FOLLOWING SHALL TAKE EFFECT IMMEDIATELY:

28 (I) THIS SECTION.

29 (II) THE ADDITION OF SECTION 631.1 OF THE ACT.

30 (2) THE REMAINDER OF THIS ACT SHALL TAKE EFFECT IN 60

1 DAYS.