

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2340 Session of 2014

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

AS REPORTED FROM COMMITTEE ON INSURANCE, HOUSE OF REPRESENTATIVES, AS AMENDED, JUNE 17, 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," providing for medical professional
12 liability reciprocal exchange-to-stock conversion.

13 The General Assembly of the Commonwealth of Pennsylvania
14 hereby enacts as follows:

15 Section 1. The act of May 17, 1921 (P.L.682, No.284), known
16 as The Insurance Company Law of 1921, is amended by adding an
17 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

1 context clearly indicates otherwise:

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

4 "Commissioner." The Insurance Commissioner of the
5 Commonwealth.

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

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

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

11 (2) if a different date, on the record date for
12 establishing subscribers eligible to vote on the plan of
13 conversion.

14 A person insured under a group policy that is otherwise an
15 eligible subscriber also shall be an eligible subscriber. A
16 person whose policy becomes effective after the adoption of the
17 plan or the voting record date, if a later date, but before the
18 plan's effective date is not an eligible subscriber but shall
19 have the rights established under section 807-B.

20 "Participating policy." A policy that grants a holder the
21 right to receive dividends if, as and when declared by the
22 reciprocal insurer.

23 "Person." An individual, a corporation, a limited liability
24 company, a partnership, an association, a joint stock company, a
25 trust, an unincorporated organization, a similar entity or a
26 combination of the foregoing acting in concert.

27 "Plan of conversion" or "plan." A plan adopted under this
28 article to convert the reciprocal insurer into a stock company
29 by the subscribers' advisory committee or any equivalent
30 governing body of the reciprocal insurer or, in the absence of a

1 governing body, by the board of directors or governing body of
2 the attorney for such reciprocal insurer.

3 "Policy." An insurance policy issued by the reciprocal
4 insurer.

5 "Reciprocal insurer." A Pennsylvania domiciled reciprocal
6 and inter-insurance exchange, as defined in Article X, that is
7 authorized to write medical professional liability insurance and
8 at least 50% of its direct written premium in the calendar year
9 preceding adoption of the plan of conversion consisted of
10 medical professional liability insurance.

11 "Stock company." An insurance company that:

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

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

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

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

20 (a) Plan of conversion.--No plan of conversion may become
21 effective unless the reciprocal insurer seeking to convert to a
22 stock company shall have adopted, by the affirmative vote of not
23 less than two-thirds of the subscribers' advisory committee or
24 any equivalent governing body of the reciprocal insurer, or in
25 the absence of a governing body, by the board of directors or
26 governing body of the attorney for the reciprocal insurer, a
27 plan of conversion consistent with the requirements of sections
28 803-B and 804-B. At any time before approval of a plan by the
29 commissioner, the reciprocal insurer, by the affirmative vote of
30 not less than two-thirds of its subscribers' advisory committee

1 or any equivalent governing body of the reciprocal insurer or,
2 in the absence of a governing body, by the board of directors or
3 governing body of the attorney for the reciprocal insurer, may
4 amend or withdraw the plan.

5 (b) Documents.--Before a reciprocal insurer's eligible
6 subscribers may vote on approval of a plan, the reciprocal
7 insurer or the attorney shall file all of the following
8 documents with the commissioner within 90 days after adoption of
9 the plan:

10 (1) The plan of conversion, including the independent
11 evaluation of pro forma market value required under section
12 803-B(d).

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

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

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

19 (5) The proposed articles of incorporation and bylaws of
20 the stock company.

21 (6) The acquisition of control statement, as required
22 under section 1402.

23 (7) Such other information as the commissioner may
24 request.

25 Upon filing of the documents required under this subsection with
26 the commissioner, the reciprocal insurer shall send to eligible
27 subscribers a notice advising eligible subscribers of the
28 adoption and filing of the plan, their ability to provide the
29 commissioner and the reciprocal insurer with comments on the
30 plan within 30 days of the date of the notice and the procedure

1 for making comments.

2 (c) Notice and approval of plan.--The commissioner shall
3 immediately give written notice to the reciprocal insurer of any
4 decision and, in the event of disapproval, a statement in detail
5 of the reasons for the decision. The commissioner shall approve
6 the plan if the commissioner finds each of the following:

7 (1) The plan complies with this article.

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

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

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

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

22 (f) Notice of subscribers' meeting.--All eligible
23 subscribers shall be sent notice of the subscribers' meeting to
24 vote upon the plan. The notice shall briefly, but fairly
25 describe the proposed conversion plan, shall inform the
26 subscriber of his right to vote upon the plan and shall be sent
27 to each subscriber's last known address, as shown on the
28 reciprocal insurer's records, at least 30 days before the time
29 fixed for the meeting. If the reciprocal insurer holds an annual
30 meeting of subscribers and the meeting to vote upon the plan is

1 held at such annual meeting, only a combined notice of meeting
2 is required.

3 (g) Voting.--The plan shall be voted upon by eligible
4 subscribers and shall be ~~adopted~~ DEEMED APPROVED upon receiving <--
5 the affirmative vote of at least two-thirds of the votes cast by
6 eligible subscribers. Unless the governing documents of the
7 reciprocal insurer establish a different date, the record date
8 for determining subscribers eligible to vote on the plan shall
9 be the date of adoption of the plan or such other date as shall
10 be set forth in the plan which shall be no less than 30 nor more
11 than 90 days before the date of the meeting. Eligible
12 subscribers entitled to vote upon the proposed plan may vote in
13 person or by proxy. Unless the governing documents of the
14 reciprocal insurer provide otherwise, each eligible subscriber
15 may cast one vote.

16 (h) ~~Adoption~~ APPROVAL of plan.--A merger of the reciprocal <--
17 insurer with and into the stock company shall be approved at the
18 meeting of the subscribers called for the purpose of ~~adopting~~ <--
19 APPROVING the plan of conversion and shall require for ~~adoption~~ <--
20 APPROVAL or ratification the affirmative vote of at least two- <--
21 thirds of the votes cast by eligible subscribers.

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

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

28 (2) The articles of incorporation and bylaws of the
29 stock company.

30 (3) Articles of merger for the merger of the reciprocal

1 insurer with and into the stock company. The plan shall be
2 consummated upon the filing such articles of merger.

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

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

6 (1) The reasons for proposed conversion.

7 (2) The effect of conversion on existing policies,
8 including all of the following:

9 (i) A provision that all policies in force on the
10 effective date of conversion continue to remain in force
11 under the terms of the policies, except that the
12 following rights, to the extent they existed in the
13 reciprocal insurer, shall be extinguished on the
14 effective date of the conversion:

15 (A) Any voting rights of the subscribers
16 provided under the policies.

17 (B) Except as provided under subparagraph (ii),
18 any right to share in the surplus of the reciprocal
19 insurer provided for under the policies.

20 (C) Any assessment provisions provided for under
21 the policies.

22 (ii) Except as provided in subparagraph (iii), a
23 provision that holders of participating policies in
24 effect on the date of conversion continue to have a right
25 to receive dividends as provided in the participating
26 policies, if any.

27 (iii) A provision that upon the renewal date of a
28 participating policy, the stock company may issue the
29 insured a nonparticipating policy as a substitute for the
30 participating policy.

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

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

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

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

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

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

1 contributed to the surplus of the reciprocal insurer or
2 any other factors that may be fair or equitable.

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

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

19 (d) Market value of capital stock.--The plan shall set the
20 total price of the capital stock equal to the estimated pro
21 forma market value of the stock company as successor to the
22 reciprocal insurer based upon an independent evaluation by a
23 qualified expert. This pro forma market value may be that value
24 that is estimated to be necessary to attract full subscription
25 for the shares, as indicated by the independent evaluation and
26 may be stated as a range of pro forma market value. If the
27 attorney is a party to the conversion either as the entity that
28 grants subscription rights to subscribers or it is
29 simultaneously acquired by the stock company in connection with
30 the conversion, the incremental value of the attorney shall be

1 included in the estimate of pro forma market value of the stock
2 company as successor to the reciprocal insurer. The qualified
3 expert shall also consider the effect on the pro forma market
4 value of a right, if any, of subscribers to a return of capital
5 contained in the subscriber agreement or other operative
6 document of the reciprocal insurer.

7 (e) Purchase price of capital stock and minimum subscription
8 amount.--The plan shall set the purchase price per share of
9 capital stock equal to any reasonable amount. However, the
10 minimum subscription amount required of any eligible subscriber
11 cannot exceed \$500 dollars, but the plan may provide that the
12 minimum number of shares any person may purchase pursuant to the
13 plan is 25 shares.

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

25 (g) Limitation on directors and officers.--The plan shall
26 provide that no director or officer or person acting in concert
27 with a director or officer of the reciprocal insurer or the
28 attorney shall acquire any capital stock of the stock company or
29 the stock of another corporation that is participating in the
30 conversion plan, as provided in subsection (a) (3) (i), for three

1 (3) years after the effective date of the plan, except through a
2 broker-dealer, without the permission of the commissioner. This
3 provision does not prohibit the directors and officers from
4 making block purchases of 1% or more of the outstanding common
5 stock:

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

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

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

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

16 (i) Holders of surplus notes.--The plan shall provide that
17 the rights of a holder of a surplus note to participate in the
18 conversion, if any, shall be governed by the terms of the
19 surplus note and the rights, if any, of subscribers to a return
20 of capital shall be governed by the subscriber agreement or
21 other operative document of the reciprocal insurer.

22 (j) Repurchase of capital stock.--The plan shall provide
23 that, without the prior approval of the commissioner, no stock
24 company, or any corporation participating in the conversion plan
25 pursuant to subsection (a) (3) (i), may for a period of three
26 years from the date of the completion of the conversion
27 repurchase any of its capital stock from any person, except that
28 this restriction shall not apply to either:

29 (1) a repurchase on a pro rata basis pursuant to an
30 offer made to all shareholders of the stock company or any

1 corporation participating in the conversion plan pursuant to
2 subsection (a) (3) (i); or

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

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

7 (a) Subscription rights.--The plan may provide that the
8 directors and officers of the attorney and the reciprocal
9 insurer shall receive, without payment, nontransferable
10 subscription rights to purchase capital stock of the stock
11 company or the stock of another corporation that is
12 participating in the conversion plan, as provided in section
13 803-B(a) (3) (ii). These subscription rights shall be allocated
14 among the directors and officers by a fair and equitable formula
15 and shall be subordinate to the subscription rights of eligible
16 subscribers. Nothing contained in this article may require the
17 subordination of subscription rights received by directors and
18 officers in their capacity as eligible subscribers, if any.

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

1 (c) Liquidation account.--The plan may provide for the
2 creation of a liquidation account for the benefit of subscribers
3 in the event of voluntary liquidation subsequent to conversion
4 in an amount equal to the surplus of the reciprocal insurer,
5 exclusive of the principal amount of any surplus note, on the
6 last day of the quarter immediately preceding the date of
7 adoption of the plan.

8 Section 805-B. Alternative plan of conversion.

9 A plan of conversion may be adopted that does not rely in
10 whole or in part upon issuing nontransferable subscription
11 rights to subscribers to purchase stock of the stock company if
12 the commissioner finds that the plan does not prejudice the
13 interests of the subscribers, is fair and equitable and is not
14 inconsistent with the purpose and intent of this act. An
15 alternative plan may:

16 (1) Include the acquisition or merger of the stock
17 company or any corporation participating in the conversion
18 plan pursuant to section 803-B(a) (3) (ii) by or into a
19 domestic or foreign stock company.

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

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

24 Section 806-B. Effective date of plan.

25 A plan is effective when all of the following have been
26 completed:

27 (1) The commissioner has approved the plan.

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

29 (3) If the stock company becomes successor to the
30 reciprocal insurer by merger, the eligible subscribers have

1 approved the merger of the reciprocal insurer with and into
2 the stock company and the articles of merger have been filed
3 with the Secretary of State of the Commonwealth.

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

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

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

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

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

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

17 (c) Limitation on subscribers.--No subscriber who has made
18 or filed a claim under the subscriber's insurance policy may
19 receive a refund under subsection (b). No person who has
20 exercised the rights provided under subsection (b) may make or
21 file a claim under the subscribers insurance policy.

22 Section 808-B. Corporate existence.

23 On the effective date of the conversion, the corporate
24 existence of the reciprocal insurer continues in the stock
25 company. On the effective date of the conversion, all of the
26 assets, rights, franchises and interests of the reciprocal
27 insurer in and to every species of property, real, personal and
28 mixed, and any accompanying things in action, are vested in the
29 stock company, without any deed or other instrument of transfer
30 and the stock company assumes all the obligations and

1 liabilities of the reciprocal insurer.

2 Section 809-B. Conflict of interest.

3 (a) Compensation.--A director, officer, agent or employee of
4 the attorney or reciprocal insurer shall not receive any fee,
5 commission or other valuable consideration, other than his usual
6 regular salary or compensation, for aiding, promoting or
7 assisting in a conversion under this article except as provided
8 for in the plan approved by the commissioner. This provision
9 does not prohibit the payment of reasonable fees and
10 compensation to ~~attorneys~~ COUNSEL, accountants and actuaries for <--
11 services performed in the independent practice of their
12 professions, even if the ~~attorney~~ COUNSEL, accountant or actuary <--
13 is also a director or officer of the attorney or the reciprocal
14 insurer.

15 (b) Stock benefit plan.--For a period of two years after the
16 effective date of the conversion, no stock company may implement
17 any nontax-qualified stock benefit plan unless the plan is
18 approved by a majority of votes eligible to be cast at a meeting
19 of shareholders held not less than six months after the
20 effective date of the conversion.

21 (c) Costs and expenses.--The costs and expenses connected
22 with a plan of conversion shall be paid for or reimbursed by the
23 reciprocal insurer or the stock company. If the plan provides
24 for participation by another corporation or stock company in the
25 plan pursuant to section 803-B(a)(3)(ii), the corporation or
26 stock company may pay for or reimburse all or a portion of the
27 costs and expenses connected with the plan.

28 Section 810-B. Failure to give notice.

29 If the reciprocal insurer complies substantially and in good
30 faith with the notice requirements of this article, the

1 reciprocal insurer's failure to send a subscriber the required
2 notice does not impair the validity of any action taken under
3 this article.

4 Section 811-B. Limitation on actions.

5 An action challenging the validity of or arising out of acts
6 taken or proposed to be taken under this article shall be
7 commenced no later than 30 days after the later of the approval
8 of the plan by the commissioner or the adoption of the plan <--

9 DEEMED APPROVAL OF THE PLAN by a vote of the eligible <--
10 subscribers.

11 Section 812-B. Reciprocal insurer insolvent or in hazardous
12 financial condition.

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

26 (1) The method and basis for the issuance of the stock
27 company's shares of its capital stock to an independent party
28 in connection with an investment by the independent party in
29 an amount sufficient to restore the stock company, as
30 successor to the reciprocal insurer, to a sound financial

1 condition.

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

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

9 Section 813-B. Rules and regulations.

10 The commissioner may promulgate rules and regulations to
11 administer and enforce this article.

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

13 (a) Control of stock company.--No reciprocal insurer may
14 convert under this article if as a direct result of the
15 conversion a person or the person's affiliates acquire control
16 of the stock company, unless that person and the person's
17 affiliates comply with the provisions of section 1402. For
18 purposes of this subsection, "control" shall have the meaning
19 given to such term in section 1401.

20 (b) Stock insurance company rules.--Except as otherwise
21 specified in this article, a stock company resulting from the
22 conversion of a reciprocal insurer under this article shall have
23 and may exercise all the rights and privileges and shall be
24 subject to all of the requirements and regulations imposed upon
25 stock insurance companies formed under this act and any other
26 laws of this Commonwealth relating to the regulation and
27 supervision of insurance companies, but it shall exercise no
28 rights or privileges which other stock insurance companies may
29 not exercise.

30 Section 815-B. Licensing of stock company and commencement

1 of business as an insurance company.

2 The commissioner may waive the minimum surplus requirement of
3 a stock company in connection with the initial licensing of a
4 stock company that will be the successor to a reciprocal
5 insurer. The stock company may not engage in the business of
6 insurance as a stock company until the completion of the merger
7 with the reciprocal insurer and compliance with all provisions
8 of this article.

9 Section 816-B. Amendment of policies.

10 A reciprocal insurer, by endorsement or rider approved by the
11 commissioner and sent to the policyholder, may simultaneously
12 with or at any time after the adoption of a plan of conversion
13 amend an outstanding insurance policy for the purpose of
14 extinguishing a right of the holder of such policy to share in
15 the surplus of the reciprocal insurer. This amendment shall be
16 void if the plan of conversion is not submitted to the
17 commissioner or, if submitted, is disapproved by the
18 commissioner or, if approved by the commissioner, is not
19 approved by the eligible subscribers on or before the first
20 anniversary of its approval by the commissioner.

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

22 Except as otherwise specifically provided in section 803-B,
23 from the date a plan of conversion is adopted until the
24 effective date of the plan of conversion, no person may directly
25 or indirectly offer to acquire, make an announcement to acquire
26 or acquire in any manner, including making a filing with the
27 department for acquisition under a statute or regulation of this
28 Commonwealth, the beneficial ownership of 10% or more of a class
29 of a voting security of the attorney or the stock company that
30 will be the successor of the reciprocal insurer or of a person

1 which controls the voting securities of the attorney or the
2 stock company that will be the successor of the reciprocal
3 insurer.

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