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INSURANCE CODE - INS

DIVISION 2. CLASSES OF INSURANCE [1880 - 12880.8] (*Division 2 enacted by Stats. 1935, Ch. 145.*)

PART 1. FIRE AND MARINE INSURANCE [1880 - 10108.1] (*Part 1 enacted by Stats. 1935, Ch. 145.*)

CHAPTER 4. General Mutual Insurers [4010 - 4097.20] (*Chapter 4 added by Stats. 1963, Ch. 1772.*)

ARTICLE 1. General Provisions [4010 - 4019] (*Article 1 added by Stats. 1963, Ch. 1772.*)

4010. A "mutual" insurer is an insurance corporation without capital stock owned by its policyholders collectively, who have the right to vote in the election of its directors.

(*Added by Stats. 1963, Ch. 1772.*)

4011. The provisions of Section 36 shall apply to domestic mutual insurers as well as foreign mutual insurers.

(*Added by Stats. 1963, Ch. 1772.*)

4012. Domestic mutual insurers, incorporating or qualifying to transact any or all of the classes of insurance designated in Sections 100 through 123 and 700. 01, shall be subject to all provisions of this code applicable to other incorporated insurers, except where otherwise provided. Domestic mutual insurers shall not be required to have or issue capital stock or shares nor shall they be required to distribute an annual report to a member other than at the time of the initial policy issuance or once each year on renewal. The provisions of Section 1140 shall apply to such an insurer except that the provisions of the Corporation Law referring to shareholders or members shall be applied as though such provisions referred to the policyholders or members of a mutual.

(*Amended by Stats. 1983, Ch. 392, Sec. 1.*)

4013. (a) Each policyholder of a domestic mutual insurer, other than the holder of a reinsurance contract, is a member of the insurer during the policy period, as defined in the policy or the declarations page of the policy, with all rights and obligations of that membership, and the policy shall so specify.

(b) A "tail" or extended reporting policy or endorsement permitting claims to be reported after the expiration or termination of the policy period shall not extend the policy period of a "claims made" policy and all rights and obligations of membership shall cease upon the expiration or termination of the policy period. If an insurer has allowed or does allow, by contract, conduct, or otherwise, the holder of a "tail" or extended reporting policy or endorsement to have privileges, in whole or in part, identical, or similar to some or all of the rights of membership, the holder is nevertheless not deemed a member.

(c) Subdivision (b) and the modifications to subdivision (a) made by the act adding this subdivision, are declaratory of existing law and do not affect any existing contract rights.

(*Amended by Stats. 2000, Ch. 255, Sec. 1. Effective January 1, 2001.*)

4014. Any person, government or governmental agency, state or political subdivision thereof, public or private corporation, board, association, estate, trustee or fiduciary may be a policyholder member of a mutual insurer.

(*Added by Stats. 1963, Ch. 1772.*)

4015. With respect to the management, records, and affairs of a domestic mutual insurer qualified to transact any or all of the classes of insurance designated in Section 700.01, and except as otherwise provided in this chapter, a member of such mutual insurer shall have the same character of rights and relationship as a stockholder has toward a domestic stock insurer subject to the provisions of this code.

(*Amended by Stats. 1975, Ch. 824.*)

4016. Each member of a domestic mutual insurer is entitled to one vote upon each matter coming to a vote at meetings of members.

(Added by Stats. 1963, Ch. 1772.)

4016.1. Notice of all meetings of members whether annual or special shall be given in writing to the members entitled to vote by the secretary, or an assistant secretary, or other persons charged with that duty, or if there be no such officer, or in case of his or her neglect or refusal, by any director or member. At the option of the insurer the notice may be imprinted on premium notices or receipts or on both.

A notice may be given by the insurer to any member either personally, or by mail, or other means of written communication, charges prepaid, addressed to the member at his or her address appearing on the books of the insurer, or given by him or her to the insurer for the purpose of notice. If a member gives no address, notice shall be deemed to have been given him or her if sent by mail or other means of written communication addressed to the place where the principal office of the insurer is situated, or if published at least once in a newspaper of general circulation in the county in which the office is located.

Notice of any meeting of members shall be sent to each member entitled thereto not less than seven days before a meeting, unless the bylaws provide otherwise.

Notice of any meeting of members shall specify the place, the day, and the hour of the meeting and the general nature of the business to be transacted.

Notice of an annual meeting to be held at the time and place specified shall be sufficiently given if published at least once in each of four successive weeks in a newspaper of general circulation in the county in which the principal office of the insurer is located, and if so published no other notice of the meeting shall be required.

(Added by Stats. 1981, Ch. 300, Sec. 1.)

4016.2. (a) The presence in person or by proxy of 5 percent of the members of a domestic mutual insurer entitled to vote at any meeting shall constitute a quorum for the transaction of all business of the insurer, including but not limited to, the amendment of the articles of incorporation or bylaws of the insurer, unless otherwise provided in the articles of incorporation or bylaws of such insurer.

(b) Any required member approval shall be by the affirmative vote of a number of members which, as to a stock corporation, would constitute approval of the shareholders (Section 153 of the Corporations Code) rather than approval of the outstanding shares (Section 152 of the Corporations Code).

(Amended by Stats. 1983, Ch. 21, Sec. 1. Effective May 5, 1983.)

4017. A member shall have the right to vote in person or by his written proxy filed with the corporate secretary not less than five days prior to the meeting. No such proxy shall be made irrevocable, nor be valid beyond the earliest of the following dates:

- (a) The date of expiration set forth in the proxy; or
- (b) The date of termination of membership; or
- (c) Eleven months from the date of execution of the proxy; or
- (d) Such time as may be specified in the bylaws, not to exceed eleven months.

(Amended by Stats. 1980, Ch. 209, Sec. 4.)

4018. No member's vote upon any proposal to divest the insurer of its business or assets, or the major part thereof, shall be registered or taken except in person or by proxy newly executed and specific as to the matter to be voted upon.

(Added by Stats. 1963, Ch. 1772.)

4019. This chapter does not apply to a mutual insurer that has converted to a mutual legal reserve insurer pursuant to former Chapter 9 (commencing with Section 10810) of Part 2 of Division 2. Except for Section 4016.2, this chapter does not apply to (a) a mutual insurer that has completed proceedings for voluntary mutualization pursuant to Chapter 13 (commencing with Section 11525) of Part 2 or (b) a stock life insurer that has converted from a mutual life insurer, or a mutual holding company or a stock holding company formed, pursuant to proceedings under Chapter 14 (commencing with Section 11535) of Part 2.

(Amended by Stats. 1998, Ch. 421, Sec. 3. Effective January 1, 1999.)