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INSURANCE CODE - INS

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

PART 2. LIFE AND DISABILITY INSURANCE [10110 - 11549] (*Part 2 enacted by Stats. 1935, Ch. 145.*)

CHAPTER 13. Voluntary Mutualization of Incorporated Life and Life and Disability Insurers Having a Capital Stock and Issuing Nonassessable Policies on a Reserve Basis [11525 - 11533] (*Chapter 13 added by Stats. 1935, Ch. 530.*)

ARTICLE 1. Authority and Requirements to Mutualize [11525 - 11528] (*Article 1 added by Stats. 1935, Ch. 530.*)

11525. A solvent domestic incorporated insurer having a paid-in capital represented by outstanding shares of capital stock and issuing, on a reserve basis, nonassessable policies of life insurance or of both life and disability insurance, may convert itself into an incorporated mutual life insurer, or life and disability insurer, issuing nonassessable policies on a reserve basis. To that end it may provide and carry out a plan for the acquisition of the outstanding shares of its capital stock for the benefit of its policyholders, or any class or classes of its policyholders, by complying with the requirements of this chapter.

(*Amended by Stats. 1937, Ch. 735.*)

11526. Such plan shall include appropriate proceedings for amending the insurer's articles of incorporation to give effect to the acquisition, by said insurer, for the benefit of its policyholders or any class or classes thereof, of the outstanding shares of its capital stock and the conversion of the insurer from a stock corporation into a nonstock corporation for the benefit of its members. The members of such nonstock corporation shall be the policyholders from time to time of the class or classes for whose benefit the stock of the insurer was acquired, and the policyholders of such other class or classes as may be specified in such corporation's articles of incorporation as they may be amended from time to time. Such plan shall be:

(a) Adopted by a vote of a majority of the directors.

(b) Approved by the vote of the holders of at least a majority of the outstanding shares at a special meeting of shareholders called for that purpose, or by the written consent of such shareholders.

(c) Submitted to the commissioner and approved by him in writing.

(d) Approved by a majority vote of all the policyholders of the class or classes for whose benefit the stock is to be acquired voting at an election by the policyholders called for that purpose, subject to the provisions of Section 11528. The terms "policyholder" and "policyholders" as used in this chapter shall be deemed to mean the person or persons insured under an individual policy of life insurance, or of disability insurance, or of any combination of life and disability insurance. They shall also include the person or persons to whom any annuity or pure endowment is presently or prospectively payable by the terms of an individual annuity or pure endowment contract, except where the policy or contract declares some other person to be the owner or holder thereof, in which case such other person shall be deemed the policyholder. In any case where such policy or contract names two or more persons as joint insureds, payees, owners or holders thereof, the persons so named shall be deemed collectively to be but one policyholder for the purpose of this chapter. In any case where a policy or contract shall have been assigned by assignment absolute on its face to an assignee other than the insurer, and such assignment shall have been filed at the principal office of the insurer at least 30 days prior to the date of any election or meeting referred to in this chapter, then such assignee shall be deemed at such election or meeting to be the policyholder. For the purpose of this chapter the terms "policyholder" and "policyholders" include the employer to whom, or a president, secretary or other executive officer of any corporation or association to which a master group policy has been issued, but exclude the holders of certificates or policies issued under or in connection with a master group policy. Beneficiaries under unmaturing contracts shall not as such be deemed to be policyholders.

(e) Filed in the office of the Insurance Commissioner after having been approved as provided in subdivisions (b), (c) and (d) of this section.

(*Amended by Stats. 1969, Ch. 49.*)

11527. The commissioner shall examine the plan submitted under subdivision (c) of Section 11526. The commissioner shall not approve the plan unless in the commissioner's opinion the rights and interests of the insurer, its policyholders, and shareholders are protected and the commissioner is satisfied that the plan will be fair and equitable in its operation.

(Amended by Stats. 1983, Ch. 142, Sec. 93.)

11528. The election prescribed by subdivision (d) of Section 11526, shall be called by the board of directors or the president and every policyholder of the class or classes for whose benefit the stock is to be acquired, whose insurance shall have been in force for at least one year prior to the election shall have one vote, regardless of the number of policies or amount of insurance the policyholder holds, and regardless of whether the policies are policies of life insurance or policies of disability insurance. Notice of the election shall be given to policyholders entitled to vote by mail from the principal office of the insurer at least 30 days prior to the date set for the election, in a sealed envelope, postage prepaid, addressed to the policyholder at that person's last known address.

Voting shall be by one of the following methods:

(a) At a meeting of those policyholders, held pursuant to the notice, by ballot in person or by proxy.

(b) If not by the method described in subdivision (a), then by mail pursuant to a procedure and on forms to be prescribed by the plan.

The election shall be conducted under the direction and supervision of three impartial and disinterested inspectors appointed by the insurer and approved by the commissioner. In case any person appointed as inspector fails to appear at the meeting or fails or refuses to act at the election, the vacancy, if occurring in advance of the convening of the meeting or in advance of the opening of the mail vote, may be filled in the manner prescribed for the appointment of inspectors and, if occurring at the meeting or during the canvass of the mail vote, may be filled by the person acting as chairperson of the meeting or designated for that purpose in the plan. The decision, act, or certificate of a majority of the inspectors shall be effective in all respects as the decision, act, or certificate of all. The inspectors of election shall determine the number of policyholders, the voting power of each, the policyholders represented at the meeting or voting by mail, the existence of a quorum, and the authenticity, validity, and effect of proxies. They shall receive votes, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result, and do such other acts as are proper to conduct the vote with fairness to all policyholders. The inspectors of election shall, before commencing performance of their duties, subscribe to and file with the insurer and with the commissioner an oath that they, and each of them, will perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practicable. On the request of the insurer, the commissioner, a policyholder or his or her proxy, the inspectors shall make a report in writing of any challenge or question or matter determined by them and execute a certificate of any fact found by them. They shall also certify the result of the vote to the insurer and to the commissioner. Any report or certificate made by them shall be prima facie evidence of facts stated therein. All necessary expenses incurred in connection with the election shall be paid by the insurer. For the purpose of this section, a quorum shall consist of 5 percent of the policyholders of the insurer entitled to vote at the election.

(Amended by Stats. 1983, Ch. 142, Sec. 94.)