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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 2. Execution of Plan [11529 - 11533]** ( *Article 2 added by Stats. 1935, Ch. 530.* )

**11529.** In carrying out any such plan, the insurer may acquire any shares of its own stock by gift, bequest or purchase. Any shares so acquired shall, unless as a result of such acquisition all of the shares of the insurer shall have been acquired, be acquired in trust for the policyholders of the class or classes for whose benefit the plan provides that the stock of the insurer shall be acquired as hereinafter provided. Such shares shall be assigned and transferred on the books of such insurer to three or more trustees appointed by the insurer and approved by the commissioner under a trust agreement approved by the commissioner. Such trustees shall hold such stock in trust until all of the outstanding shares of capital stock of such insurer have been acquired, but for not longer than 30 years with such extensions of not more than five years each as may be granted by the commissioner. Such extensions may be granted by the commissioner if the plan so provides and if in his opinion the plan of acquisition of all of such stock can be completed within a reasonable period. Such trustees shall vote such stock at all corporate meetings at which stockholders have the right to vote. When all of the outstanding shares of capital stock of such insurer have been acquired, all said shares shall be canceled, the certificate of amendment of the insurer's articles of incorporation giving effect thereto shall be filed in accordance with the provisions of Chapter 9 (commencing with Section 1300) of Division 1 of Title 1, of the Corporations Code, and the insurer shall become a nonstock corporation for the profit of its members and such trust shall thereupon terminate. Thereafter such corporation shall be conducted for the mutual benefit, ratably, of its policyholders of the class or classes for whose benefit the stock was acquired and shall have power to issue nonassessable policies on a reserve basis subject to all provisions of law applicable to incorporated life insurers or life and disability insurers, as the case may be, issuing nonassessable policies on a reserve basis. Policies so issued may be upon the basis of full or partial participation therein as agreed between the insurer and the insured.

Upon the termination of any such voting trusts, either in accordance with its terms or as hereinabove provided, such plan of mutualization shall terminate, unless theretofore completed. Upon such termination, unless the plan of mutualization provides for the disposition of the shares acquired by the insurer under such plan or for the disposition of the proceeds thereof, the shares held by such trustees shall be disposed of in accordance with an order of the superior court of the county in which is located the principal office of such insurer, made upon a verified application of the commissioner.

(Amended by Stats. 1978, Ch. 349.)

**11529.5.** Any such plan of mutualization may provide for the creation of a voting trust under a trust agreement for the holding and voting by three or more trustees of any portion or all of the shares of the insurer not acquired upon the adoption of such plan. The voting trustees shall be named in accordance with such plan or, if no provision is made therein for the naming of such trustees, then by the insurer. The voting trust agreement and voting trustees shall be subject to the approval of the commissioner. Any or all of the trustees under such voting trust agreement may be the same person or persons as any or all of the trustees referred to in Section 11529. Such voting trust agreement shall provide that in the event of acquisition by the insurer of any of the shares of stock held thereunder in accordance with the provisions of the plan, such shares so acquired together with the voting rights thereof shall be transferred by the trustees named under the provisions of this section to the trustees named under the provisions of Section 11529. Any voting trust agreement created pursuant to the provisions of this section may be made irrevocable for not longer than thirty (30) years and thereafter until the termination of the trust provided for in Section 11529. The trust created pursuant to the provisions of this section shall terminate in any event upon termination of the trust provided for in Section 11529. Upon the termination of the trust created pursuant to the provision of this section, any shares held in such trust shall revert to the persons entitled thereto by law.

(Added by Stats. 1947, Ch. 223.)

**11530.** Every payment for the acquisition of any shares of the capital stock of such insurer, the purchase price of which is not fixed by such plan, shall be subject to the prior approval of the commissioner. Neither such plan, nor any such payment, may be approved by the commissioner unless he finds that the rights and interests of the insurer, its policyholders, and shareholders are protected.

*(Amended by Stats. 1947, Ch. 223.)*

**11531.** The trustees referred to in section 11529 shall file with such insurer and with the commissioner a verified acceptance of their appointments and verified declarations that they will faithfully discharge their duties as such trustees. All dividends and other sums received by said trustees on the shares held by them, after paying the necessary expenses of executing their trust, shall be immediately repaid to such insurer for the benefit of all who are, or may become, policyholders of such insurer of the class or classes for whose benefit the stock of such insurer was acquired and entitled to participate in the profits thereof and shall be added to and become a part of the assets of such insurer.

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

**11532.** Such insurer, after mutualization, shall be a continuation of the original insurer, and such mutualization shall not affect such insurer's certificate of authority nor existing suits, rights or contracts except as provided in said plan for the acquisition of the outstanding shares of the capital stock of such insurer, approved as provided in this chapter. Such insurer, after mutualization, shall exercise all the rights and powers and perform all the duties conferred or imposed by law upon insurers writing the classes of insurance written by it, and to protect rights and contracts existing prior to mutualization, subject to the effect of said plan. The board of directors of such insurer, prior to mutualization, may adopt amendments to its bylaws to take effect upon mutualization.

*(Amended by Stats. 1959, Ch. 1105.)*

**11532.1.** An annual meeting of members shall be held at 10 o'clock in the morning of the fourth Tuesday of March of each year at the principal office of the insurer, unless a different time or place be provided in the by-laws.

*(Added by Stats. 1941, Ch. 379.)*

**11532.2.** Special meetings of the members, for any purpose or purposes whatsoever, may be called at any time by the president, or by the board of directors, or by one or more members holding not less than one-fifth of the voting power of such insurer, or by such other officers or persons as the by-laws authorize.

*(Added by Stats. 1941, Ch. 379.)*

**11532.3.** 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 person charged with that duty, or if there be no such officer, or in case of his neglect or refusal, by any director or member. At the option of the insurer such notice may be imprinted on premium notices or receipts or on both.

A notice may be given by such insurer to any member either personally, or by mail, or other means of written communication, charges prepaid, addressed to such member at his address appearing on the books of the insurer, or given by him to the insurer for the purpose of notice. If a member gives no address, notice shall be deemed to have been given him 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 some newspaper of general circulation in the county in which said office is located.

Notice of any meeting of members shall be sent to each member entitled thereto not less than seven days before such 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 in Section 11532.1 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 such insurer is located, and if so published no other notice of such meeting shall be required.

*(Amended by Stats. 1959, Ch. 1105.)*

**11532.4.** The presence in person or by proxy of 5 per cent of the members entitled to vote at any meeting shall constitute a quorum for the transaction of business, unless otherwise provided in the by-laws.

*(Added by Stats. 1941, Ch. 379.)*

**11532.5.** Each such member shall have one vote at any meeting of members regardless of the number of policies or the amount of insurance that such member holds and regardless of whether such policies are policies of life insurance, or of disability insurance, or

both. Any member entitled to vote shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the secretary of such insurer.

*(Added by Stats. 1941, Ch. 379.)*

**11532.6.** The directors of the insurer in office at the time the insurer is mutualized as provided in this chapter shall continue in office until the first annual meeting of members. At the first annual meeting of members and at each annual meeting thereafter directors shall be elected by the members for the term or terms authorized by this chapter.

*(Added by Stats. 1941, Ch. 379.)*

**11532.7.** The articles of incorporation or the bylaws may provide that the directors may be divided into two or more classes whose terms of office shall expire at different times, but no term shall continue longer than six years. In the absence of such provisions, each director, except members of the board of directors at the time the insurer is mutualized, shall be elected for a term of one year. All directors shall hold office for the term for which they are elected and until their successors are elected and qualified. A director may, but need not be a member or policyholder of the insurer of which he is acting as director. Vacancies in the board of directors may be filled by a majority of the remaining directors, though less than a quorum, and each director so elected shall hold office until the next annual meeting.

*(Amended by Stats. 1959, Ch. 1105.)*

**11532.8.** All insurers mutualized under the provisions of this chapter shall be subject to all other applicable provisions of this code and to the provisions of the general corporation law as provided in Section 1140 of this code.

*(Added by Stats. 1941, Ch. 379.)*

**11533.** The provisions of Article 8 of Chapter 1 of Part 2 of Division 1 of this code shall not apply to any of the following:

- (a) Shares of the capital stock of such insurer acquired as provided in section 11529 and assigned and transferred to the trustees as is provided in said section, and the assignment and transfer of said shares as so provided.
- (b) Any certificate or other instrument issued to a policyholder of such mutualized insurer conferring or evidencing membership in such mutualized insurer or conferring or evidencing such member's right to participate in the profits or share in the assets of such mutualized insurer by virtue of his membership therein, and the issuance of such certificate or other instrument.
- (c) The plan for the acquisition of the outstanding shares of the capital stock of such insurer authorized by the provisions of this chapter, the submission of said plan to the commissioner and to the policyholders of such insurer as provided in this chapter, and the approval and carrying out of said plan or any part thereof in accordance with the provisions of this chapter.

*(Added by Stats. 1935, Ch. 530.)*