2012 Kansas Statutes

40-4002.   Resolution by board of directors; plan of conversion; approval by commissioner and policyholders; withdrawal or amendment of plan. (a) A resolution shall be adopted by a 2/3 majority of the entire board of directors of the insurer which shall state the reasons such conversion would benefit the insurer and be in the best interests of its policyholders. Following adoption of such resolution a detailed plan of conversion shall be developed and shall be approved by a 2/3 majority of the entire board of directors. The plan of conversion shall not be effective unless the plan has been so approved by the board of directors.

(b)   A draft of the plan of conversion may be submitted to the commissioner for preliminary examination and comment prior to or after the adoption of the resolution described in subsection (a).

(c)   After the completion of the process of preliminary examination and comment, the plan shall be submitted to the commissioner for approval in writing, subject to the provisions of K.S.A. 40-4004 and amendments thereto. The plan of conversion shall not be effective unless the plan has been approved by the commissioner.

(d)   The plan shall be approved by 2/3 of the policyholders voting in person or by proxy at a meeting of the policyholders called for that purpose, pursuant to the bylaws of the insurer, except that if a majority of all policyholders vote in person or by proxy, then a majority of those voting shall constitute approval, and the plan of conversion shall not be effective unless the plan has been so approved by the policyholders. No such proxy vote shall be effective unless the proxy specifically provides the proxyholder with the authority to vote on the plan of conversion, and unless the proxy is dated subsequent to the day on which the plan of conversion is initially approved by the board of directors of the mutual insurer. Proxy statements relating to the plan may be mailed to the policyholders in accordance with the bylaws of the insurer.

(e)   The board of directors by a vote of not less than 2/3 of the entire board may, at any time prior to the issuance of the certificate of authority pursuant to K.S.A. 40-4010 and amendments thereto:

(1)   Withdraw the plan, if conversion is deemed to be no longer in the best interests of the insurer or its policyholders; or

(2)   amend the plan, except that no amendment which materially changes the plan shall take effect unless such amendment is approved by the commissioner.   In the event of a material change to the plan, the commissioner:

(A)   Shall order a hearing to be conducted in accordance with the provisions of the Kansas administrative procedure act before approving or disapproving such material change; and

(B)   may require that such a change be approved by the policyholders pursuant to subsection (d).

(f)   The plan shall be filed in the office of the commissioner after having been approved as provided by subsections (a), (c) and (d).

(g)   As used in this act: (1) "Policyholder" means a policyholder of the mutual insurer on the day the plan of conversion is initially approved by the board of directors of the mutual insurer; except that, with respect to a mutual insurance company authorized to transact the business of insurance in the state of Kansas under the authority granted in article 10 or article 12 of chapter 40 of the Kansas Statutes Annotated, "policyholder" means a policyholder of the mutual insurer on the day the plan of conversion is initially approved by the board of directors of the mutual insurer, whose policy or policies have been in effect for not less than two out of three years immediately prior to the date the board of directors approved the plan, or whose policy or policies have been in effect for at least 90 days during the 365 days immediately preceding the date the board of directors approved the plan if the insured is a crop hail insurance policyholder.

(2)   "Commissioner" means the commissioner of insurance.

History: L. 1985, ch. 154, § 2; L. 1988, ch. 356, § 128; L. 1997, ch. 107, § 2; July 1.