

40-4003c. Continuation in force of policies; extinguishment of policyholder rights. (a) All policies in force on the effective date of conversion remain in force under the terms of the policies, except that the following rights, to the extent they existed in the mutual company, shall be extinguished on the effective date of the conversion:

- (1) Any voting rights of the policyholders in the mutual insurance company that were provided under the policies;
- (2) any assessment provisions provided for under the policies; and
- (3) any right to share in the surplus of the mutual company provided for under the policies, except that:

(A) Holders of participating policies in effect on the date of conversion continue to have a right to receive dividends as provided in the participating policies, if any, unless the holders of such participating policies receive a nonparticipating policy as a substitute for the participating policy pursuant to subparagraph (B); and

(B) upon the renewal date of a participating policy, the converted stock company may issue the insured a nonparticipating policy as a substitute for the participating policy, except that no such substitutions may be issued for the mutual company's life policies, guaranteed renewable accident and health policies and guaranteed renewable, noncancelable accident and health policies.

(b) Unless otherwise ordered by the commissioner of insurance and notwithstanding any provisions of law to the contrary, policyholders are not required to be given preemptive rights, and, except as provided in the plan of conversion and in subsection (a), policyholders shall have no other rights resulting from membership in a mutual insurance company with respect to the insurer.

History: L. 1997, ch. 107, § 5; July 1.