§ 7308. Conversion of domestic reciprocal insurers into stock property/casualty insurance companies. (a) Any domestic reciprocal insurer doing business under the provisions of this article may, by the affirmative vote of its subscribers holding two-thirds of its operating reserve accumulations at the date of the meeting at which the proposal to convert is voted upon, be converted into and licensed as a stock property/casualty insurance company, in the manner prescribed by this section and subject to any other requirements of law. The advisory committee of any such reciprocal insurer proposing so to convert shall cause the attorney-in-fact of such reciprocal insurer to give to each subscriber of record at the close of business on the last day of the quarter year next preceding the issue of such notice not less than thirty days notice by mail of the meeting at which the proposed conversion is to be voted upon and of a hearing of the subscribers before the superintendent. At such hearing or any adjournment thereof, the superintendent shall pass upon the fairness of the terms and conditions of the proposed conversion and of the issuance of shares of the corporation and he shall approve or disapprove the same. The provisions of this chapter relative to a similar domestic insurance company organized to do the same kinds of insurance business shall apply to the organization and licensing of such corporation.

(b) If converted into a stock insurance corporation, subscriptions to the capital shares may be made, in whole or in part, by the subscribers of the reciprocal insurer, and their subscriptions may be paid in to the extent of their operating reserve accumulations by a transfer thereof or any portion thereof to such corporation. The contingent surplus of the reciprocal insurer accumulated pursuant to subsection (a) of section six thousand one hundred five of this chapter shall be included in the capital and surplus of the corporation and shares representing the same shall be issued to existing subscribers, at the rate determined as provided in the next sentence for each dollar of par value of the shares of such new corporation, in proportion to their shares in the aggregate operating reserves at the time when the proposal to convert is adopted. The rate of payment for each dollar of par value of the stock of such new corporation shall be determined by agreement between the advisory committee of the reciprocal insurer and the board of directors of the stock insurance company. Every such subscriber shall be entitled in the

subscription to the capital shares of such corporation to a priority in subscribing thereto for thirty days after the opening of the books of subscription in proportion to his interest in such reciprocal insurer at such date but at the rate of payment fixed by the board of directors. At the expiration of such thirty days the board of directors may sell and dispose of the capital shares which have not been taken or subscribed, as aforesaid, but at not less than the same rate of payment.

(c) If after examination, the superintendent finds that the proceedings for the conversion to a corporation of any such insurer have been regularly taken in conformity with law, and that the corporation meets with the requirements of this chapter, he may issue a license to such insurer to do business under the provisions of this chapter. Thereupon, the remaining assets shall be forthwith transferred to it, and the predecessor reciprocal insurer or insurers shall cease to have authority to do business as such and shall be deemed extinguished. Every such new corporation formed by conversion shall assume and succeed to all of the obligations and liabilities of the converting reciprocal insurer and be held liable to pay and discharge all such debts and liabilities in the same manner as if they had been incurred or contracted by the corporation, but the subscribers of the reciprocal insurer shall continue subject to all the liabilities, claims and demands which shall then exist, or which may thereafter accrue against them, or any of them, by reason of any obligations incurred by them or in their behalf as such subscribers before the date of conversion. Upon the conversion of any reciprocal insurer, dissenting subscribers, meaning thereby subscribers who shall not within thirty days after the opening of the books of subscription have subscribed to shares of the corporation and applied their accumulated operating reserves to payment therefor as provided in subsection (b) hereof, shall be entitled to the conditional withdrawal of their accumulated operating reserves on deposit with the reciprocal insurer as of the date of conversion but a sufficient amount thereof shall be retained by the corporation as a deposit until all of the obligations incurred on its behalf have been extinguished. When all of such obligations have been paid, discharged or terminated, and the superintendent after an examination shall have so certified, the said subscribers' deposits or the balances thereof remaining to their credit shall be returned and released, whereupon the

powers of the attorney-in-fact relating thereto shall cease and terminate.