§ 7309. Conversion of domestic reciprocal insurers into mutual property/casualty insurance companies. Any domestic reciprocal insurer doing business under the provisions of this article which has in force contracts of insurance, of the kinds which domestic mutual property/casualty insurance companies may be authorized to make, covering not less than three hundred separate risks and on which the premiums in force aggregate not less than one hundred fifty thousand dollars, may be converted into and licensed as a domestic mutual property/casualty insurance company, in the manner prescribed in this section and subject to any other requirements of law. The successive steps shall be as follows:

(a) Not less than a majority of the advisory committee of any such reciprocal insurer proposing so to convert shall adopt a resolution approving the proposed conversion and appointing a committee of not less than three from its membership to prepare a draft of a proposed declaration, charter and by-laws.

(b) Such committee shall prepare a proposed declaration, charter and by-laws, which shall be submitted with an appropriate resolution to the advisory committee for approval.

(c) Not less than a majority of the advisory committee, at any regular or special meeting thereof, shall approve by resolution a proposed declaration, charter and by-laws, which shall conform to the requirements of this chapter relative to the contents of charters and by-laws of domestic mutual property/casualty insurance companies hereafter organized to do the kinds of business transacted by such reciprocal insurer, with such additions thereto as the superintendent shall approve, in order to make provision on account of insurance contracts then in force. Such resolution shall also instruct the attorney-in-fact of such reciprocal insurer to give notice of the meeting at which the proposed conversion is to be voted upon and of a hearing of the subscribers before the superintendent. A copy of such resolution, together with copies of those required in subsections (a) and (b) of this section, a copy of the proposed declaration, charter and by-laws and a suitable proxy form approved by the superintendent, shall accompany such notice, which notice shall be mailed, with postage prepaid, to all subscribers at their post office addresses shown on the records of the reciprocal insurer, at least thirty days prior to the

date of the meeting. At the hearing, the superintendent shall pass upon the fairness of the terms and conditions of the proposed conversion and of the issuance of certificates of interest in the surplus of the corporation and he shall approve or disapprove the proposed conversion.

(d) At least two-thirds of the votes of subscribers at any reciprocal insurer, voting at such meeting, either in person or by proxy on the form furnished the subscriber, if the subscriber's agreement at such reciprocal insurer provides for a vote by proxy, shall be cast in favor of the proposed conversion and of the adoption of the proposed declaration, charter and by-laws. A resolution shall be similarly adopted authorizing thirteen persons, who shall be either members of an advisory committee of a reciprocal insurer proposing to convert, the attorney-in-fact, if an individual, officers of the attorney-in-fact if a corporation, or subscribers at a reciprocal insurer proposing to convert, to execute the declaration and authorizing the attorney-in-fact, if an individual, or the president or a vice-president and one other officer of the attorney-in-fact, if a corporation, to execute or certify and file all necessary papers and instruments incident to the proposed conversion.

(e) The proposed declaration executed as aforesaid and proposed charter with proof of mailing of notice of the subscribers' meeting and copies of all other papers and instruments referred to in this section, together with a certificate of their adoption, subscribed and affirmed as true under the penalties of perjury, as provided for in subsection (d) of this section, shall be submitted to the superintendent.

(f) If, after examination, the superintendent finds that the proceedings for the change to a mutual insurance corporation have been regularly taken in conformity with law and the declaration and charter conform to all requirements of paragraph five of subsection (a) of section one thousand two hundred one of this chapter, he shall file the declaration and charter in his office and issue a certified copy thereof to the proposed incorporators. If requested by such proposed incorporators, the superintendent shall also issue to them a certificate of incorporation executed by him in the name of the people of the state. Upon the issuance of such certified copy, such incorporators shall become a body corporate, and shall then have power to receive payment of subscriptions to its surplus as set forth in subsection (g) of this

section, but such corporation shall not be authorized to do the business of insurance until it shall have obtained a license therefor.

(g) Those subscribers who have voted in person or by proxy for the conversion and any other subscribers who thereafter agree to subscribe to the surplus of the corporation shall be deemed to have subscribed to the surplus of the corporation to an amount equal to their operating reserve accumulations at the reciprocal insurer, and such subscriptions shall be paid by a transfer of their operating reserve accumulations to the corporation. Certificates of interest in said surplus shall be issued to such subscribers in amounts equal to their respective operating reserve accumulations at the time when the proposal to convert is adopted by the subscribers. Such certificates of interest shall be issued upon the agreement set forth in section one thousand three hundred seven of this chapter.

(h) If, after examination, the superintendent finds that the new corporation meets the requirements of this chapter, including the requirements as to initial surplus and reserves applicable under section four thousand one hundred seven of this chapter, he may issue a license to the insurer to do business under the provisions of this chapter. Thereupon, the remaining assets of the reciprocal insurer shall be transferred to the corporation and the reciprocal insurer shall cease to have authority to do business as such and shall be deemed extinguished. Every such corporation resulting from conversion shall assume and succeed to all of the obligations and liabilities of the reciprocal insurer and shall 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 on their behalf as such subscribers before the date of conversion and such subscribers who become subscribers to the surplus shall be entitled to recoup from the corporation any payment made by reason of such liabilities, claims or demands.

(i) No action or proceeding, pending at the time of the conversion to which the reciprocal insurer may be a party, shall be abated or discontinued by reason of such conversion, but the same may be

prosecuted to final judgment in the same manner as if the conversion had not taken place, or the corporation may be substituted in place of such reciprocal insurer by order of the court in which the action or proceeding may be pending.

(j) Upon such conversion the accumulated operating reserves of subscribers who shall not have subscribed to the surplus of the corporation, held on deposit with the reciprocal insurer as of the date of the conversion shall be held by the corporation for the benefit of such subscribers until all the obligations incurred on their behalf have been extinguished. When all of such obligations have been discharged or terminated, and the superintendent shall have so certified, the said subscribers' deposits or the balances thereof remaining to their credit shall be released and returned, whereupon the powers of the attorney-in-fact relating thereto shall cease and terminate.