

**CHAPTER 693A**  
**CORPORATE POWERS AND PROCEDURES OF DOMESTIC STOCK AND MUTUAL INSURERS**  
**GENERAL PROVISIONS**

**REORGANIZATION OF MUTUAL INTO STOCK INSURER**

<u>NRS 693A.550</u>	Definitions.
<u>NRS 693A.555</u>	"Intermediate stock holding company" defined.
<u>NRS 693A.560</u>	"Mutual insurance holding company" defined.
<u>NRS 693A.565</u>	"Reorganized stock insurer" defined.
<u>NRS 693A.570</u>	"Voting securities" defined.
<u>NRS 693A.575</u>	Procedure for reorganization.
<u>NRS 693A.580</u>	Proposed plan of reorganization: Filing and contents; filing fee.
<u>NRS 693A.585</u>	Public hearing on proposed plan.
<u>NRS 693A.590</u>	Action by Commissioner on proposed plan; notice and expiration of approval.
<u>NRS 693A.595</u>	Meeting and vote of policyholders; notice.
<u>NRS 693A.600</u>	Abandonment of plan of reorganization.
<u>NRS 693A.605</u>	Issuance and effect of certificate of authority.
<u>NRS 693A.610</u>	Authority of Commissioner to engage services of experts; payment of costs to review plan of reorganization.
<u>NRS 693A.615</u>	Confidentiality and publication of pertinent information and documents.
<u>NRS 693A.620</u>	Continuation of corporate existence of mutual insurer.
<u>NRS 693A.625</u>	Issuance of initial shares of capital stock; identity and rights of policyholders; status, rights, duties and assets of holding company.
<u>NRS 693A.630</u>	Conversion of mutual insurance holding company to domestic stock insurance company not prohibited.
<u>NRS 693A.635</u>	Membership interest in mutual insurance holding company is not security.
<u>NRS 693A.640</u>	Receipt of fee, commission or other consideration for aiding, promoting or assisting in plan of reorganization.
<u>NRS 693A.645</u>	Mutual insurance holding company: Annual filing requirements.
<u>NRS 693A.650</u>	Mutual insurance holding company: Production of records, books or other information and papers.
<u>NRS 693A.655</u>	Regulations and orders of Commissioner.
<u>NRS 693A.660</u>	Judicial review of final order of Commissioner.
<u>NRS 693A.665</u>	Enforcement of provisions by Commissioner.

## REORGANIZATION OF MUTUAL INTO STOCK INSURER

**NRS 693A.550 Definitions.** As used in NRS 693A.550 to 693A.665, inclusive, unless the context otherwise requires, the words and terms defined in NRS 693A.555 to 693A.570, inclusive, have the meanings ascribed to them in those sections.  
(Added to NRS by 2001, 2241)

**NRS 693A.555 “Intermediate stock holding company” defined.** “Intermediate stock holding company” means a holding company of which at least a majority of the voting securities are owned by a mutual insurance holding company and which directly owns all the voting securities of a reorganized stock insurer.  
(Added to NRS by 2001, 2241)

**NRS 693A.560 “Mutual insurance holding company” defined.** “Mutual insurance holding company” means a holding company based on a mutual plan which at all times owns a majority of the voting securities of a single intermediate stock holding company or, if no such intermediate stock holding company exists, which owns a majority of the voting securities of a reorganized stock insurer.  
(Added to NRS by 2001, 2241)

**NRS 693A.565 “Reorganized stock insurer” defined.** “Reorganized stock insurer” means a stock insurer subsidiary that results from a reorganization of a domestic mutual insurer pursuant to NRS 693A.550 to 693A.665, inclusive.  
(Added to NRS by 2001, 2241)

**NRS 693A.570 "Voting securities" defined.** "Voting securities" means securities of any class or any ownership interest having voting power for the election of directors, trustees or management, other than securities having voting power only because of the occurrence of a contingency.  
(Added to NRS by 2001, 2241)

**NRS 693A.575 Procedure for reorganization.** A domestic mutual insurer may, by complying with NRS 693A.550 to 693A.665, inclusive, and obtaining the approval of the Commissioner, reorganize by:

1. Merging the membership interests of its policyholders into:
  - (a) A mutual insurance holding company formed for the purpose of the reorganization; or
  - (b) An existing mutual insurance holding company; and
2. Continuing the corporate existence of the mutual insurer as a stock insurer subsidiary of the mutual insurance holding company.  
(Added to NRS by 2001, 2241)

**NRS 693A.580 Proposed plan of reorganization: Filing and contents; filing fee.** A domestic mutual insurer shall file with the Commissioner for review and approval a proposed plan of reorganization that has been approved by a vote of not less than two-thirds of the members of the board of directors of the domestic mutual insurer. The proposed plan of reorganization must be accompanied by a nonrefundable fee of \$2,450. The plan of reorganization must include:

1. An analysis of the benefits and risks of the proposed reorganization, including, without limitation, the rationale and comparative benefits and risks of converting to a domestic stock insurer pursuant to NRS 693A.400 to 693A.540, inclusive;
  2. A statement of how the plan is fair and equitable to the policyholders;
  3. Information sufficient to demonstrate that the financial condition of the mutual insurer will not be diminished upon reorganization;
  4. Provisions to ensure immediate membership in the mutual insurance holding company for all existing policyholders of the mutual insurer;
  5. Provisions for membership interests for future policyholders of the reorganized stock insurer;
  6. Provisions to ensure that, in the event of proceedings for rehabilitation or liquidation involving a stock insurer subsidiary of the mutual insurance holding company, the assets of the mutual insurance holding company will be available to satisfy the obligations of the stock insurer subsidiary to policyholders;
  7. Provisions for the periodic distribution of the accumulated earnings of the mutual insurance holding company;
  8. Certified copies of the proposed articles of incorporation and bylaws of the mutual insurance holding company, intermediate stock holding company and reorganized stock insurer, or proposed amendments thereto as necessary to carry out the reorganization;
  9. A certification that the plan of reorganization has been duly adopted by a vote of not less than two-thirds of the members of the board of directors of the mutual insurer;
  10. A certification adopted by not less than two-thirds of the members of the board of directors of the mutual insurer that the plan of reorganization is fair and equitable to the policyholders;
  11. The names, addresses and occupations of all persons who are or have been selected to become directors or officers of the mutual insurance holding company;
  12. A description of the nature and content of the annual report and financial statement to be sent by the mutual insurance holding company to each policyholder;
  13. The number of members of the board of directors of the mutual insurance holding company who are required to be policyholders;
  14. A description of any plans for the initial sale of stock of the intermediate stock holding company or reorganized stock insurer;
  15. A form of the proposed notice to be mailed by the mutual insurer to its policyholders as required by NRS 693A.595;
- and
16. Such additional information as the Commissioner may by regulation prescribe as necessary or appropriate for the protection of policyholders and security holders of the domestic mutual insurer or for the protection of the public interest.  
(Added to NRS by 2001, 2241)

**NRS 693A.585 Public hearing on proposed plan.** Unless the Commissioner, for good cause, extends the time, the Commissioner shall conduct a public hearing regarding a proposed plan of reorganization not later than 120 days after the date on which the completed proposed plan of reorganization is filed pursuant to NRS 693A.580. Any interested person may appear or otherwise be heard at the public hearing. The Commissioner may continue the public hearing for a reasonable period, not to exceed 60 days. The mutual insurer shall give such reasonable notice of the public hearing as the Commissioner requires.  
(Added to NRS by 2001, 2242)

**NRS 693A.590 Action by Commissioner on proposed plan; notice and expiration of approval.**

1. The Commissioner shall issue an order approving or disapproving a proposed plan of reorganization not later than 30 days after the public hearing required by NRS 693A.585.
2. The Commissioner shall not approve a proposed plan of reorganization unless he finds that the:
  - (a) Plan of reorganization is fair and equitable to the policyholders;
  - (b) Plan of reorganization does not deprive the policyholders of their property rights or due process of law;
  - (c) Reorganized stock insurer meets the minimum requirements for a certificate of authority to transact the business of insurance in this state; and
  - (d) Continued operation of the reorganized stock insurer is not hazardous to future policyholders and the public.
3. If the Commissioner approves a plan of reorganization, the Commissioner shall publish notification of the issuance of the order in a newspaper of general circulation in Carson City and in the county of domicile of the mutual insurer if different

from Carson City.

4. If the Commissioner approves a plan of reorganization, the approval expires if the reorganization is not completed within 180 days after the date of approval, unless the period is extended by the Commissioner for good cause.

5. If the Commissioner disapproves a plan of reorganization, the Commissioner shall issue an order setting forth specific findings for the disapproval.

(Added to NRS by 2001, 2242)

**NRS 693A.595 Meeting and vote of policyholders; notice.**

1. Within 45 days after the date of the Commissioner's approval of a plan of reorganization pursuant to NRS 693A.590, unless extended by the Commissioner for good cause, the mutual insurer shall hold a meeting of its policyholders at a reasonable time and place to vote upon the plan of reorganization. The mutual insurer shall give notice not less than 30 days before the meeting, by first-class mail to the last known address of each policyholder, that the plan of reorganization will be voted upon at a regular or special meeting of the policyholders. The notice must include a brief description of the plan of reorganization, a statement that the Commissioner has approved the plan of reorganization, and a written proxy permitting the policyholder to vote for or against the plan of reorganization. For the purposes of notice and voting, the policyholder of a policy of group insurance is the entity to which the group policy is issued and not any person covered under the group policy. A plan of reorganization is approved only if not less than two-thirds of the policyholders voting in person or by proxy at the meeting vote in favor of the plan of reorganization. Each policyholder is entitled to only one vote regardless of the number of policies owned by the policyholder. The Commissioner shall supervise and direct the conducting of the vote on the plan of reorganization as necessary to ensure that the vote is fair and consistent with the requirements of this section.

2. If a mutual insurer complies substantially and in good faith with the notice requirements of this section, the mutual insurer's failure to give any policyholder the required notice does not impair the validity of any action taken pursuant to this section.

3. If the meeting of policyholders to vote upon the plan of reorganization is held coincident with the mutual insurer's annual meeting of policyholders, only one combined notice of meeting is required.

4. The form of any proxy must be filed with and approved by the Commissioner.

5. For the purposes of notice and voting, a person is not a policyholder unless he was a policyholder of the mutual insurer on the date on which the plan of reorganization was initially approved by the board of directors of the mutual insurer.

(Added to NRS by 2001, 2243)

**NRS 693A.600 Abandonment of plan of reorganization.** A mutual insurer may, by not less than a two-thirds vote of the members of its board of directors and with the approval of the Commissioner, abandon a plan of reorganization at any time before the issuance of the certificate of authority by the Commissioner pursuant to NRS 693A.605. Upon abandonment, all rights and obligations arising out of the plan of reorganization terminate and the mutual insurer shall continue to conduct its business as a domestic mutual insurer as though no plan of reorganization had ever been adopted.

(Added to NRS by 2001, 2244)

**NRS 693A.605 Issuance and effect of certificate of authority.**

1. The Commissioner shall issue a certificate of authority to a reorganized stock insurer when the mutual insurer files with the Commissioner a:

(a) Certificate stating that all the conditions set forth in the plan of reorganization have been satisfied, so long as the board of directors of the mutual insurer has not abandoned the plan of reorganization pursuant to NRS 693A.600.

(b) Certificate from the mutual insurer setting forth the vote and certifying that the plan of reorganization was approved by not less than two-thirds of the policyholders voting in person or by proxy on the plan of reorganization.

2. The reorganization is effective upon the issuance of a certificate of authority by the Commissioner.

3. Upon issuance of the certificate of authority, the articles of incorporation of the mutual insurer shall be deemed to be amended in compliance with NRS 692B.030.

(Added to NRS by 2001, 2244)

**NRS 693A.610 Authority of Commissioner to engage services of experts; payment of costs to review plan of reorganization.** In determining whether a plan of reorganization meets the requirements of the provisions of NRS 693A.550 to 693A.665, inclusive, or with regard to any other matters relating to the development of a plan of reorganization, the Commissioner may engage the services of experts. All reasonable costs related to the review of a plan of reorganization or such other matters, including those costs attributable to the use of experts, must be paid by the mutual insurer filing the application or initiating discussions with the Commissioner about such matters.

(Added to NRS by 2001, 2244)

**NRS 693A.615 Confidentiality and publication of pertinent information and documents.**

1. Except as otherwise provided in subsection 2, all information and documents obtained by or disclosed to the Commissioner or any other person in the course of preparing, filing and processing an application to reorganize pursuant to NRS 693A.580, other than information and documents distributed to policyholders in connection with the meeting of policyholders pursuant to NRS 693A.595 or filed or submitted as evidence in connection with the public hearing pursuant to NRS 693A.585, are confidential and not subject to subpoena, and must not be made public by the Commissioner, the National Association of Insurance Commissioners or any other person, except to insurance departments of other states, without the prior written consent of the insurer to which such information and documents pertain.

2. If the Commissioner, after giving the insurer and its affiliates who would be affected notice and opportunity to be heard, determines that the interests of policyholders, shareholders or the public will be best served by the publication of such information and documents, the Commissioner may publish all or any part thereof in such a manner as he determines appropriate.

(Added to NRS by 2001, 2244)

**NRS 693A.620 Continuation of corporate existence of mutual insurer.** The corporate existence of a mutual insurer reorganizing pursuant to NRS 693A.550 to 693A.665, inclusive, does not terminate, and the reorganized stock insurer shall be deemed to be a continuation of the mutual insurer and to have been organized on the date on which the mutual insurer was originally organized.

(Added to NRS by 2001, 2245)

**NRS 693A.625 Issuance of initial shares of capital stock; identity and rights of policyholders; status, rights, duties and assets of holding company.**

1. All the initial shares of the capital stock of a reorganized stock insurer must be issued to the mutual insurance holding company or to one or more intermediate stock holding companies.

2. Policyholders of a domestic mutual insurer that has been reorganized are members of the mutual insurance holding company, and their voting rights must be determined in accordance with the articles of incorporation and bylaws of the mutual insurance holding company. The mutual insurance holding company shall provide its members with the same membership rights as were provided to policyholders of the mutual insurer immediately before reorganization. The reorganization must not reduce, limit or otherwise affect the number or identity of the policyholders who may become members of the mutual insurance holding company or secure for managerial personnel any unfair advantage through or connected with the reorganization.

3. A mutual insurance holding company or an intermediate stock holding company formed pursuant to NRS 693A.550 to 693A.665, inclusive:

(a) Must not be authorized to transact the business of insurance;

(b) Is subject to the jurisdiction of the Commissioner, who shall ensure that policyholder interests are protected; and

(c) Shall be deemed to be an insurer for the purposes of chapter 696B of NRS.

4. An intermediate stock holding company formed pursuant to NRS 693A.550 to 693A.665, inclusive, shall be deemed to be a mutual insurance holding company subject to the provisions of NRS 693A.400 to 693A.540, inclusive.

5. A mutual insurance holding company formed pursuant to NRS 693A.550 to 693A.665, inclusive:

(a) Shall not issue stock.

(b) Shall invest in insurers not less than 50 percent of its net worth as determined by generally accepted accounting practices.

6. The aggregate pledges and encumbrances of the assets of a mutual insurance holding company must not affect more than 49 percent of the mutual insurance holding company's stock in an intermediate stock holding company or a reorganized stock insurer.

7. If any proceeding under chapter 696B of NRS is brought against a reorganized stock insurer, the mutual insurance holding company and each intermediate stock holding company must be named parties to the proceeding. All the assets of the mutual insurance holding company and each intermediate stock holding company shall be deemed assets of the estate of the reorganized stock insurer to the extent necessary to satisfy claims against the reorganized stock insurer.

8. No distribution to members of a mutual insurance holding company may occur without the prior written approval of the Commissioner. The Commissioner may give such approval only if he is satisfied that the distribution is fair and equitable to policyholders as members of the mutual insurance holding company.

9. No solicitation for the sale of the stock of an intermediate stock holding company or a reorganized stock insurer may be made without the prior written approval of the Commissioner.

10. A mutual insurance holding company or an intermediate stock holding company may not voluntarily dissolve without the approval of the Commissioner.

(Added to NRS by 2001, 2245; A 2003, 3330)

**NRS 693A.630 Conversion of mutual insurance holding company to domestic stock insurance company not prohibited.** Nothing contained in NRS 693A.550 to 693A.665, inclusive, prohibits a mutual insurance holding company from converting to a domestic stock insurance company pursuant to NRS 693A.400 to 693A.540, inclusive.

(Added to NRS by 2001, 2246)

**NRS 693A.635 Membership interest in mutual insurance holding company is not security.** A membership interest in a mutual insurance holding company does not constitute a security under the laws of this state.

(Added to NRS by 2001, 2246)

**NRS 693A.640 Receipt of fee, commission or other consideration for aiding, promoting or assisting in plan of reorganization.**

1. No director, officer, employee or agent of the mutual insurer, or any other person, may receive any fee, commission or other valuable consideration, other than his usual regular salary and compensation, for aiding, promoting or assisting in a plan of reorganization except as set forth in the plan of reorganization approved by the Commissioner.

2. Subsection 1 does not prohibit a management or employee incentive compensation program that is contained in the plan of reorganization and approved by the Commissioner to be adopted upon reorganization to the reorganized stock insurer or prohibit such a program to be adopted later by the reorganized stock insurer.

3. Subsection 1 does not prohibit the payment of reasonable fees and compensation to attorneys, accountants, actuaries and investment bankers for services performed in the independent practice of their professions if the person is also a member of the board of directors of the mutual insurer.

(Added to NRS by 2001, 2246; A 2003, 3331)

**NRS 693A.645 Mutual insurance holding company: Annual filing requirements.**

1. A mutual insurance holding company shall file with the Commissioner, by March 1 of each year, an annual statement consisting of an income statement, balance sheet and cash flows prepared in accordance with generally accepted accounting practices and a confidential statement disclosing any intention to pledge, borrow against, alienate, hypothecate or in any way

encumber the assets of the mutual insurance holding company.

2. A mutual insurance holding company shall, on or before June 1 of each year, file with the Commissioner in a form approved by the Commissioner a financial statement as of December 31 of the preceding calendar year that is certified by a certified public accountant.

(Added to NRS by 2001, 2246)

**NRS 693A.650 Mutual insurance holding company: Production of records, books or other information and papers.** The Commissioner may order the production of any records, books or other information and papers in the possession of a mutual insurance holding company or its affiliates as is reasonably necessary to ascertain the financial condition of the reorganized stock insurer or to determine compliance with this title.

(Added to NRS by 2001, 2246)

**NRS 693A.655 Regulations and orders of Commissioner.** The Commissioner may adopt such regulations and issue such orders as he determines are necessary to carry out the provisions of NRS 693A.550 to 693A.665, inclusive.

(Added to NRS by 2001, 2247)

**NRS 693A.660 Judicial review of final order of Commissioner.** Any person aggrieved by a final order of the Commissioner issued pursuant to the provisions of NRS 693A.550 to 693A.665, inclusive, may petition for judicial review in the manner provided by chapter 233B of NRS.

(Added to NRS by 2001, 2244)

**NRS 693A.665 Enforcement of provisions by Commissioner.** Whenever it appears to the Commissioner that any person or any director, officer, employee or agent of the person has committed or is about to commit a violation of any provision of NRS 693A.550 to 693A.665, inclusive, or of any regulation or order of the Commissioner relating thereto, the Commissioner may apply to the First Judicial District Court in and for Carson City for an order enjoining the person, director, officer, employee or agent from violating or continuing to violate any provision of NRS 693A.550 to 693A.665, inclusive, or any such regulation or order, and for such other equitable relief as the nature of the case and the interest of the policyholders, creditors and shareholders of the insurer, or the public, may require.

(Added to NRS by 2001, 2246)