



CONVERSION OF A DOMESTIC MUTUAL INSURANCE COMPANY TO A DOMESTIC STOCK INSURANCE COMPANY

NOTE: All documents MUST contain original signatures and notarizations where appropriate. Facsimiles and photocopies are not acceptable. These guidelines are for a non-life mutual insurance company converting to a non-life stock insurance company

- ___ 1. **Conversion Plan:** As adopted by an affirmative vote of not less than two-thirds of the board of directors.
- ___ 2. **No later than 90 days** after adoption of the conversion plan, the following items must be filed:
 - a. Copy of all documents relating to the conversion plan, including the independent evaluation of pro forma market value. (Art. 15.22 Sec. 10(b))
 - b. Copy of the notice to eligible members advising of the adoption of the conversion plan, to include the procedures for providing comments to the Commissioner and the mutual insurance company. (Art. 15.22 Sec. 5)
 - c. Form of proxy to be solicited from eligible members. (Art. 15.22 Sec.6(b))
 - d. Form of notice to persons whose policies are issued after adoption of the conversion plan but, before the effective date. (Art. 15.22 Sec. 16)
 - e. A statement regarding acquisition of control, if applicable. (Art. 21.49-1)
- ___ 3. **Amended Articles of Incorporation** - The amendment to the Articles of Incorporation must be signed by at least one officer of the company and contain the following elements:
 - a. The name of the corporation.
 - b. Identify the altered article and contain a statement of its text as amended or indicate an addition to the articles and contain a full text of the additional provisions.
 - c. The date of adoption of the amendment by the shareholders.
 - d. The number of shares outstanding and entitled to vote.
 - e. The number of shares voted for and against the amendment.
 - f. If the shares of any class are entitled to vote thereon as a class:
 - (1) State the designation and number of outstanding shares entitled to vote on each class shown; and,
 - (2) State the number of shares of each such class voted for and against the amendment.
- ___ 4. **Filing fee:** \$125 for amended articles OR \$250 for restated articles.
- ___ 5. **Board of Directors Resolution** - The Board of Directors Resolution must set forth the proposed amendment and direct that the amendment be submitted to a vote at a shareholders' meeting.
- ___ 6. **Supplemental Affidavit**, executed by an officer of the company, with original, notarized signature, must accompany the amendment and set forth the following:
 - a. The capital is and surplus is the bona fide, unconditional and unencumbered property of the company.
 - b. That the facts set forth in the application and amendments to the Articles of Incorporation are true and correct.

- c. If the capital stock is being issued by subscriptions with a nominal or par value, the statement should reflect:
 - (1) The aggregate number subscribed and the actual aggregate consideration received therefor, and that at least 50% of the authorized shares to be issued with nominal or par value have been subscribed and fully paid for; and
 - (2) That such shares are of not less than \$1.00 each and not more than \$100.00 each.
- d. If the capital is being issued by subscriptions and the company has not secured a permit from The Texas State Securities Board or the Securities and Exchange Commissioner, the statement must reflect:
 - (1) The names and addresses of all subscribers;
 - (2) The number of shares subscribed by each subscriber; and
 - (3) The actual consideration received by the company for such shares.

____ 7. **Balance Sheet and Analysis of Surplus** - A balance sheet, with notarized signatures of at least two officers, and an Analysis of Surplus form for the period ending not more than 90 days prior to the date of the amendment, must be submitted. Pro-Forma financial statements may be requested as part of this review.

____ 8. **If the capital consists of either all or part cash**, the amendment must be accompanied by an affidavit, with the notarized signature of a bank officer where the funds are on deposit, that states:

- a. That the funds on deposit in the bank are the bona fide, unconditional and unencumbered property of the company insofar as the bank is concerned; and
- b. That the bank has no knowledge of any claim against such funds by any person or organization other than the insurance company.

____ 9. **If the capital consists of either all or part securities**, the amendment must state:

- a. That such securities are made up only of bonds of the United States or of Texas or of any county or incorporated municipality thereof, or of government insured mortgage loans which are otherwise authorized by Chapter 2 of the Texas Insurance Code;
- b. That such securities have been properly identified and a list thereof submitted with the amendment; and
- c. That the value placed on the securities by the company has been approved by the Texas Department of Insurance.

____ 10. **Name Change:** The following documents must be filed:

- a. A Name Application and additional fee of \$100.00 must be submitted.;
- b. An Application for Certificate of Authority must be completed;
- c. A Standard Coverages Page;
- d. The original Certificate of Authority (with gold seal) must be surrendered; and
- e. Certain policy endorsements may have to be filed with and approved by the Texas Department of Insurance.

NOTE: The wording "mutual" must be removed from the Company's name, as a part of this conversion.

____ 11. **Statutory Deposit:** A \$50,000 statutory deposit is required by all property and casualty insurance companies.

INCOMPLETE APPLICATIONS IMPEDE TIMELY REVIEW BY THE DEPARTMENT, THEREFORE, IT IS EXTREMELY IMPORTANT THAT APPLICATIONS ARE COMPLETE. SUBMIT A COMPLETE FILING TO THE TEXAS DEPARTMENT OF INSURANCE, COMPANY LICENSING & REGISTRATION DIVISION, MC 305-2C, P. O. BOX 149104, AUSTIN, TX 78714-9104. FOR QUESTIONS OR MORE INFORMATION, CALL (512) 322-4370.