

40-770. Same; submission of proposal to supreme legislative body; notice to be furnished members and policyholders; meeting of subordinate lodges or branches on proposal; election of delegates to supreme legislative body; approval of plan by commissioner; options for members or policyholders upon conversion. A proposal to make a conversion may be submitted to either a regular or a special meeting of the supreme legislative body of any such fraternal benefit society by action of either the supreme legislative body or by the directors of such society. At least 40 days prior to the meeting of the supreme legislative body which is to consider such proposed conversion, there shall be mailed to each member or policyholder of the society, to the post office address shown by the records of the society, and to each subordinate lodge or branch of the society a written or printed notice of such proposed conversion. Such notice shall be given either personally or by mail to each member or policyholder entitled to vote. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail at the address as it appears on the records of the company. Such notice, whether the meeting is annual, periodic or special, shall state the place, day, hour and purpose of the meeting, and a copy of the plan for such proposed conversion shall be included in or enclosed with such notice. Within 30 days after the delivery of such notice, each subordinate lodge or branch shall in regular or called meeting vote upon the proposal and may give instructions to its representative or delegate to such forthcoming meeting of either district or the supreme legislative body as provided by laws of such society. If any such subordinate lodge, branch or district shall fail to elect delegates to such supreme meeting, any vacancy thus occurring shall be filled as provided by the laws of such society. At such meeting of the supreme governing body of such society, in addition to the duly accredited delegates, any member of such society may attend and be heard on the subject of the proposed conversion. No such society shall convert itself into a mutual or stock life insurance company except upon such terms and conditions as in the opinion of the commissioner of insurance shall fully protect the rights and interests of its members and policyholders, and the plan of such proposed conversion shall be submitted to and approved by the commissioner before it is submitted to the members or policyholders and the subordinate lodges or branches as hereinbefore provided. Any plan for converting any fraternal benefit society into a stock company under the provisions hereof shall offer to each member or policyholder the following three options:

First: Any member not desiring to participate in the new organization shall be entitled to surrender their policy or certificate and receive thereon its net cash surrender value plus their share of the divisible free surplus, such share being determined by dividing the amount of such divisible free surplus by the proportion that such member's cash value bears to total cash values of all policies and certificates in force, such values being computed as of the end of the year preceding the date of conversion.

Second: Any member desiring to do so may permit their policy or certificate to be taken over by the new organization without surrendering any rights or being subject to any additional payments or penalties other than those called for in their contract.

Third: Each member or policyholder in the new organization may retain their insurance as provided in the second option, and in addition, shall be entitled to purchase their proportionate share of the capital stock in the new company, as hereinafter set forth.

Each of these options shall be submitted to the members at the same time. In the event of the failure of any member or policyholder to elect any of such options within 90 days as specified within the plan, such member shall be deemed to have elected the second of such options.

History: L. 1988, ch. 154, § 33; Jan. 1, 1989.