

CHAPTER 382

AN ACT to repeal 201.13 (4); to amend 201.02 (4); and to create 201.14 of the statutes, relating to the reorganization of mutual insurance companies into stock companies.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

SECTION 1. 201.02 (4) of the statutes is amended to read:

201.02 (4) No mutual insurance company shall be reorganized into a stock company *except in accordance with s. 201.14.*

SECTION 2. 201.13 (4) of the statutes is repealed.

SECTION 3. 201.14 of the statutes is created to read:

201.14 REORGANIZATION OF MUTUAL COMPANIES. (1) The purpose of this section is to provide an orderly method for the reorganization of a mutual insurance corporation into a stock insurance corporation, in those cases where there is such a desire by the policyholders and where the reorganization is subject to the full and complete review and approval by the commissioner. It is the intent of the legislature that any mutual insurance corporation organized under ch. 201 may be reorganized into a domestic stock insurance corporation by action of the board of directors and members of the corporation as hereinafter provided.

(2) The board of directors shall pass a resolution to the effect that such reorganization is advisable and why, and prescribe the terms and conditions of the proposed organization, the proposed name of the new corporation and the location of its proposed office.

(3) Two certified copies of the resolution under sub. (2) shall be filed with the commissioner of insurance together with a petition to the commissioner setting forth the terms and conditions of such proposed reorganization and praying for approval thereof.

(4) (a) When the proposed reorganization is filed with the commissioner, a meeting of the members of the company shall be held on notice mailed to each of the members of said company at least 30 days prior to the holding thereof, which notice shall embody a copy of the resolution including the terms and conditions of the reorganization.

(b) A two-thirds majority of the members of said company present at such meeting in person or represented by proxy shall be necessary to approve and ratify the action of their directors and vote to carry out the proposed reorganization. Within 10 days after the adoption of such resolution, 2 copies thereof, with the affidavit of the president and secretary showing compliance with the law, shall be filed with the commissioner.

(5) The commissioner shall make or cause to be made an examination of the company to determine its assets and liabilities. He shall also appoint an appraisal committee to determine the value of the company. Such committee shall consist of a certified public accountant, a person versed in insurance management and an attorney. Such committee shall be paid reasonable compensation and expenses incurred in the course of their duties. The appraisal committee shall, in determining the value of the company, take into consideration the assets and liabilities of the company, the equity in unearned premium reserves, the value of the agency plant, the good-will value and any other factor that would either tend to increase or decrease the value of the company.

(6) After the completion of the examination of the company and the receipt of the report from the appraisal committee, the commissioner shall thereupon issue an order fixing the time and place of a hearing and require notice to be given by mail to each policyholder of such company of such petition and of the time and place of such hearing. Said notice shall be published in at least 2 newspapers, once in each week for at least 2 successive weeks, the last publication to be not less than 14 days before the time appointed for the hearing.

(7) At the time and place fixed originally or by adjournment, he shall proceed with the hearing. He may summon and compel the attendance and testimony of witnesses and the production of books, records and papers. Any policyholder of the company may appear to be heard. The commissioner, if satisfied that the interests of the policyholders are properly protected and that no reasonable objection exists thereto, may approve such reorganization or may modify the terms and conditions of such reorganization as shall be just and equitable to the policyholders. All expenses incurred by the commissioner and the appraisal committee shall be paid by the respective companies.

(8) The terms and conditions of such proposed reorganization as required by sub. (2) shall provide:

- (a) The amount of capital stock of the new corporation;
- (b) The price per share for which the stock is to be sold;

(c) That each policyholder at the date of the passage of the resolution by the board of directors shall be entitled to such shares of stock of the new company as his equitable share of the value of the company will purchase. This equitable share shall be determined by the ratio which the net premium (gross premium less return premium and dividends paid) he has paid to the company during the past 3 years bear to the total net premiums received by the company during said period. If such equitable share of the value of the company produces a fractional share, the policyholder shall either receive the value of said fractional share in cash or be given the option of purchasing such fractional part of a share as will entitle him to a full share.

(d) Each policyholder of the mutual corporation at the date of the passage of the reorganization resolution shall be entitled to priority in subscribing to the initial stock of the new corporation.

(9) After approval of the reorganization and the legal existence of the new stock corporation by the commissioner, said stock corporation shall possess all of the assets of whatever nature belonging to or due the mutual corporation. The stock company shall henceforth be responsible and liable for all the contracts, liabilities and obligations of the mutual company.

(10) The mutual company shall be dissolved as provided by law.

Approved October 1, 1963.