WEST VIRGINIA CODE: §33-5-24

§33-5-24. Converting mutual insurer.

(a) A domestic mutual insurer may become a domestic stock insurer pursuant to such plan and procedure as is approved in advance by the commissioner.

(b) The commissioner shall not approve any such plan or procedure unless:

(1) Equitable to the insurer's members;

(2) Subject to approval by vote of not less than three fourths of the insurer's current members voting thereon in person, by proxy, or by mail at a meeting of members called for the purpose pursuant to such notice and procedure as may be approved by the commissioner; if a life insurer, the right to vote may be limited to members whose policies have face amounts of not less than $1,000 and have been in force one year or more;

(3) The equity of each policyholder in the insurer is determinable under a fair formula approved by the commissioner, which such equity shall be based upon not less than the insurer's entire surplus (after deducting contributed or borrowed surplus funds) plus a reasonable present equity in its reserves and in all nonadmitted assets;

(4) The policyholders entitled to participate in the purchase of stock or distribution of assets shall include all current policyholders and all existing persons who had been a policyholder of the insurer within three years prior to the date such plan was submitted to the commissioner;

(5) The plan gives to each policyholder of the insurer as specified in paragraph (4), above, a preemptive right to acquire his proportionate part of all of the proposed capital stock of the insurer, within a designated reasonable period, and to apply upon the purchase thereof the amount of his equity in the insurer as determined under paragraph (3), above;

(6) Shares are so offered to policyholders at a price not greater than to be thereafter offered to others nor at more than double the par value of such shares;

(7) The plan provides for payment to each policyholder not electing to apply his equity in the insurer for or upon the purchase price of stock to which preemptively entitled, of cash in the amount of not less than fifty percent of the amount of his equity not so used for the purchase of stock, and which cash payment together with stock so purchased, if any, shall constitute full payment and discharge of the policyholder's equity as an owner of such mutual insurer; and

(8) The plan, when completed, would provide for the converted insurer paid-in capital stock in an amount not less than the minimum paid-in capital required of a domestic stock insurer transacting like kinds of insurance, together with surplus funds in amount not less than one

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half of such required capital.

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