

INSURANCE CODE

TITLE 6. ORGANIZATION OF INSURERS AND RELATED ENTITIES

SUBTITLE B. ORGANIZATION OF REGULATED ENTITIES

CHAPTER 826. CONVERSION OF MUTUAL INSURANCE COMPANY TO STOCK

INSURANCE COMPANY

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 826.001. DEFINITIONS. In this chapter:

(1) "Conversion plan" means a plan adopted under this chapter to convert a mutual insurance company into a stock insurance company.

(2) "Converting company" means a domestic mutual insurance company that is converting under this chapter into a domestic stock insurance company.

(3) "Eligible member" means a member of a converting company whose policy is in force on the date that the company's board of directors adopts a conversion plan. The term does not include a person insured under a group policy.

(4) "Mutual insurance company" means a domestic mutual insurance company.

(5) "Participating policy" means a policy issued by a mutual insurance company that grants a holder the right to receive declared dividends.

(6) "Resulting company" means a domestic stock insurance company that has converted under this chapter from a domestic mutual insurance company.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.002. AUTHORITY TO CONVERT TO STOCK INSURANCE COMPANY. (a) A mutual insurance company may convert to a stock insurance company.

(b) A converting company may not engage in the business of insurance as a stock insurance company until it complies with the requirements of this chapter.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.003. RIGHTS AND PRIVILEGES OF RESULTING COMPANY; LAWS APPLICABLE. Except as provided by this chapter, a resulting company:

(1) may exercise only the rights and privileges of a stock insurance company; and

(2) is subject to:

(A) all of the requirements and rules imposed on stock insurance companies organized under this code; and

(B) the laws of this state relating to the regulation or supervision of insurance companies.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.004. CERTAIN CONVERSIONS PROHIBITED. A mutual insurance company may not convert to a stock insurance company under this chapter if, as a direct result of the conversion, any affiliate or other person acquires control of the resulting company, unless that affiliate or person complies with Section [823.154](#).

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.005. CORPORATE EXISTENCE. (a) On the effective date of a conversion under this chapter:

(1) the corporate existence of the converting company continues in the resulting company;

(2) all assets, rights, franchises, and interests of the converting company in and to property and any accompanying thing in action are vested in the resulting company without a deed or transfer; and

(3) the resulting company assumes all the obligations and liabilities of the converting company.

(b) Except as otherwise specified by the conversion plan, the directors and officers of the converting company serving on the effective date of the conversion serve as directors and officers of the resulting company until new directors and officers are elected under the articles of incorporation and bylaws of the resulting company.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

SUBCHAPTER B. CONVERSION PLAN ADOPTION AND REQUIREMENTS

Sec. 826.051. PLAN ADOPTION. (a) To convert to a stock insurance company a mutual insurance company must adopt, by the affirmative vote of at least two-thirds of the members of its board of directors, a conversion plan consistent with this chapter.

(b) For a conversion plan to take effect:

(1) the commissioner must approve the conversion plan;
and

(2) the eligible members must approve the conversion plan and adopt the amended or restated articles of incorporation of the resulting company.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.052. GENERAL REQUIREMENTS; EFFECT OF CONVERSION ON POLICIES. (a) Each conversion plan must include the provisions required by this chapter.

(b) Each policy in effect on the effective date of the conversion remains in effect under the terms of that policy, except that the following rights, to the extent they existed in the converting company, are extinguished on the effective date of the conversion:

- (1) any voting rights of policyholders;
- (2) except as provided by Subsection (c), a right to share in the surplus or profits of the converting company; and
- (3) any assessment provisions.

(c) The holder of a participating policy in effect on the effective date of the conversion continues to have a right to receive dividends as provided by the participating policy.

(d) On the renewal date of a participating policy, the resulting company may issue to the insured a nonparticipating policy as a substitute for the participating policy, unless the participating policy is:

- (1) a guaranteed renewable accident and health policy;
- or
- (2) a guaranteed renewable, noncancellable accident

and health policy.

(e) All the costs and expenses connected with a conversion plan shall be paid or reimbursed by the converting company or the resulting company.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.053. SALE OF CAPITAL STOCK. A conversion plan must provide that shares of capital stock of the resulting company shall be sold in a private placement, public offering, or an alternative method approved by the commissioner unless the shares are:

(1) sold or distributed to a holder of surplus notes of the converting company; or

(2) subscribed to by:

(A) a tax-qualified employee benefit plan under Section 826.059;

(B) a director or officer under Section 826.056(b); or

(C) an eligible member exercising subscription rights under Section 826.058.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.054. PURCHASE PRICE OF CAPITAL STOCK. (a) A conversion plan must set the total price of the capital stock in an amount equal to the estimated pro forma market value of the resulting company based on an independent valuation by a qualified expert, giving consideration to the amount of capital that the board of directors considers necessary to be raised by the company. The pro forma market value may be the value estimated to be necessary to attract full subscription for the shares, as indicated by the independent valuation, and may be stated as a range of values.

(b) The conversion plan may set the purchase price for a share of capital stock at any reasonable amount. The price per share is not required to be the same for each class of purchaser. However, eligible members purchasing stock under subscription rights received under Section 826.058 may purchase shares at the lowest available price under the plan.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.055. LIMITATION ON ACQUISITION OF CAPITAL STOCK.

(a) The conversion plan must provide that a person or group of persons acting in concert may not acquire, in the public or private offering or through the exercise of subscription rights, more than 10 percent of the capital stock of the resulting company except with the approval of the commissioner.

(b) This section does not apply to an entity that purchases 100 percent of the capital stock of the resulting company as part of the conversion plan approved by the commissioner.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.056. DIRECTORS AND OFFICERS. (a) Except as

otherwise provided by this section, the conversion plan must provide that a director or officer of the converting company, or a person acting in concert with a director or officer, may not acquire, without the permission of the commissioner, any capital stock of the resulting company or the stock of another corporation that is participating in the conversion plan before the third anniversary of the effective date of the conversion. This subsection does not prohibit a director or officer from:

- (1) acquiring capital stock through a broker-dealer;
- (2) making purchases through the exercise of subscription rights received under the conversion plan; or
- (3) participating in a stock benefit plan permitted by Section 826.059 or approved by the eligible members under Section 826.107.

(b) A conversion plan may provide that the directors and officers of the converting company may receive, without payment, nontransferable subscription rights to purchase capital stock of the resulting company or the stock of another corporation that is participating in the conversion plan.

(c) The aggregate number of shares that may be purchased by directors and officers under Subsection (b) may not exceed:

- (1) 35 percent of the total number of shares to be issued for the resulting company if the total assets of the

converting company are less than \$50 million; or

(2) 25 percent of the total number of shares to be issued for the resulting company if the total assets of the converting company are more than \$500 million.

(d) For converting companies with total assets between \$50 million and \$500 million, inclusive, the maximum percentage of the total number of shares that may be purchased shall be interpolated from amounts provided under Subsection (c).

(e) A conversion plan must provide that a director or officer of the converting company may not sell stock purchased under the conversion plan before the first anniversary of the effective date of the conversion.

(f) Notwithstanding Subsection (e), a conversion plan may provide for the purchase or redemption of stock in the event that a director or officer is no longer associated with the resulting company during the period described by Subsection (e).

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.057. RIGHTS OF HOLDER OF SURPLUS NOTES. A conversion plan must provide that any rights of a holder of a surplus note to participate in the conversion are governed by the terms of the surplus note.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.058. SUBSCRIPTION RIGHTS; GENERAL PROVISIONS.

(a) Except for an alternate conversion plan adopted under Section [826.061](#), each conversion plan must specify the subscription rights of eligible members.

(b) The conversion plan must provide that:

(1) each eligible member is to receive, without payment by the member, nontransferable subscription rights to purchase a portion of the capital stock of the resulting company; and

(2) in the aggregate, all eligible members have the right, before the right of any other party, to purchase 100 percent of the capital stock of the resulting company after provision for:

(A) capital stock required to be sold or

distributed to the holders of surplus notes, if any;

(B) capital stock purchased by a stock benefit plan as permitted by Section 826.059; and

(C) capital stock acquired by the directors and officers, as permitted by Section 826.056(b).

(c) As an alternative to subscription rights in the resulting company, the conversion plan may provide that each eligible member is to receive, without payment by the member, nontransferable subscription rights to purchase a portion of the capital stock of:

(1) a corporation organized for the purpose of purchasing and holding all the stock of the resulting company;

(2) a stock insurance company owned by the converting company into which the converting company is to be merged; or

(3) an unaffiliated stock insurance company or other corporation that is to purchase all the stock of the resulting company.

(d) The conversion plan must provide that the subscription rights are allocated in whole shares among the eligible members using a fair and equitable formula. The formula may consider that the different classes of policies of the eligible members contributed to the surplus of the converting company or any other factors that may be fair or equitable as determined by the board of directors.

(e) The conversion plan must provide a fair and equitable method for allocating shares of capital stock in the event of an oversubscription to shares by eligible members exercising subscription rights under this section.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.059. SUBSCRIPTION RIGHTS; TAX-QUALIFIED EMPLOYEE BENEFIT PLAN. The conversion plan may allocate to a tax-qualified employee benefit plan nontransferable subscription rights to purchase not more than 10 percent of the capital stock of the resulting company.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.060. LIQUIDATION ACCOUNT. (a) The conversion plan may provide for the creation of a liquidation account for the benefit of members in the event of a voluntary liquidation after the conversion.

(b) The liquidation account must be in an amount equal to the surplus of the converting company, exclusive of the principal amount of any surplus note, on the last day of the quarter preceding the date the conversion plan is adopted.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.061. ALTERNATE CONVERSION PLAN. (a) The board of directors may adopt a conversion plan that does not rely in whole or in part on the issuance of nontransferable subscription rights to members to purchase stock of the resulting company if the commissioner determines that the plan:

- (1) complies with this chapter;
- (2) is fair and equitable; and
- (3) permits the resulting company to satisfy the requirements in effect on the date of the determination for a certificate of authority applicable to a domestic stock insurance company.

(b) The conversion plan may:

- (1) include the merger of a domestic mutual insurance company with a domestic or foreign stock insurance company;
- (2) provide for issuing stock, cash, or other consideration to members instead of subscription rights;
- (3) provide for the formation of a mutual holding company under Subchapter E; or
- (4) establish another plan containing other provisions approved by the commissioner.

(c) The commissioner may retain, at the converting company's expense, a qualified expert who is not a member of the commissioner's staff to assist in reviewing whether the conversion plan meets the requirements for approval by the commissioner.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

SUBCHAPTER C. ADOPTION OF CONVERSION PLAN

Sec. 826.101. PLAN INFORMATION FILED WITH COMMISSIONER; COMMISSIONER POWERS AND DUTIES. Not later than the 90th day after the date on which a converting company's board of directors adopts a conversion plan, the company shall file with the commissioner:

(1) a copy of the documents relating to the conversion plan, including the valuation required by Section 826.054(a);

(2) the form of notice required by Section 826.104;

(3) the form of proxy to be solicited from eligible members under Section 826.107(a);

(4) the form of notice required by Section 826.151 to persons whose policies are issued after adoption of the conversion plan but before the effective date of the conversion plan;

(5) the proposed amended or restated articles of incorporation of the resulting company;

(6) a statement regarding acquisition of control, if applicable, as required by Chapter 823; and

(7) any other information requested by the commissioner.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.102. APPROVAL OF PLAN BY COMMISSIONER. (a) The commissioner shall approve a conversion plan if the commissioner determines that:

(1) the plan complies with this chapter;

(2) the plan's method of allocating subscription rights or other value is fair and equitable; and

(3) the resulting company would satisfy the requirements applicable to a domestic stock insurance company for a certificate of authority on the date of the determination.

(b) Except as otherwise provided by this section, the commissioner shall approve or disapprove a conversion plan not later than the 60th day after the first day on which all the documents required under Section 826.101 are filed with the commissioner.

(c) The commissioner may extend the time for decision by an additional 30 days on written notice to the converting company.

Except as provided under Subsection (e), the commissioner may not extend the time for decision beyond that 30-day period.

(d) The commissioner shall immediately give written notice to the converting company of the commissioner's decision and, if the commissioner disapproves the plan, a detailed statement of the reasons for the disapproval.

(e) The commissioner may retain, at the mutual insurance company's expense, a qualified expert who is not a member of the commissioner's staff to assist the commissioner in reviewing the conversion plan and the valuation required under Section [826.054\(a\)](#). If the commissioner retains a qualified expert under this subsection, the commissioner may extend the period for decision by an additional 60 days beyond the initial 60-day period.

(f) After giving written notice to the converting company and other interested persons, the commissioner may hold a hearing on whether the conversion plan complies with this chapter. The company and any other interested person have the right to appear at the hearing. Notice to interested persons who have not filed an appearance in the matter may be made through publication in the Texas Register.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.103. AMENDMENTS; WITHDRAWAL OF PLAN. Before a conversion plan takes effect, a converting company may amend or withdraw the plan by the affirmative vote of at least two-thirds of the members of its board of directors.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.104. NOTICE TO ELIGIBLE MEMBERS; COMMENTS. (a) Not later than the 10th business day after the date of filing with the commissioner the documents required under Section [826.101](#), the converting company shall send to each eligible member a notice advising the member of:

(1) the adoption and filing of the conversion plan;
and

(2) the member's right to comment on the plan to the commissioner and the converting company.

(b) The notice must include a description of the procedure to be used in making comments. An eligible member who elects to make comments must make the comments in writing not later than the 30th day after the date on which the notice is sent.

(c) Not later than the 60th day after the date of the commissioner's approval of the plan, the converting company shall send to each eligible member notice of the members' meeting to vote on the conversion plan. The notice must be sent to the member's last known address, as shown on the converting company's records, before the 30th day preceding the date set for the meeting. The notice must:

(1) briefly but fairly describe the proposed conversion plan; and

(2) inform the member of the member's right to vote on the conversion plan.

(d) If the meeting to vote on the conversion plan is held during the converting company's annual meeting of policyholders, a combined meeting notice satisfies the requirements of this section. Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.105. SUBSTANTIAL COMPLIANCE WITH NOTICE REQUIREMENTS. If the converting company in good faith substantially complies with the notice requirements of this chapter, the company's failure to send a member the required notice does not impair the validity of an action taken under this chapter. Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.106. INSOLVENT CONVERTING COMPANY; NOTICE REQUIREMENTS. If a converting company is insolvent or, in the judgment of the commissioner, is in hazardous financial condition, its board of directors, by a majority vote, may request in its submission to the commissioner a waiver of the requirements for notice to and approval of the proposed conversion by eligible members. The request must specify:

(1) the method and basis for the issuance of the resulting company's shares of its capital stock to an independent party in connection with an investment by the independent party in

an amount sufficient to restore the resulting company to a sound financial condition; and

(2) that the conversion is to be accomplished without payment of consideration to past, present, or future policyholders if the commissioner determines that the value of the converting company is insufficient to justify that payment.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.107. ELECTION; APPROVAL OF PLAN; ADOPTION OF AMENDED OR RESTATED ARTICLES OF INCORPORATION. (a) At a meeting convened to consider the conversion plan, an eligible member entitled to vote on the proposed conversion plan may vote in person or by proxy. The number of votes each eligible member may cast is determined by the converting company's bylaws. If the bylaws do not contain an applicable provision, each member may cast one vote. Before the eligible members may vote on approval of a conversion plan, the converting company must comply with Sections [826.101](#) and [826.102](#).

(b) At the meeting held to vote on the conversion plan, the eligible members shall also consider the adoption of amended or restated articles of incorporation.

(c) Adoption of the conversion plan or adoption of amended articles of incorporation requires the affirmative vote of at least two-thirds of the votes cast by eligible members.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.108. FILING OF MINUTES, ARTICLES OF INCORPORATION, AND BYLAWS; EFFECTIVE DATE OF CONVERSION. (a) Not later than the 30th day after the date on which the eligible members approve the conversion plan, the converting company shall file with the commissioner:

(1) the minutes of the meeting at which the plan was approved; and

(2) the amended or restated articles of incorporation and bylaws of the resulting company.

(b) A conversion plan takes effect on the date that the amended or restated articles of incorporation are filed with the

commissioner.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.109. CONFLICT OF INTEREST. (a) Except as provided by a conversion plan approved by the commissioner or this section, a director, officer, agent, or employee of a converting company may not receive a fee, commission, or other consideration, other than that person's usual salary or compensation, for aiding, promoting, or assisting in a conversion under this chapter.

(b) This section does not prohibit the payment of reasonable fees and compensation to an attorney, accountant, or actuary for professional services performed by that person, even if the person is also a director or officer of the converting company.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.110. LIMITATION ON ACTIONS. An action challenging the validity of or arising out of acts taken or proposed to be taken regarding a conversion plan under this chapter must be commenced not later than the 30th day after the effective date of the conversion plan.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

SUBCHAPTER D. RIGHTS OF MEMBERS ON CONVERSION

Sec. 826.151. RIGHTS OF MEMBERS WHOSE POLICIES ARE ISSUED AFTER ADOPTION OF CONVERSION PLAN BUT BEFORE EFFECTIVE DATE. (a) On issuance of a policy after a conversion plan has been adopted by the board of directors but before the effective date of the conversion plan, the converting company shall send to each member to whom a policy is issued a written notice regarding the conversion plan.

(b) Except as provided by Subsection (d), a member of an accident and health insurance company entitled to notice under Subsection (a) is entitled to rescind the member's policy and receive a full refund of any amount paid for the policy not later than the 10th day after the date on which the notice is received.

(c) Except as provided by Subsection (d), each member

insured under a property or casualty insurance policy is entitled to notice under Subsection (a) and shall be advised of the member's right to:

- (1) cancel the policy; and
- (2) receive a pro rata refund of unearned premiums.

(d) A member who has made or filed a claim under the insurance policy is not entitled to a refund under Subsection (b) or (c). A member who has exercised a right provided by Subsection (b) or (c) may not make or file a claim under the insurance policy.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.152. AMENDMENT OF POLICIES. A converting company, by endorsement or rider approved by the commissioner and sent to the policyholder, may simultaneously with or at any time after the adoption of a conversion plan amend an insurance policy in effect to terminate a right of the holder of the policy to share in the surplus or profits of the converting company. The amendment is void if the conversion plan does not take effect.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

SUBCHAPTER E. CONVERSION THROUGH MUTUAL HOLDING COMPANY

Sec. 826.201. CONVERSION THROUGH CREATION OF HOLDING COMPANY. (a) A converting company, on approval by the commissioner, may reorganize by forming a holding company based on a mutual plan and continuing the corporate existence of the converting company as a stock insurance company.

(b) A mutual holding company is considered an insurer subject to this chapter and Chapter 883. A mutual holding company is automatically a party to an administrative proceeding under this code involving an insurance company that, as a result of a reorganization under this subchapter, is a subsidiary of the mutual holding company. In any proceeding involving the resulting company, the assets of the mutual holding company are considered assets of the resulting company for purposes of satisfying the claims of the resulting company's policyholders.

(c) A mutual holding company may not dissolve or liquidate

without the approval of the commissioner.

(d) A mutual holding company may convert to a stock holding company under this chapter as if the mutual holding company were a mutual insurance company.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.202. COMMISSIONER POWERS AND DUTIES; APPROVAL.

(a) The commissioner shall review the proposed plan of reorganization as an alternate conversion plan under Section 826.061. The commissioner may require as a condition of approval modifications of the proposed plan of reorganization that the commissioner determines necessary to protect the members' interests.

(b) The commissioner may retain a qualified expert as provided by Section 826.102(e).

(c) The commissioner has jurisdiction over a mutual holding company organized under this subchapter to ensure that member interests are protected.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.203. APPLICABILITY OF CERTAIN LAWS; INCORPORATION. A mutual holding company that results from the reorganization of a domestic mutual insurance company organized under Chapter 883 must be organized under Sections 883.051, 883.052, 883.054, and 883.056. The articles of incorporation, and any amendments to those articles, of the mutual holding company are subject to approval of the commissioner in the same manner as those of a mutual insurance company.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.204. MEMBERSHIP INTERESTS. (a) The membership interests of the policyholders of the resulting company become membership interests in the mutual holding company. Eligible members of the converting company become members of the mutual holding company in accordance with the articles of incorporation and bylaws of the mutual holding company.

(b) A membership interest in a mutual holding company does

not constitute a security as defined by Section [4001.068](#), Government Code.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. [4171](#)), Sec. 2.30, eff. January 1, 2022.

Sec. 826.205. CAPITAL STOCK HELD BY MUTUAL HOLDING COMPANY.

(a) In this section:

(1) "Intermediate holding company" means a holding company that:

(A) is a subsidiary of a mutual holding company formed to reorganize a mutual insurance company; and

(B) directly or through a subsidiary intermediate holding company, owns the resulting company.

(2) "Majority of the voting shares of the capital stock" means shares of the capital stock of a company that carry the right to cast a majority of the votes entitled to be cast by all of the outstanding shares of the capital stock of the company on all matters submitted to a vote of the shareholders of the company.

(b) All of the initial shares of the capital stock of the resulting company shall be issued to the mutual holding company.

(c) The mutual holding company shall at all times own a majority of the voting shares of the capital stock of the resulting company or of an intermediate holding company established to hold the voting shares of the resulting company. The requirements of this subsection may be satisfied by indirect ownership through one or more intermediate holding companies in a corporate structure approved by the commissioner.

(d) The mutual holding company or intermediate holding company may not convey, transfer, assign, pledge, subject to a security interest or lien, encumber, or otherwise hypothecate or alienate the majority of the voting shares of the capital stock that is required to be owned under Subsection (c).

(e) A violation of Subsection (d) is void in inverse chronological order from the date of the conveyance or activity as to the shares necessary to constitute a majority of the voting

shares of the capital stock.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 826.206. CONVERSION OF FOREIGN MUTUAL INSURANCE COMPANY. (a) On the approval of the commissioner, a foreign mutual insurance company may reorganize in compliance with the requirements of any law or regulation applicable to the foreign mutual insurance company by:

(1) transferring its members' membership interests into a mutual holding company formed under a procedure analogous to that described by this subchapter; and

(2) continuing the corporate existence of the reorganizing foreign mutual insurance company as a foreign stock insurance company subsidiary of the mutual holding company.

(b) The reorganizing foreign mutual insurance company may remain a foreign company and may be admitted to do business in this state. A foreign mutual insurance company may also redomesticate in this state by complying with the applicable requirements of Chapter 983.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.