

INSURANCE CODE

TITLE 6. ORGANIZATION OF INSURERS AND RELATED ENTITIES

SUBTITLE E. MUTUAL AND FRATERNAL COMPANIES AND RELATED ENTITIES

CHAPTER 882. MUTUAL LIFE INSURANCE COMPANIES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 882.001. APPLICABILITY OF THIS CHAPTER AND OTHER LAW. Except to the extent of any conflict with this chapter, a law governing a company organized under Chapter 841 applies to a mutual life insurance company organized under this chapter.

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

Sec. 882.002. EXAMINATION OF COMPANY. The following provisions apply to a mutual life insurance company organized under this chapter:

(1) Subchapter A, Chapter 86; and

(2) Sections 401.051, 401.052, 401.054-401.062, 401.151, 401.152, 401.155, and 401.156.

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

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2E.073, eff. April 1, 2009.

Sec. 882.003. ANNUAL STATEMENT. A mutual life insurance company shall file an annual statement with the department.

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

SUBCHAPTER B. FORMATION AND STRUCTURE OF MUTUAL LIFE INSURANCE COMPANY

Sec. 882.051. AUTHORITY TO FORM COMPANY; PURPOSE. A mutual life insurance company may be formed under this chapter to insure the lives of individuals on the mutual level premium and legal reserve plan.

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

Sec. 882.052. FORMATION OF COMPANY; ARTICLES OF INCORPORATION. (a) Nine or more persons who are residents of this state may form a mutual life insurance company by executing and acknowledging articles of incorporation for that purpose.

(b) The articles of incorporation of the proposed company must state:

(1) the name and residence of each incorporator;

(2) the name of the company;

(3) the location of the company's principal office at which company business is to be transacted;

(4) the number of directors;

(5) the name and residence of each initial director;

and

(6) the amount of the company's unencumbered surplus.

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

Sec. 882.053. COMPANY'S NAME. (a) The name of a mutual life insurance company must contain the words "Mutual Life Insurance Company."

(b) A mutual life insurance company's name may not be so similar to the name of another insurance company as to likely mislead the public.

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

Sec. 882.054. INITIAL BOARD OF DIRECTORS; TERM. An initial director named as provided in Section [882.052](#) serves until:

(1) the first annual election of directors;

(2) the initial director's successor qualifies for office; or

(3) the initial director is removed from the board for improper practices.

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

Sec. 882.055. UNENCUMBERED SURPLUS REQUIREMENTS. A mutual life insurance company must possess at the time of incorporation unencumbered surplus in an amount of at least \$200,000. The unencumbered surplus may consist only of:

- (1) United States currency;
 - (2) bonds of the United States, this state, or a county or municipality of this state; or
 - (3) government insured mortgage loans that are authorized by this chapter, with not more than 25 percent of the unencumbered surplus invested in first mortgage real estate loans.
- Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 882.056. APPLICATION FOR CHARTER. (a) To obtain a charter for a mutual life insurance company under this chapter, the incorporators must pay the charter fee in the amount determined under Chapter 202 and file with the department:

- (1) an application for charter on the form and including the information prescribed by the commissioner;
- (2) the company's articles of incorporation; and
- (3) an affidavit made by two or more of the incorporators that states that:

(A) the unencumbered surplus requirements of Section 882.055 are satisfied;

(B) the unencumbered surplus is the bona fide property of the company; and

(C) the information in the application and articles of incorporation is true and correct.

(b) The commissioner may require that the incorporators provide at their expense additional evidence of a matter required in the affidavit before the commissioner takes further action on the application for the charter.

(c) The charter must state the name of each director who is to serve until the first annual election.

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

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2E.074, eff. April 1, 2009.

Sec. 882.057. APPLICATION PROCESS. (a) After the charter fee is paid and all items required for a charter under Section 882.056 are filed with the department, the commissioner shall

approve, deny, or disapprove the application.

(b) On the applicant's request, the commissioner shall hold a hearing on a denial. Not later than the 30th day after the date of the applicant's request for a hearing, the commissioner shall request a hearing date.

(c) An interested party may participate fully and in all respects in any proceeding related to the application. An intervenor has the rights and privileges of a proper or necessary party in a civil suit in the courts of this state, including the right to be represented by counsel.

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

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 1022 (H.B. 4291), Sec. 12, eff. June 19, 2009.

Sec. 882.058. ACTION ON APPLICATION. (a) In considering the application, the commissioner shall determine if:

(1) the minimum unencumbered surplus required by Section 882.055 is the bona fide property of the mutual life insurance company;

(2) the proposed officers, directors, and managing executives of the company have sufficient insurance experience, ability, and standing to make success of the proposed company probable; and

(3) the applicants are acting in good faith.

(b) If the commissioner determines that the applicant has not met the standards set out by Subsection (a), the commissioner shall deny the application in writing, giving the reason for the denial. An application may not be granted unless it is adequately supported by competent evidence.

(c) Repealed by Acts 2009, 81st Leg., R.S., Ch. 1022, Sec. 19(6), eff. June 19, 2009.

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

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 1022 (H.B. 4291), Sec. 13, eff. June 19, 2009.

Acts 2009, 81st Leg., R.S., Ch. 1022 (H.B. 4291), Sec. 19(6),

eff. June 19, 2009.

Sec. 882.059. EXAMINATION AFTER DETERMINATION. After making a determination on an application under Section 882.058, the commissioner shall immediately make or cause to be made a full and thorough examination of the mutual life insurance company. The company shall pay for the examination.

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

SUBCHAPTER C. AUTHORITY TO ENGAGE IN BUSINESS

Sec. 882.101. ISSUANCE OF CERTIFICATE OF AUTHORITY. (a) After the examination of a mutual life insurance company under Section 882.059, the commissioner shall issue a certificate of authority to the company if the commissioner finds that:

- (1) the company has complied with all applicable laws;
- (2) the company satisfies the unencumbered surplus requirements of Section 882.055; and
- (3) the company's unencumbered surplus is in the custody of the company's officers.

(b) A certificate of authority issued under this section authorizes the company to engage in the business of life, health, or accident insurance in this state as may be specified in the company's charter or charter application.

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

SUBCHAPTER D. MANAGEMENT OF MUTUAL LIFE INSURANCE COMPANY

Sec. 882.151. BOARD OF DIRECTORS. (a) The board of directors of a mutual life insurance company controls the business of the company.

(b) The board of directors consists of at least five directors as stated in the company's articles of incorporation.

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

Sec. 882.152. ADOPTION OF INITIAL BYLAWS. (a) At the first meeting of the initial board of directors of a mutual life insurance

company after the department issues a certificate of authority to the company, the board shall adopt the initial bylaws of the company.

(b) The bylaws adopted under Subsection (a) shall govern the company until the first annual meeting of the board of directors.
Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 882.153. ANNUAL MEETING. (a) Except as provided by Subsection (b), after a mutual life insurance company is issued a certificate of authority under Section [882.101](#), the company shall hold an annual meeting of the policyholders on the fourth Tuesday in April at the home office of the company or another location properly announced to each policyholder.

(b) The bylaws of a mutual life insurance company may establish an annual meeting date different than the date under Subsection (a). A meeting date established under this subsection must be before April 30 of each year.

(c) At each annual meeting, the policyholders:

(1) shall elect the company's board of directors to serve until the next annual meeting, except as provided by Section [882.154](#); and

(2) may adopt, amend, or repeal the bylaws of the company.

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

Sec. 882.154. STAGGERED TERMS FOR LARGE BOARD OF DIRECTORS.

(a) This section applies only to a mutual life insurance company whose board of directors consists of at least nine members.

(b) The bylaws of a mutual life insurance company may provide that the company's directors, other than initial directors, may be elected to serve staggered terms as provided by this section.

(c) The company's directors shall be divided into two or three classes, with each class consisting of an equal number of directors to the extent possible. After the directors are divided into classes:

(1) the terms of the directors in the first class expire on the first annual meeting date after their initial

election;

(2) the terms of the directors in the second class expire on the second annual meeting date after their initial election; and

(3) the terms of the directors in the third class, if any, expire on the third annual meeting date after their initial election.

(d) At each annual meeting after the directors are first elected, the policyholders shall elect the number of directors whose terms expire on that date. Directors are elected for:

(1) staggered two-year terms, if the board is divided into two classes; or

(2) staggered three-year terms, if the board is divided into three classes.

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

Sec. 882.155. VOTING BY POLICYHOLDERS. (a) At an annual or special meeting of a mutual life insurance company, each policyholder is entitled to one vote for each \$500 of insurance held by the policyholder in the company.

(b) A policyholder may vote at an annual or special meeting by proxy, unless the proxy is revoked before the meeting.

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

Sec. 882.156. OFFICERS. (a) The board of directors of a mutual life insurance company shall elect the following officers for the company:

(1) a president;

(2) the number of vice presidents as required by the company's bylaws;

(3) a secretary;

(4) a treasurer;

(5) a medical director; and

(6) other officers as required by the company's bylaws.

(b) The board shall establish the compensation of each officer.

(c) The duties of each officer shall be prescribed by the company's bylaws.

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

Sec. 882.157. OFFICER BONDS. The president, secretary, and treasurer of a mutual life insurance company shall each provide a bond for the protection of the company's policyholders:

(1) in an amount and with sureties approved by the commissioner; and

(2) conditioned on the faithful performance of the officer's duties.

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

Sec. 882.158. BYLAWS MUST COMPLY WITH LAW. The bylaws of a mutual life insurance company may not be inconsistent with this chapter or other laws of this state.

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

SUBCHAPTER E. AGENTS

Sec. 882.201. APPLICABILITY OF SUBCHAPTER. This subchapter does not apply to a mutual life insurance company organized under this chapter that has a surplus of at least the minimum amount of capital and surplus required of a capital stock company under Sections [841.054](#), [841.204](#), [841.205](#), [841.301](#), and [841.302](#).

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

Sec. 882.202. ISSUANCE OF LICENSE TO AGENT. On written request of a mutual life insurance company to which a certificate of authority has been issued under this chapter, the department shall issue a license to each agent of the company.

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

Sec. 882.203. LIMITATION ON AGENT COMPENSATION. A contract between a mutual life insurance company and an agent of the company to which a license has been issued under Section [882.202](#) may not provide a commission or other compensation to the agent that

exceeds the expense loading in the premiums on policies that are issued on applications obtained by the agent and for which the premiums are collected and paid to the company in cash.

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

SUBCHAPTER F. GENERAL FINANCIAL REQUIREMENTS

Sec. 882.251. LIMITED AUTHORITY TO BORROW MONEY. (a) Except as provided by this subchapter, a mutual life insurance company may not borrow money for any purpose other than to pay a death loss.

(b) A company may not incur a debt on an account for which any part of the company's assets that exceeds the assets represented by or derived from the expense loading in the premiums collected by the company is subject to execution on a judgment.

(c) Subsection (b) does not prohibit a company from incurring a debt on an account:

- (1) under a policy issued by the company; or
- (2) to borrow money to pay a death loss.

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

Sec. 882.252. INVESTMENT OF MONEY. (a) A mutual life insurance company shall invest the company's money in accordance with the law governing investments of life, health, and accident insurance companies organized under Chapter 841.

(b) An officer of a mutual life insurance company who does not invest the money of the company as required by Subsection (a) shall deposit the money in the name of the company in a bank that:

- (1) is subject to state or federal regulation; and
- (2) has been approved by the commissioner as a depository for that purpose.

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

Sec. 882.253. LOANS TO COMPANY. (a) An officer or director of a mutual life insurance company, or a person authorized under Chapter 825, may loan to the company money to:

- (1) promote or conserve the company's business; or

(2) enable the company to comply with a legal requirement.

(b) The company may repay a loan and agreed interest, at an annual rate not to exceed 10 percent, from the surplus remaining after the company provides for the company's reserves and other liabilities.

(c) A loan under this section or interest on a loan is not otherwise a liability or claim against the company or any of its assets.

(d) A mutual life insurance company may not pay a commission or promotion expense in connection with a loan made to the company.

(e) A mutual life insurance company shall report in its annual statement the amount of each loan.

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

SUBCHAPTER G. UNENCUMBERED SURPLUS REQUIREMENTS

Sec. 882.301. AMOUNT OF UNENCUMBERED SURPLUS. (a) A mutual life insurance company that engages in the business of insurance in this state shall maintain an unencumbered surplus of at least \$100,000 that consists of cash or classes of investment as provided by Section [882.055](#).

(b) Except as otherwise authorized by this code, a company that does not maintain an unencumbered surplus as required by this section may not write new insurance.

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

Sec. 882.302. EXEMPTION FOR CERTAIN COMPANIES. A mutual life insurance company that was authorized and engaged in the business of insurance in this state before May 1, 1955, is not required to increase the amount or convert the class or form of the company's existing unencumbered surplus to comply with Section [882.301](#) and may not be prohibited from writing new insurance because the company does not maintain an unencumbered surplus as required by that section if the company complies with all other laws.

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

Sec. 882.303. UNENCUMBERED SURPLUS LESS THAN \$25,000. A mutual life insurance company whose unencumbered surplus is less than \$25,000 shall allocate at least 25 percent of the company's net earned surplus for the preceding calendar year to the company's unencumbered surplus until the company has obtained an unencumbered surplus of at least \$25,000.

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

Sec. 882.304. INVESTMENT OF EXCESS UNENCUMBERED SURPLUS. A mutual life insurance company that is granted a charter under this chapter may invest that part of the company's unencumbered surplus that exceeds \$100,000 as provided by this code for companies operating under Chapter [841](#).

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

Sec. 882.305. IMPAIRMENT OF UNENCUMBERED SURPLUS. (a) If one-third or more of a mutual life insurance company's unencumbered surplus as required by Section [882.301](#) is impaired, the company shall correct the impairment not later than the 60th day after the date the surplus is impaired.

(b) A company that does not correct an impairment of surplus as required by Subsection (a) may not write insurance in this state until the company corrects the impairment.

(c) In determining whether a company's surplus is impaired, the company shall compute its liabilities in the manner provided by state law.

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

Sec. 882.306. IMPAIRMENT OF UNENCUMBERED SURPLUS; APPOINTMENT OF RECEIVER. (a) If one-half or more of a mutual life insurance company's unencumbered surplus as required by Section [882.301](#) is impaired, the commissioner may apply to a court for the appointment of a receiver to wind up the affairs of the company.

(b) In determining whether a company's surplus is impaired, the company shall compute its reserve liability in the manner provided by state law.

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

SUBCHAPTER H. DIVIDENDS

Sec. 882.351. POLICYHOLDER'S ENTITLEMENT TO DIVIDEND. A policyholder of a mutual life insurance company is entitled to a credit or payment of a dividend from that part of the company's divisible surplus that may be fairly allocated to the policyholder's policy.

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

Sec. 882.352. ACCOUNTING AND PROCEDURE FOR ALLOCATION OF DIVISIBLE SURPLUS; REPORT TO COMMISSIONER. (a) On December 31 of each year, or as soon after as practicable, each mutual life insurance company shall determine the amount of surplus earned by the company during that year.

(b) Not later than the end of the second year in which a policy issued by the company is in effect, the company shall provide to the policyholder:

(1) an annual accounting of the company's divisible surplus; and

(2) if all premiums due on the policy have been paid for at least two years, a fair allocation of the company's divisible surplus that remains after deducting:

(A) any amount approved by the commissioner for retirement of any unpaid loans made under Section [882.253](#);

(B) the company's contingency reserve; and

(C) any earned surplus the company allocated to unencumbered surplus as provided by this chapter.

(c) The company shall immediately submit to the commissioner a detailed report of an allocation of divisible surplus made under this section. The president or secretary of the company shall sign the report under oath.

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

Sec. 882.353. DEPARTMENT APPROVAL OF ALLOCATION; REVISIONS. (a) The department shall approve a mutual life

insurance company's allocation of divisible surplus under Section [882.352](#) if the department finds that the allocation is fair to the policyholders and complies with this chapter.

(b) If the department does not approve a company's allocation of surplus, the department shall revise the allocation in a manner that the department determines is fair to the policyholders and necessary to comply with this chapter. The department shall certify the revisions to the company.

(c) An allocation of surplus approved under Subsection (a) takes effect on the date of approval. An allocation of surplus revised by the department under Subsection (b) takes effect on the date the department certifies the revisions to the company.

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

Sec. 882.354. DIVIDEND PAYMENT METHOD. (a) A dividend declared by a mutual life insurance company under this subchapter shall be paid in:

(1) cash; or

(2) the equivalent of the dividend's cash value as provided by an option stated in the policy and selected by the policyholder.

(b) A policyholder shall notify the company in writing of an option selected by the policyholder under Subsection (a)(2).

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

Sec. 882.355. LIMITATIONS ON DIVISIBLE SURPLUS. A mutual life insurance company's divisible surplus available for payment of dividends to the company's policyholders may not include:

(1) any part of the company's unencumbered surplus that has been:

(A) allocated from the company's earned surplus;

(B) transferred from the company's contingency reserve; or

(C) otherwise acquired by the company;

(2) if the company was organized after September 5, 1955, any part of the company's unencumbered surplus required to comply with Section [882.301](#); or

(3) if the company's unencumbered surplus is less than \$25,000, the part of the company's earned surplus for the preceding calendar year in excess of 75 percent of the earned surplus.

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

Sec. 882.356. PAYMENT OF DIVIDENDS NOT REQUIRED. This subchapter does not require a mutual life insurance company to pay a dividend to a policyholder if the unencumbered surplus acquired by the company is impaired.

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

SUBCHAPTER I. CONTINGENCY RESERVE

Sec. 882.401. AMOUNT OF CONTINGENCY RESERVE. (a) A mutual life insurance company organized under this chapter may maintain a contingency reserve that exceeds the reserves and liabilities provided by this chapter. The amount of the contingency reserve may not exceed the greater of:

(1) \$10,000;

(2) an amount that:

(A) equals 20 percent of the company's policy reserves and policy liabilities plus one percent of the amount of the company's life insurance in force; and

(B) does not exceed \$750,000; or

(3) an amount that equals 20 percent of the company's policy reserves and policy liabilities.

(b) In determining the amount of a company's policy reserves and policy liabilities for purposes of this section, the company may only include the following, after deducting the net value of the company's risks reinsured by other solvent assuming insurers:

(1) the company's reserves on outstanding life insurance policies and annuity contracts, contracts issued as supplemental to the policies or contracts or in connection with the policies or contracts or provisions included in policies or contracts that insure against disability or accidental death; and

(2) the company's liabilities for:

(A) optional modes of settlement; or

(B) dividends left on deposit at interest.

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

Sec. 882.402. EXCESS CONTINGENCY RESERVE. (a) The commissioner, for good cause shown, may issue an order authorizing a mutual life insurance company to maintain a contingency reserve that exceeds the amount of the reserve authorized by Section 882.401.

(b) The order must state:

(1) a period not exceeding one year during which the company may maintain the excess contingency reserve; and

(2) each reason for authorizing the excess contingency reserve.

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

Sec. 882.403. CONTINGENCY RESERVE REQUIREMENTS. (a) A mutual life insurance company's contingency reserve as authorized by this subchapter must be:

(1) invested as provided by law; and

(2) used only to pay death claims and dividends to policyholders.

(b) If the interest and earnings from the investment of a company's contingency reserve exceed the amount of reserve authorized by Section 882.401 or 882.402, the company shall pay the excess amount to the policyholders of the company in the form of dividends as provided by law.

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

Sec. 882.404. ALLOCATION OF CONTINGENCY RESERVE TO UNENCUMBERED SURPLUS. If a mutual life insurance company's unencumbered surplus is less than \$100,000, the company may allocate any part of the company's contingency reserve to the company's unencumbered surplus.

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

Sec. 882.405. DESIGNATION OF CONTINGENCY RESERVE AS UNASSIGNED SURPLUS. The contingency reserve described by this

subchapter is and may be treated as unassigned surplus, including designating the contingency reserve as unassigned surplus in financial statements.

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

SUBCHAPTER J. POLICY REQUIREMENTS

Sec. 882.451. APPLICABILITY OF CERTAIN PROVISIONS. Sections 882.452, 882.453, and 882.454 do not apply to a mutual life insurance company organized under this chapter that has a surplus of at least the minimum amount of capital and surplus required of a capital stock company under Sections 841.054, 841.204, 841.205, 841.301, and 841.302.

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

Sec. 882.452. TYPE OF POLICY AUTHORIZED. A mutual life insurance company may issue a policy only on the participating plan with dividends payable annually as provided by Subchapter H.

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

Sec. 882.453. POLICY FORM. An insurance policy issued by a mutual life insurance company must:

- (1) be on a form approved by the department; and
- (2) contain the following statement on both the front and reverse sides of the policy: "The form of this policy is approved by the Texas Department of Insurance."

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

Sec. 882.454. LIMITATION ON AMOUNT OF POLICY VALUE FOR CERTAIN COMPANIES. If the total amount of a mutual life insurance company's insurance in force is less than \$10 million, the company may not issue a policy that, after deducting any reinsurance, binds the company for more than \$5,000 on a single life.

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

Sec. 882.455. TABLE OF GUARANTEED VALUES. (a) Each insurance policy issued by a mutual life insurance company must

contain a table of guaranteed values. The guaranteed values become nonforfeitable not later than the date of payment of the third full annual premium.

(b) The table of guaranteed values shall be drawn in accordance with the law governing life, health, and accident insurance companies.

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

SUBCHAPTER K. TOTAL ASSUMPTION REINSURANCE AGREEMENTS

Sec. 882.501. TOTAL ASSUMPTION REINSURANCE AGREEMENTS BETWEEN LIFE INSURANCE COMPANIES. (a) A domestic mutual life insurance company and any other domestic or foreign life insurance company may enter into a total assumption reinsurance agreement if the company assuming the policies under the agreement is authorized to engage in the kinds of insurance provided by those policies.

(b) Before a total assumption reinsurance agreement may be entered into:

(1) the agreement must be submitted to the department; and

(2) the commissioner must approve the agreement as fully protecting the interests of each domestic company's policyholders.

(c) After an assumption reinsurance agreement in which the ceding company is a domestic mutual insurance company is approved by the commissioner as required by Subsection (b), the agreement must be approved by the policyholders of the ceding domestic company in the same manner as required for a merger or consolidation under Subchapter L.

(d) When the reinsurance agreement described by Subsection (c) is effective, the assuming company is entitled to the same rights, privileges, and benefits granted a company that assumes a company by merger or consolidation as provided by Subchapter L.

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

SUBCHAPTER L. MERGERS AND CONSOLIDATIONS

Sec. 882.551. APPLICABILITY OF SUBCHAPTER. This subchapter applies only to a merger or consolidation in which at least one of the parties to the transaction is a mutual life insurance company. Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 882.552. AUTHORITY TO MERGE OR CONSOLIDATE. A domestic or foreign mutual life insurance company may merge with a domestic or foreign mutual or stock legal reserve life insurance company or consolidate into a new domestic or foreign mutual or stock life insurance company as provided by this subchapter. Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 882.553. PROPOSED PLAN OF MERGER OR CONSOLIDATION; FILING WITH COMMISSIONER. (a) If the boards of directors of at least two life insurance companies determine by majority vote to merge or consolidate, the boards of directors shall prepare a proposed plan of merger or consolidation. The plan may contain:

- (1) a future allocation of divisible surplus; or
- (2) any other fair arrangement by which any equitable interests of the mutual life insurance company's policyholders may be adjusted.

(b) The boards of directors shall file the proposed plan with the commissioner for approval.

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

Sec. 882.554. HEARING ON PLAN. As soon as practicable after a proposed plan is filed with the commissioner, the commissioner shall hold a hearing to determine whether to approve the plan.

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

Sec. 882.555. COMMISSIONER DETERMINATION ON PLAN. (a) As soon as practicable after the commissioner holds a hearing on a proposed plan under Section 882.554, the commissioner shall approve the plan unless the commissioner determines that:

- (1) the plan is contrary to law; or
- (2) implementation of the plan:
 - (A) would not be in the best interests of the

policyholders of any mutual life insurance company that is a party to the plan; or

(B) would substantially reduce the security of or service to be rendered to policyholders of any mutual insurance company that is a party to the plan, regardless of whether the policyholders reside in this state or elsewhere.

(b) In determining whether to approve a proposed plan, the commissioner may consider all relevant financial or other information, including past, present, and future operations and accumulations of each company that is a party to the plan.

(c) If the commissioner approves the proposed plan, the commissioner shall notify each party to the plan of the approval.

(d) If the commissioner disapproves the proposed plan, the commissioner shall, within a reasonable time after holding a hearing under Section 882.554:

(1) specify in detail each reason for the disapproval; and

(2) notify each party to the plan.

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

Sec. 882.556. APPROVAL OF PLAN BY POLICYHOLDERS. (a) As soon as practicable after receiving from the commissioner notice of approval of a proposed plan under Section 882.555, the board of directors of each mutual life insurance company that is a party to the plan shall submit the plan to the policyholders for a vote at an annual or special meeting.

(b) Not later than the 15th day before the date of the meeting, the company shall provide written notice of the meeting to the policyholders as provided by the company's bylaws. The notice must:

(1) be sent to the policyholder's last known address;

(2) state that one of the purposes of the meeting is to vote on the proposed plan; and

(3) be accompanied by a copy of the proposed plan.

(c) At a meeting under Subsection (a), each policyholder:

(1) is entitled to the number of votes as provided by Section 882.155; and

- (2) may vote:
 - (A) in person;
 - (B) by written proxy; or
 - (C) by mailed ballot.

(d) A proposed plan is approved by the policyholders on the affirmative vote of at least two-thirds of the votes cast at the meeting.

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

Sec. 882.557. DOMESTIC STOCK LIFE INSURANCE COMPANY; APPROVAL OF PLAN BY SHAREHOLDERS. On notice of approval of a proposed plan under Section 882.555, the board of directors of each domestic stock life insurance company that is a party to the plan shall submit the plan for approval to the company's shareholders in the manner provided by Section 824.003.

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

Sec. 882.558. FOREIGN LIFE INSURANCE COMPANY; APPROVAL OF PLAN BY POLICYHOLDERS OR SHAREHOLDERS. On notice of approval of a proposed plan under Section 882.555, the board of directors of each foreign life insurance company that is a party to the plan shall submit the plan for approval to the company's policyholders or shareholders as provided by the law of the appropriate jurisdiction.

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

Sec. 882.559. FILING OF AFFIDAVIT OF PLAN APPROVAL; ISSUANCE OF CERTIFICATE OF MERGER OR CONSOLIDATION. (a) On the approval of a proposed plan under Section 882.556, 882.557, or 882.558, the president or a vice president and the secretary or an assistant secretary of each company that is a party to the plan shall execute and file with the department an affidavit stating that the plan has been approved by the policyholders or shareholders of the company as required by this subchapter.

(b) If the department finds that the affidavit complies with law, the department shall:

- (1) endorse the affidavit with:

(A) the word "filed"; and

(B) the date of filing;

(2) if the plan is a plan of merger, issue a certificate of merger to the surviving company or the company's representative; and

(3) if the plan is a plan of consolidation, issue a certificate of consolidation to the new company on the issuance of a charter and a certificate of authority to the new company after:

(A) submission of proper articles of incorporation to the department;

(B) approval by the department in accordance with procedures required for the issuance of a new charter; and

(C) submission of proof that the new company has policyholder surplus at least equal to that of the mutual life insurance company that is a party to the consolidation and has the largest surplus.

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

Sec. 882.560. EFFECTIVE DATE OF MERGER OR CONSOLIDATION. A merger or consolidation takes effect on the later of:

(1) the date of issuance of the certificate of merger or consolidation; or

(2) a date specified in the plan of merger or consolidation.

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

Sec. 882.561. ASSUMPTION OF OUTSTANDING INSURANCE POLICIES. (a) On the effective date of a merger or consolidation under this subchapter, a new or surviving life insurance company resulting from the merger or consolidation assumes each insurance policy outstanding against each company that merges or consolidates on the same terms and under the same conditions as if the policy had continued in force through the original company.

(b) The new or surviving insurance company shall implement the terms of the policy.

(c) The new or surviving insurance company is entitled to:

(1) all rights and privileges under the policy; and

(2) all reserves and surplus that accumulated on the policy before the merger or consolidation.

(d) A policyholder of a mutual life insurance company that is a party to a merger or consolidation resulting in a new or surviving stock life insurance company is not entitled to any voting rights in the new or surviving company.

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

Sec. 882.562. ASSUMPTION OF LIABILITIES. On the effective date of a merger or consolidation under this subchapter, a new or surviving life insurance company resulting from the merger or consolidation assumes all liabilities of the original companies.

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

Sec. 882.563. EFFECT OF MERGER OR CONSOLIDATION ON PROPERTY. On the effective date of a merger or consolidation under this subchapter, the property rights, including any right of recovery, of each company that is a party to the merger or consolidation are transferred to the new or surviving life insurance company resulting from the merger or consolidation without a deed or other transfer.

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

Sec. 882.564. EFFECT OF MERGER OR CONSOLIDATION ON CERTAIN INVESTMENTS. (a) This section applies to each investment of an affected life insurance company, including an investment in real property, that:

(1) was authorized as a proper asset, as of the date on which the investment was made and under the laws of the state in which the company was organized, for investment of funds of a life insurance company; and

(2) is taken over by the new or surviving company under the terms of the merger or consolidation.

(b) On the effective date of a merger or consolidation of two or more life insurance companies under this subchapter, an investment of the affected companies described by Subsection (a) is a proper asset under the laws of this state of the new or surviving

company if the investment is:

(1) approved by the commissioner; and

(2) taken over on terms satisfactory to the commissioner.

(c) A new or surviving company that acquires, under the terms of the merger or consolidation, real property that exceeds the amount of real property permitted by the applicable sections of this code relating to owning or holding real property shall sell or dispose of the excess real property:

(1) within the period specified by those sections; or

(2) within a longer period if the company obtains a certificate from the commissioner:

(A) stating that the interests of the company will materially suffer by the forced sale or other disposition of the real property; and

(B) specifying the longer period for the sale or other disposition of the real property.

(d) This section does not preclude the designation and use of the excess real property as branch offices of the company in accordance with this code.

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

Sec. 882.565. EFFECT OF MERGER OR CONSOLIDATION ON DIVISIBLE SURPLUS. (a) This section applies only to a mutual life insurance company that is a new company or the surviving company resulting from a merger or consolidation under this subchapter.

(b) If the divisible surplus of each domestic mutual life insurance company that is a party to a merger or consolidation under this subchapter was available for allocation to policyholders as provided by Subchapter H immediately before the effective date of the merger or consolidation, the divisible surplus remains available to the policyholders of the new or surviving mutual life insurance company resulting from the merger or consolidation as provided by Subchapter H.

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

Sec. 882.566. EFFECT ON ANTITRUST LAWS. This subchapter

does not affect in any manner the antitrust laws of this state.
Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

SUBCHAPTER M. CONVERSION OF MUTUAL LIFE INSURANCE COMPANY TO STOCK
LEGAL RESERVE LIFE INSURANCE COMPANY

Sec. 882.601. AUTHORITY TO CONVERT TO STOCK LEGAL RESERVE LIFE INSURANCE COMPANY; POLICYHOLDER AUTHORIZATION REQUIRED. A mutual life insurance company organized under this chapter may convert to a stock legal reserve life insurance company as provided by this subchapter only if the conversion is approved by the policyholders by a vote of at least two-thirds of the votes cast by the policyholders in person or by proxy at a meeting called for that purpose.

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

Sec. 882.602. AMENDMENT TO CHARTER OR ARTICLES OF INCORPORATION REQUIRED. If the policyholders of a mutual life insurance company authorize a conversion under Section 882.601, the board of directors and officers of the company shall amend the company's charter or articles of incorporation to comply with the requirements applicable to a stock legal reserve life insurance company under Chapter 841.

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

Sec. 882.603. CAPITAL AND SURPLUS REQUIREMENTS. (a) The capital and surplus of the converted stock legal reserve life insurance company must be at least equal to the minimum capital and surplus required for the organization of a stock legal reserve life insurance company under Chapter 841.

(b) If a contribution of United States currency is necessary to meet the capital and surplus requirements of this section, the contribution must be made before the effective date of the conversion.

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

Sec. 882.604. HEARING. (a) After public notice, the

commissioner shall hold a hearing on a conversion authorized under Section [882.601](#).

(b) Any policyholder of the mutual life insurance company that is the subject of the conversion is entitled to appear and be heard at the hearing.

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

Sec. 882.605. CONVERSION ON COMMISSIONER APPROVAL. A mutual life insurance company is converted to a stock legal reserve life insurance company if:

(1) the company complies with this subchapter; and

(2) after hearing, the conversion is approved by the commissioner.

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

Sec. 882.606. APPLICABLE LAW AFTER CONVERSION. After a mutual life insurance company is converted to a stock legal reserve life insurance company, the converted company is governed in the same manner as a company organized under Chapter [841](#).

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

Sec. 882.607. OTHER TYPES OF CONVERSION NOT PROHIBITED. This subchapter does not prohibit a mutual life insurance company from converting to a stock legal reserve life insurance company by:

(1) merger or consolidation;

(2) a total direct or assumption reinsurance agreement; or

(3) any other plan or procedure approved by the company's policyholders and the commissioner.

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

SUBCHAPTER N. CONVERSION OF CERTAIN MUTUAL ASSESSMENT COMPANIES OR ASSOCIATIONS TO MUTUAL LIFE INSURANCE COMPANIES

Sec. 882.651. AUTHORITY TO CONVERT. A mutual assessment company or association organized and operating under the laws of this state on May 17, 1943, may convert to a mutual life insurance

company as provided by this subchapter.

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

Sec. 882.652. VOLUNTARY CONVERSION. The department may not require a mutual assessment company or association to convert to a mutual life insurance company under this subchapter.

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

Sec. 882.653. CONVERSION REQUIREMENTS. Except as provided by Section 882.654, a mutual assessment company or association may convert to a mutual life insurance company only if the company or association:

(1) possesses an unencumbered surplus of at least \$1.4 million; and

(2) complies with the requirements of this chapter, including the requirements that the company or association execute articles of incorporation and obtain a charter and a certificate of authority.

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

Sec. 882.654. EXEMPTION FROM SURPLUS REQUIREMENTS. (a) A mutual assessment company or association is exempt from the surplus requirements of Section 882.653 if the company or association:

(1) possesses an unencumbered surplus of at least \$200,000; and

(2) converted to a mutual life insurance company before September 1, 1999.

(b) A mutual assessment company or association that is exempt under Subsection (a) and that was converted on or after September 1, 1989, shall immediately increase its surplus to an amount that satisfies Section 882.653 on:

(1) a change of control of at least 50 percent of the voting securities of the converted company or association; or

(2) if the converted company or association or the holding company that controls the converted company or association, if any, is not controlled by voting securities, a change of at least 50 percent of the ownership of the converted company or association

or its holding company.

(c) For purposes of Subsection (b), a transfer of ownership because of death, regardless of whether the decedent died testate or intestate, is not considered a change of control of a converted mutual assessment company or association or its holding company, if ownership is transferred only to one or more individuals, each of whom would have been an heir of the decedent if the decedent had died intestate.

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

Sec. 882.655. APPLICABLE LAW AFTER CONVERSION. After a mutual assessment company or association is converted to a mutual life insurance company, the converted company is governed by this chapter.

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

SUBCHAPTER O. ENFORCEMENT PROVISIONS

Sec. 882.701. APPLICABILITY OF SUBCHAPTER. This subchapter does not apply to a mutual life insurance company organized under this chapter that has a surplus of at least the minimum amount of capital and surplus required of a capital stock company under Sections [841.054](#), [841.204](#), [841.205](#), [841.301](#), and [841.302](#).

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

Sec. 882.702. INVESTMENT AND DEPOSIT OF FUNDS; CRIMINAL PENALTY. (a) A person commits an offense if the person is an officer or director of a mutual life insurance company and the person knowingly or wilfully violates or assents to the violation of Section [882.252](#).

(b) An offense under this section is punishable by imprisonment in the Texas Department of Criminal Justice for a term of not more than five years or less than one year.

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

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 87 (S.B. [1969](#)), Sec. 25.121, eff. September 1, 2009.

Sec. 882.703. POLICY FORM; REVOCATION OF CERTIFICATE. The department shall revoke the certificate of authority of a mutual life insurance company that issues a policy on a form that has not been approved by the department as required by Section 882.453.

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

SUBCHAPTER P. CONVERSION OF MUTUAL LIFE INSURANCE COMPANY TO
INSURANCE HOLDING COMPANY AND STOCK LIFE INSURANCE COMPANY

Sec. 882.751. AUTHORITY TO CONVERT. A mutual life insurance company organized or operating under this chapter may convert by forming an insurance holding company based on a mutual plan and continuing the corporate existence of the converting mutual life insurance company as a stock life insurance company if the commissioner:

(1) determines that the conversion is fair and equitable to the policyholders of the converting company; and

(2) approves the proposed plan of conversion.

Added by Acts 2005, 79th Leg., Ch. 82 (S.B. 449), Sec. 1, eff. September 1, 2005.

Sec. 882.752. APPLICATION OF OTHER LAW. Except to the extent of a conflict with this subchapter, Chapter 826 applies to conversion of a mutual life insurance company under this subchapter.

Added by Acts 2005, 79th Leg., Ch. 82 (S.B. 449), Sec. 1, eff. September 1, 2005.

Sec. 882.753. JURISDICTION OF COMMISSIONER. The commissioner retains jurisdiction over a company that converts under this subchapter.

Added by Acts 2005, 79th Leg., Ch. 82 (S.B. 449), Sec. 1, eff. September 1, 2005.

Sec. 882.754. INCORPORATION REQUIREMENTS. A mutual insurance holding company that results from a conversion under this

subchapter must be incorporated under and subject to this chapter and Chapter 22, Business Organizations Code.

Added by Acts 2005, 79th Leg., Ch. 82 (S.B. 449), Sec. 1, eff. September 1, 2005.

Sec. 882.755. ARTICLES OF INCORPORATION. The articles of incorporation of a mutual insurance holding company that results from a conversion under this subchapter, and any amendments to the articles of incorporation, are subject to approval by the commissioner.

Added by Acts 2005, 79th Leg., Ch. 82 (S.B. 449), Sec. 1, eff. September 1, 2005.

Sec. 882.756. SALE OF SECURITIES. (a) A sale, issuance, or offering of securities under this subchapter is exempt from the registration and licensing provisions of The Securities Act (Title 12, Government Code).

(b) An officer, director, or employee of a mutual life insurance company or a mutual insurance holding company or stock life insurance company resulting from a conversion under this subchapter who participates in the conversion is exempt from the registration and licensing provisions of The Securities Act (Title 12, Government Code). A person may not receive compensation, other than that person's usual salary or compensation, for services performed under the exemption provided by this subsection.

Added by Acts 2005, 79th Leg., Ch. 82 (S.B. 449), Sec. 1, eff. September 1, 2005.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 2.33, eff. January 1, 2022.