

GENERAL ASSEMBLY OF NORTH CAROLINA
1989 SESSION

CHAPTER 320
HOUSE BILL 1122

AN ACT TO PERMIT MUTUALS INSURANCE COMPANIES WITH GUARANTY
CAPITAL TO PAY DIVIDENDS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-96 reads as rewritten:

"§ 58-96. Mutual companies with a guaranty capital.

A mutual insurance company formed as provided in this Chapter, in lieu of the contributed surplus required for the organization of mutual companies under the provisions of G.S. 58-77, or a mutual insurance company now existing, may establish a guaranty capital or surplus of not less than twenty-five thousand dollars (\$25,000), divided into shares of one hundred dollars (\$100.00) each, which shall be invested in the same manner as is provided in this Subchapter for the investment of the capital stock of insurance companies. The board of directors of a company may declare and pay dividends to the stockholders of the guaranty capital of a company or owners of guaranty surplus ~~are entitled to an annual dividend of not more than ten per centum (10%) on their respective shares and, in the discretion of the board of directors of a company, said dividend may be increased in any year to not more than fifteen per centum (15%),~~ if the net profits or unused premiums left after all expenses, losses, and liabilities then incurred, together with the reserve as provided for, are sufficient to pay the same. The guaranty capital or surplus shall be applied to the payment of losses only when the company has exhausted its cash in hand and the invested assets, exclusive of uncollected premiums, and when thus impaired, the directors may make good the whole or any part of it by assessments upon the contingent funds of the company at the date of such impairment. Shareholders and members of such companies are subject to the same provisions of law in respect to their right to vote as apply respectively to shareholders in stock companies and policyholders in purely mutual companies. This guaranty capital or surplus may be reduced or retired by vote of the policyholders of the company and the assent of the Commissioner of Insurance, if the net assets of the company above its reserve and all other claims and obligations, exclusive of guaranty capital or surplus, for two years immediately preceding and including the date of its last annual statement, is not less than twenty-five per centum (25%) of the guaranty capital or surplus. Due notice of such proposed action on the part of the company must be mailed to each policyholder of the company not less than 30 days before the meeting when the action may be taken, and must also be advertised in two papers of general circulation, approved by the Commissioner of Insurance, not less than three times a week for a period of not less than four weeks before such meeting. No insurance company with a

guaranty capital or surplus, which has ceased to do new business, shall divide to its stockholders any part of its assets or guaranty capital or surplus, except income from investments, until it has performed or canceled its policy obligations."

Sec. 2. This act is effective upon ratification.

In the General Assembly read three times and ratified this the 14th day of June, 1989.