
The Commonwealth of Massachusetts

MEMORANDUM OF THE MASSACHUSETTS SECRETARY OF STATE WITH RESPECT TO THE PETITION OF RAYMOND M. LAFONTAINE FOR LEGISLATION TO AUTHORIZE THE CONVERSION OF WORCESTER MUTUAL INSURANCE COMPANY TO A STOCK INSURANCE COMPANY.

March 12, 1981.

To the Honorable Senate and House of Representatives:

On February 17, 1981 the above-mentioned petition with accompanying bill was transmitted to me by the Clerk of the House with a request for a memorandum. The petition is subject to the provisions of Massachusetts General Laws, Chapter 3, section 7. In compliance with that section, a request for additional information showing why the object sought could not be accomplished under the General Laws was sent to the above-named petitioner via certified mail. Petitioner's reply is attached for your information.

The Worcester Mutual Fire Insurance Company was incorporated by Chapter 112 of the Acts of 1822. The organizing act has been amended on numerous occasions. Legislative acts extending corporate existence, amending purposes, and extending corporate privileges were passed in 1823, 1842, 1847, 1868, 1873, and 1875. During this century, the corporation filed amendments and a merger under M.G.L. Chapter 175. On March 25, 1963, the definitive article, "The", was dropped from the corporate name; on December 31, 1973, the corporation's present designation, Worcester Mutual Insurance Company, was adopted in a merger with the Guarantee Mutual Assurance Company of America. Amendments to purpose were filed in this office on March 26, 1924, August 7, 1950, and December 31, 1973.

The purpose of the bill before you is to authorize the conversion of

Worcester Mutual Insurance Company to a stock insurance company. Provisions include adoption of a conversion plan by a majority of the directors and members; and approval of said plan by the Commissioner of Insurance. The text of the proposed bill closely follows that of those acts mentioned in the petitioner's reply. Chapter 175, section 19D provides for the conversion of a stock company to a mutual company. There appears to be no provision for a mutual to stock conversion.

It is the opinion of this office that special legislation is required to effect the desired result. Whether or not the matter should be allowed, however, is within your exclusive jurisdiction. The fee required to be paid under Chapter 3, section 7 by a corporation of this type has been paid.

Respectfully submitted,

MICHAEL JOSEPH CONNOLLY
Secretary of State

MJC/EBS/JH/jh
Att.

By Mr. LaFontaine of Gardner, petition of Raymond M. LaFontaine for legislation to authorize the conversion of Worcester Mutual Insurance Company to a stock insurance company. Insurance.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-One.

AN ACT AUTHORIZING THE CONVERSION OF WORCESTER MUTUAL INSURANCE COMPANY TO A STOCK INSURANCE COMPANY.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Worcester Mutual Insurance Company, a corpo-
2 ration organized by chapter 112 of the acts of 1822/23, and subject
3 to chapter 175 of the General Laws, may convert to and become a
4 domestic stock insurance company and to that end may formulate
5 and carry out a plan for such conversion and the issuance of stock,
6 which plan:

7 (a) shall have been adopted by a vote by a majority of the
8 directors of such company;

9 (b) together with said vote shall have been submitted to and
10 filed with the commissioner of insurance and shall have been
11 approved by him as conforming to the requirements of this chapter
12 and as not prejudicial to the policyholders of such company;

13 (c) shall have been adopted by a majority of those members of
14 such company voting, in person or by proxy, at a meeting duly
15 called for such purpose;

16 (d) shall provide that the equitable share of the value of such
17 company held by each member shall be determined and distributed
18 to the members of said company according to a formula approved
19 by the commissioner as fairly representing the value of the com-
20 pany prior to the conversion;

21 (e) shall specify the method and basis for the issuance of shares
22 of stock to the members of said company and/or to The Hanover
23 Insurance Company in connection with an investment by said
24 Hanover Insurance Company in an amount satisfactory to the
25 Commissioner of Insurance; and

26 (f) shall include as a part thereof such amendments to the char-
27 ter, agreement of association, if any, articles of organization, if
28 any, and by-laws, as are necessary or appropriate in connection
29 with such conversion which shall have been adopted by a vote of
30 the majority of directors of such company, by a majority vote of
31 those members voting, in person or by proxy, at a meeting duly
32 called for that purpose, and which shall have been approved by the
33 commissioner of insurance as conforming to the requirements of
34 this act.

1 SECTION 2. If a majority of votes cast by those members of
2 Worcester Mutual Insurance Company voting, in person or by
3 proxy, at a meeting duly called for such purpose are in favor of the
4 conversion, the commissioner of insurance shall fix the time and
5 place for a public hearing. Thirty days' notice of such hearing shall
6 be sent by mail to each member of such company, and notice of the
7 time and place of such hearing shall be published once each week
8 for two consecutive weeks in a newspaper of general circulation in
9 the county where the home office of such company is located, and
10 the last such publication shall be at least fourteen days prior to the
11 date of such hearing. The expenses of mailing and publication of
12 notice shall be paid by the company. At such hearing the commis-
13 sioner shall hear any person adversely affected by the conversion,
14 and shall make a determination as to the fairness of the plan of
15 conversion, and the terms and conditions of the issuance of securi-
16 ties by the company as set forth in the plan including, but not
17 limited to, the issuance of securities in exchange for bona fide
18 outstanding securities, claims or property interests, or partly in
19 such exchange and partly for cash. If the commissioner approves
20 the terms and conditions of such issuance of securities, including
21 any such issuance and exchange, and if the commissioner finds that
22 the conversion meets the requirements of this act, he shall issue his
23 written certification thereof and the conversion authorized under

24 this act shall be effective. The stock corporation shall be deemed to
25 have been organized at the time the converted mutual was organ-
26 ized.

1 SECTION 3. The original authorized capital of the stock cor-
2 poration may consist of one or more classes of stock, any or all
3 shares of which may be sold or exchanged at less than fifty dollars
4 per share. The articles of organization of the stock corporation as
5 adopted by a vote of the majority of directors, by a majority vote of
6 those members voting, in person or by proxy, at a meeting duly
7 called for that purpose, and as approved by the commissioner of
8 insurance as conforming to the requirements of this act, shall
9 establish and designate the class or classes of stock to constitute the
10 original authorized capital and shall fix and determine the varia-
11 tions, if any, in the relative rights, par values and preferences as
12 between different classes.

1 SECTION 4. The Worcester Mutual Insurance Company may
2 by a majority vote of the directors abandon such plan for conver-
3 sion at any time before the certificate required by Section 2, above,
4 has been issued. Upon such abandonment, all rights and obliga-
5 tions arising out of the plan shall terminate, and the company shall
6 continue to conduct its business as a domestic mutual insurance
7 company as though no such plan had ever been adopted.

1 SECTION 5. Upon conversion the officers and directors of
2 Worcester Mutual Insurance Company shall remain as the officers
3 and directors of the resulting stock company until their successors
4 shall have been duly elected and qualified in accordance with the
5 by-laws of the company as the same may have been amended
6 pursuant to the plan. No suits, rights, or contracts of the company
7 shall be affected by the conversion. In all other respects all rights
8 and properties of the mutual company shall continue to be the
9 property of the resulting stock company, which shall remain bound
10 by all the other obligations and liabilities of the mutual company.
11 For purposes of determining the stock company's compliance with
12 chapter one hundred seventy-five of the General Laws, the promo-

13 ters and organizers of the stock company shall be deemed to be all
14 persons and entities to whom stock is originally issued pursuant to
15 the plan.

1 SECTION 6. Refusal by the commissioner of insurance to
2 grant his approval to the plan for conversion filed with him under
3 this Act shall be subject to judicial review.



