

31A-5-210 Incorporators' liability and organization expenses.

- (1) The incorporators are jointly and severally liable for all organizational and promotional expenses and obligations incurred prior to the issuance of the certificate of authority. Upon issuance of the certificate, the insurer may pay those outstanding expenses and obligations lawfully incurred.
- (2)
 - (a)
 - (i) After issuance of the certificate of authority, incorporators of a stock corporation who have advanced money or incurred obligations for the reasonable and authorized expenses of organization, including underwriting of securities, may be reimbursed in cash from the proceeds of shares subscribed to under the organization permit, or in shares at the public offering price, on itemized receipts audited by the commissioner.
 - (ii) Promotional securities in connection with the financing of a stock corporation which is in the promotional, exploratory, or developmental stage may be issued in an amount and for a consideration which is not unreasonable. In this regard, the commissioner may adopt rules setting forth standards with respect to promotional securities allowed to be issued and the considerations to be received for them. The reimbursement for expenses under Subsection (2)(a)(i) has priority over the issuance of promotional securities under Subsection (2)(a)(ii).
 - (iii) In no event may securities issued under Subsection (2)(a)(i) or promotional securities issued under Subsection (2)(a)(ii) be issued in a manner which would, in the aggregate, cause the dilution in the net tangible asset value of the insurer's securities proposed to be issued to the public to exceed 25%.
 - (b) After issuance of the certificate of authority, incorporators of a mutual who have advanced money or incurred obligations for the reasonable and authorized expenses of organization may be reimbursed in cash from the proceeds of subscriptions for mutual bonds and contribution notes, on itemized receipts audited by the commissioner. The total reimbursement may not exceed 15% of the amount received for the bonds and notes.
- (3) This section does not apply to stock or mutual insurance corporations already in existence on July 1, 1986.

Enacted by Chapter 242, 1985 General Session