

31A-5-407 Board of directors.

- (1) Subject to this section, Sections 16-10a-801 through 16-10a-803, 16-10a-805, and 16-10a-811 apply to the board of directors of a stock corporation and Sections 16-6a-802 and 16-6a-805 apply to the governing board and trustees of mutuals.
- (2) A majority of the directors shall be residents of this state unless the commissioner is satisfied that the corporation's financial condition, management, and other circumstances give assurance that the interests of insureds and the public will not be endangered by the majority being nonresidents.
- (3) Employees and agents of a corporation that receive more than 10% of their income from the corporation, and persons related to any of them within the second degree by blood or marriage, if directors, are considered "inside directors." Inside directors may not constitute a majority of the corporation's board.
- (4) Subsections (2) and (3) and the required number of directors for committees under Subsection 31A-5-412(1) do not apply to an insurance subsidiary authorized under Subsection 31A-5-218(1), nor to a stock insurance corporation, more than 50% of whose outstanding shares entitled to vote are owned or controlled by a single person or all of whose voting shareholders are either members of or are individually represented on the board.
- (5) If the directors of a corporation are divided into classes by the articles or the bylaws, no class may contain fewer than one-third of the total number of directors. Subject to this requirement, Section 16-10a-804 applies to the classification of directors of stock corporations. When classes of trustees or directors are provided in a mutual corporation, the terms of office of the several classes need not be uniform.
- (6) The board shall manage the business and affairs of the corporation and may not delegate its power or responsibility, except as authorized by Section 31A-5-412.
- (7) Section 16-10a-824 applies to the determination of a quorum of directors of a stock corporation and Section 16-6a-816 applies to the determination of a quorum of trustees for a mutual, except as specifically provided otherwise in this title.
- (8)
 - (a) Sections 16-10a-820 and 16-10a-821 apply to the meetings and action without a meeting of the board of directors of stock corporations.
 - (b) Sections 16-6a-812 through 16-6a-819 apply to the meetings and notice of mutuals.
- (9) Sections 16-10a-1601 through 16-10a-1604 apply to stock corporations and Section 16-6a-1602 applies to mutuals regarding the examination of books and records of these entities.

Amended by Chapter 300, 2000 General Session