



**THE ATTORNEY GENERAL  
OF TEXAS**

**AUSTIN 11, TEXAS**

**WILL WILSON  
ATTORNEY GENERAL**

March 26, 1957

Hon. John Osorio, Chairman  
Board of Insurance Commissioners  
International Life Building  
Austin, Texas

Opinion No. WW-73

Re: Whether the Board of Insurance Commissioners is required to approve merger agreements submitted under Article 14.13 of the Texas Insurance Code, 1951, as amended.

Dear Sir:

You have requested our opinion as to whether the Board of Insurance Commissioners is required by Article 14.13 of the Texas Insurance Code to approve merger agreements between mutual assessment associations.

Article 14.13 provides that:

"The associations subject to this chapter are hereby expressly prohibited from merging with another association, are prohibited from 'transferring' any part or group of membership, or all the membership to another association or from merging groups or transferring members from one group to another in an association without the consent in advance of the Board of Insurance Commissioners which may be given only after complete investigation into the facts and determination that such transfer or merger is to the advantage of members of the association or groups to be affected."

It can readily be seen from a reading of this statute that mutual assessment associations are prohibited by law from merging with each other unless these associations first obtain the consent for such merger from the Board of Insurance Commissioners. The statute requires that this consent must be obtained in advance of the actual merger. The Board may give its consent only after it has made a complete investigation into all the facts and circumstances and made a determination that the contemplated merger is to the advantage of the members of the affected groups or associations.

You stated in your request that it had been the policy of the Board for several years to approve all merger agreements when it was determined that such agreements were not to the detriment of the particular policyholders affected, but that the Board now desired to refuse all merger agreements where it is not clearly shown from the facts that the merger is to the best interests of all policyholders affected by the agreement.

Hon. John Osorio, page 2 (WW-73)

While in your request you use the term "policyholders" and the statute refers to "members", this is of no consequence and does not affect this opinion, as Article 14.02 defines "member" as policyholder or any person insured by an association.

We are of the opinion that Article 14.13 makes it the Board's duty and responsibility to make a complete investigation into all the surrounding facts and circumstances involved in the merger agreement, and to disapprove the plan if the Board finds that such merger agreement is not to the advantage of the members of the affected groups or associations. If the Board finds the merger plan is to the advantage of the affected policyholders, it may approve the plan.

#### SUMMARY

Mutual assessment associations are prohibited by Article 14.13, Insurance Code of Texas, from merging with each other unless the associations first obtain the consent for such merger from the Board of Insurance Commissioners.

It is the duty of the Board of Insurance Commissioners under the provisions of Article 14.13, Insurance Code of Texas, to investigate the facts and circumstances involved in a contemplated merger agreement between mutual assessment associations or groups within such associations, and to approve or disapprove the merger agreement after determination as to which course would be to the advantage of the members of the associations or groups to be affected by the merger plan.

Yours very truly,

WILL WILSON  
Attorney General

By *Will D. Davis*  
Will D. Davis  
Assistant

APPROVED:

OPINION COMMITTEE  
H. Grady Chandler, Chairman