

Capital Changes Amendment for Texas Stock Property and Casualty or Life, Health, and Accident Insurance Companies

Requirements for a Capital Increase

- An increase in capital stock requires a charter amendment only if the authorized shares or par value is amended. Authorized shares are a quantitative ceiling value for all shares, an aggregate of common/preferred of any and all series. At any time, the Company's Balance Sheet must represent capital stock equal to or greater than 50% of the authorized shares at par value.
 - Par value amounts cannot be less than \$1 or greater than \$100. Regardless of whether funds come externally or internally, the amount that capital stock increases must be at least \$50,000 (for par value shares) or \$250,000 (no par value shares).
 - For external funding, submit documentation that validates that the funds are acceptable assets, unencumbered, etc. For internal funding, stock dividends must be paid from or consist of funds transferred from unassigned funds; changes in par value reflect funds from paid in/ contributed capital (SSAP 72).
 - Stock dividends that do not require an amendment to authorized shares set forth in the charter require the filing of a board of directors' resolution. Certain stock transactions (stock splits, treasury stock, etc.) may or may not trigger an amendment to authorized shares or par value; however, certain chartering requirements (50% issued, etc.) may need to be verified. Stating this transaction as an amendment or even addendum to the articles can be beneficial to the Company, especially during financial examination times.
1. **For internally funded** capital increases requiring a charter amendment (increase/decrease authorized shares; changes in Par Value), please provide the following:
- Brief cover letter explaining transaction
 - Capital changes form
 - Amended or restated article of incorporation
 - Board and Shareholder's resolution passing the amendment
2. **For externally funded** capital increase requiring a charter amendment (increase/decrease authorized shares; changes in par value), please provide the following:
- Brief cover letter explaining transaction
 - Capital changes form
 - Amended or restated article of incorporation
 - Board and Shareholder's resolution passing the amendment
 - Bank affidavit - an amendment to increase the capital must be accompanied by an affidavit, with the notarized signature of a bank officer where the funds are on deposit, as well as a copy of the deposit slip or certificate of deposit, stating:
 - i. That the funds on deposit in the bank are the bona fide, unconditional and unencumbered property of the company insofar as the bank is concerned; and
 - ii. That the bank has no knowledge of any claim against such funds by any person or organization other than the insurance company.

Company Name: _____

Change in Capital Structure:

Total Number of Authorized Shares: _____

Par value Authorized Shares: _____

Shares That Shall Have No-Par Value: _____

Consideration Received for Issued Shares (consideration for no-par shares must be at least \$250,000): _____

Consideration Applicable to Capital Stock: _____

Consideration Applicable to Paid-in Surplus: _____

Fill in the blanks to reflect the amount presently in the Articles of Incorporation and reflected in the most recent balance sheet:

Authorized	Number of Shares	Par Value
Common Stock		
Preferred Stock		

Issued	A	B	A x B	Consideration Received for Stock	
	Number of Shares	Par Value	Dollar Amount	Allocated to Capital	Allocated to Gross Paid In
Common Stock					
Preferred Stock					

Fill in the blanks to reflect the new amounts in the Articles of Incorporation and will be reflected in the next balance sheet:

Authorized	Number of Shares	Par Value
Common Stock		
Preferred Stock		

	A	B	A x B	Consideration Received for Stock	
Issued	Number of Shares	Par Value	Dollar Amount	Allocated to Capital	Allocated to Gross Paid In
Common Stock					
Preferred Stock					

Please provide the appropriate accounting transaction (show all debits/credits) relative to this increase/reduction in capital:

Supplemental Provisions / Additional Information:

Note Exhibits: