

4043--A

2011-2012 Regular Sessions

I N S E N A T E

March 15, 2011

Introduced by Sen. SEWARD -- read twice and ordered printed, and when printed to be committed to the Committee on Insurance -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the insurance law, in relation to encouraging modernization of mutual and cooperative insurance companies' information systems technology

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 Section 1. Subsection (a) of section 4110 of the insurance law, as
2 amended by chapter 527 of the laws of 2006, is amended to read as
3 follows:
4 (a) No domestic mutual property/casualty insurance company licensed to
5 write a kind of insurance specified in paragraph seven, eight, nine,
6 ten, eleven, thirteen, fourteen, fifteen, sixteen or seventeen of
7 subsection (a) of section one thousand one hundred thirteen of this
8 chapter shall expend in any one calendar year for management expenses a
9 greater amount than thirty percent of the sum of its net premium income
10 and seventy-five percent of its investment income for such year;
11 provided that any insurer whose principal line of business is medical
12 malpractice liability insurance or any insurer who is the subject of a
13 proceeding pursuant to article seventy-four of this chapter shall not
14 expend in any one calendar year for management expenses, a greater
15 amount than thirty percent of its net premium income for such year.
16 Management expenses shall be held to include all expenses of the company
17 except expenses incurred in the investigation, adjustment and settlement
18 of claims, taxes, fees and expenses of examination, and taxes, repairs
19 and expenses on real estate. In applying the provisions of this section
20 the net premium income of, and expenses of, boiler and machinery insurance or elevator insurance shall not be included. IN THE EVENT EXPENSES
21 INCURRED IN MAKING A NEW SYSTEM UPGRADE RESULT IN THIS SUBSECTION'S
22

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets [] is old law to be omitted.

LBD10052-02-1

1 MANAGEMENT EXPENSES LIMIT BEING EXCEEDED, THEN THE INSURER SHALL INFORM
2 THE SUPERINTENDENT SIXTY DAYS IN ADVANCE OF THE EXPENSE LIMIT BEING
3 EXCEEDED. SUBJECT TO APPROVAL BY THE SUPERINTENDENT, THE LIMIT SHALL BE
4 TEMPORARILY RAISED TO THE AMOUNT NECESSARY TO ENCOMPASS THE AFORESTATED
5 NEW SYSTEM UPGRADE, PROVIDED THAT IN NO EVENT SHALL THE LIMIT BE RAISED
6 MORE THAN FIVE PERCENTAGE POINTS AND SHALL NOT BE IN EFFECT FOR MORE
7 THAN SIX YEARS. FOR PURPOSES OF THIS SUBSECTION, A NEW SYSTEM UPGRADE IS
8 DEFINED AS THE ACQUISITION OF ELECTRONIC DATA PROCESSING APPARATUS AND
9 RELATED EQUIPMENT CONSTITUTING A DATA PROCESSING, RECORD KEEPING OR
10 ACCOUNTING SYSTEM AND OPERATING AND NON-OPERATING SOFTWARE.

11 S 2. Subsection (a) of section 6613 of the insurance law, as amended
12 by chapter 284 of the laws of 1989, is amended to read as follows:

13 (a) The expenses of management of any co-operative property/casualty
14 insurance company shall not exceed in any one calendar year forty-two
15 and one-half percent of its net premiums written for such year. The term
16 "net premiums written" means direct premiums written plus reinsurance
17 assumed less return premiums and reinsurance ceded. IN THE EVENT
18 EXPENSES INCURRED IN MAKING A NEW SYSTEM UPGRADE RESULT IN THIS
19 SUBSECTION'S MANAGEMENT EXPENSES LIMIT BEING EXCEEDED, THEN THE INSURER
20 SHALL INFORM THE SUPERINTENDENT SIXTY DAYS IN ADVANCE OF THE EXPENSE
21 LIMIT BEING EXCEEDED. THE LIMIT SHALL BE TEMPORARILY RAISED TO THE
22 AMOUNT NECESSARY TO ENCOMPASS THE AFORESTATED NEW SYSTEM UPGRADE,
23 PROVIDED THAT IN NO EVENT SHALL THE LIMIT BE RAISED MORE THAN FIVE
24 PERCENTAGE POINTS AND SHALL NOT BE IN EFFECT FOR MORE THAN SIX YEARS.
25 FOR PURPOSES OF THIS SUBSECTION, A NEW SYSTEM UPGRADE IS DEFINED AS THE
26 ACQUISITION OF ELECTRONIC DATA PROCESSING APPARATUS AND RELATED EQUIP-
27 MENT CONSTITUTING A DATA PROCESSING, RECORD KEEPING OR ACCOUNTING SYSTEM
28 AND OPERATING AND NON-OPERATING SOFTWARE.

29 S 3. This act shall take effect immediately.