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I N   S E N A T E

May 14, 2014

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Introduced by Sen. SEWARD -- read twice and ordered printed, and when printed to be committed to the Committee on Insurance

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 MANAGEMENT EXPENSES LIMIT BEING EXCEEDED, THEN THE INSURER SHALL INFORM  
23 THE SUPERINTENDENT SIXTY DAYS IN ADVANCE OF THE EXPENSE LIMIT BEING  
24 EXCEEDED. SUBJECT TO APPROVAL BY THE SUPERINTENDENT, THE LIMIT SHALL BE  
25 TEMPORARILY RAISED TO THE AMOUNT NECESSARY TO ENCOMPASS THE AFORESTATED  
26 NEW SYSTEM UPGRADE, PROVIDED THAT IN NO EVENT SHALL THE LIMIT BE RAISED

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

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1 MORE THAN FIVE PERCENTAGE POINTS AND SHALL NOT BE IN EFFECT FOR MORE  
2 THAN SIX YEARS. THE INSURER SHALL NOT INCREASE PREMIUMS SOLELY AS A  
3 RESULT OF THE MANAGEMENT EXPENSES CAP LIMIT BEING EXCEEDED. FOR  
4 PURPOSES OF THIS SUBSECTION, A NEW SYSTEM UPGRADE IS DEFINED AS THE  
5 ACQUISITION OF ELECTRONIC DATA PROCESSING APPARATUS AND RELATED EQUIP-  
6 MENT CONSTITUTING A DATA PROCESSING, RECORD KEEPING OR ACCOUNTING SYSTEM  
7 AND OPERATING AND NON-OPERATING SOFTWARE.

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

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

28 S 3. This act shall take effect immediately.