

1312

2015-2016 Regular Sessions

I N   S E N A T E

January 9, 2015

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

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 2014, 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

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

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1 exceeded. Subject to approval by the superintendent, the limit shall be  
2 temporarily raised to the amount necessary to encompass the aforestated  
3 new system upgrade, provided that in no event shall the limit be raised  
4 more than five percentage points and shall not be in effect for more  
5 than [six] THREE years, AND PROVIDED FURTHER THAT AN INSURER MAY SUBMIT  
6 TO THE SUPERINTENDENT, FOR THE SUPERINTENDENT'S PRIOR APPROVAL, A WRIT-  
7 TEN REQUEST TO TEMPORARILY RAISE THE LIMIT FOR UP TO AN ADDITIONAL THREE  
8 YEARS, FOR A TOTAL OF NO MORE THAN SIX YEARS. AN INSURER SHALL SUBMIT  
9 SUCH WRITTEN REQUEST TO THE SUPERINTENDENT AT LEAST SIXTY DAYS BUT NOT  
10 MORE THAN ONE HUNDRED TWENTY DAYS BEFORE THE EXPIRATION OF THE INITIAL  
11 PERIOD DURING WHICH THE LIMIT WAS RAISED. The insurer shall not  
12 increase premiums solely as a result of the management expenses cap  
13 limit being exceeded. For purposes of this subsection, a new system  
14 upgrade is defined as the acquisition of electronic data processing  
15 apparatus and related equipment constituting a data processing, record  
16 keeping or accounting system and operating and non-operating software.

17 S 2. Subsection (a) of section 6613 of the insurance law, as amended  
18 by chapter 527 of the laws of 2014, is amended to read as follows:

19 (a) The expenses of management of any co-operative property/casualty  
20 insurance company shall not exceed in any one calendar year forty-two  
21 and one-half percent of its net premiums written for such year. The term  
22 "net premiums written" means direct premiums written plus reinsurance  
23 assumed less return premiums and reinsurance ceded. In the event  
24 expenses incurred in making a new system upgrade result in this  
25 subsection's management expenses limit being exceeded, then the insurer  
26 shall inform the superintendent sixty days in advance of the expense  
27 limit being exceeded. Subject to approval by the superintendent, the  
28 limit shall be temporarily raised to the amount necessary to encompass  
29 the aforestated new system upgrade, provided that in no event shall the  
30 limit be raised more than five percentage points and shall not be in  
31 effect for more than [six] THREE years, AND PROVIDED FURTHER THAT AN  
32 INSURER MAY SUBMIT TO THE SUPERINTENDENT, FOR THE SUPERINTENDENT'S PRIOR  
33 APPROVAL, A WRITTEN REQUEST TO TEMPORARILY RAISE THE LIMIT FOR UP TO AN  
34 ADDITIONAL THREE YEARS, FOR A TOTAL OF NO MORE THAN SIX YEARS. AN INSUR-  
35 ER SHALL SUBMIT SUCH WRITTEN REQUEST TO THE SUPERINTENDENT AT LEAST  
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37 TION OF THE INITIAL PERIOD DURING WHICH THE LIMIT WAS RAISED. The  
38 insurer shall not increase premiums solely as a result of the management  
39 expenses cap limit being exceeded. For purposes of this subsection, a  
40 new system upgrade is defined as the acquisition of electronic data  
41 processing apparatus and related equipment constituting a data process-  
42 ing, record keeping or accounting system and operating and non-operating  
43 software.

44 S 3. This act shall take effect immediately.