

# STATE OF NEW YORK

9021

## IN SENATE

May 4, 2022

Introduced by Sen. BRESLIN -- 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 the formation of mutual holding companies by certain domestic mutual property/casualty insurers and the reorganization in connection therewith of a domestic mutual property/casualty insurer into a domestic stock property/casualty insurer

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The insurance law is amended by adding a new article 81 to  
2 read as follows:

### ARTICLE 81

#### MUTUAL HOLDING COMPANY; PROPERTY/CASUALTY INSURER

##### Section 8101. Definitions.

6 8102. Reorganization of mutual property/casualty insurer through  
7 formation of a mutual holding company; contents of plan.

8 8103. Dividend practices.

9 8104. Adoption of plan; submission of plan to the superinten-  
10 dent.

11 8105. Amendment or withdrawal of plan.

12 8106. Consultants.

13 8107. Approval of plan by superintendent; hearing.

14 8108. Approval of plan by eligible members.

15 8109. Filing of plan; effective date of reorganization.

16 8110. Effect of reorganization.

17 8111. Corporate existence.

18 8112. Directors and officers.

19 8113. Notice of proposed reorganization.

20 8114. Failure to give notice.

21 8115. Limitations of actions; security.

22 8116. Prohibited transactions by officers, directors and employ-  
23 ees.

24 8117. Requirements applicable to a mutual holding company.

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

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8118. Other requirements applicable to an intermediate stock holding company and a mutual holding company.

8119. Conversion of mutual holding company.

8120. Transfers of subsidiaries.

§ 8101. Definitions. As used in this article, the following terms shall have the following meanings:

(a) "Adoption date" means the date the board of directors of the mutual property/casualty insurer adopts the plan of reorganization.

(b) "Beneficial ownership" with respect to any security, means the sole or shared power to vote or direct the voting of, such security and/or the sole or shared power to dispose or direct the disposition of such security.

(c) "Effective date" means, in the case of the reorganization of a mutual property/casualty insurer, the date upon which the reorganization of the mutual property/casualty insurer shall be effective in accordance with section eight thousand one hundred nine of this article as a result of reorganization proceedings pursuant to this article.

(d) "Eligible member" with reference to a mutual property/casualty insurer, means a person who, by the records of the mutual property/casualty insurer, is deemed to be the "policyholder" of a policy or contract which is of a type of any one or more of the basic kinds of insurance specified in subsection (a) of section four thousand hundred one of this chapter for purposes of section four thousand one hundred sixteen of this chapter as of the adoption date. A person insured under a group policy is not an eligible member. A person whose policy becomes effective one calendar day after the board of directors adopts the plan of conversion but before the effective date of the plan of conversion is not an eligible member.

(e) "Member" means a member of such mutual holding company as provided in subsection (c) of section eight thousand one hundred seventeen of this article.

(f) "Membership interests" means, with reference to an institution that is a mutual property/casualty insurer or a mutual holding company, the rights as members arising under the charter of such institution or this chapter or otherwise by law including the rights to vote and to participate in any distribution of the surplus of such institution, whether or not incident to a liquidation thereof. The term "membership interests" does not include rights expressly conferred upon the policyholders by their policies or contracts (including the right to participate in the distribution of surplus) other than the right to vote.

(g) "Mutual holding company" means a corporation organized under section eight thousand one hundred seventeen of this article.

(h) "Mutual property/casualty insurer" for the purposes of this article means a domestic mutual property/casualty insurance company organized under article twelve of this chapter and licensed under article forty-one of this chapter, or a domestic advance premium corporation organized and licensed under article sixty-six of this chapter, or an assessment corporation organized and licensed under article sixty-six of this chapter.

(i) "Offer" includes every offer to buy or acquire, solicitation of an offer to sell, tender offer for, or request or invitation for tenders of a security or interest in a security for value.

(j) "Outside director" means a director:

(1) who is not an officer, employee or consultant of the mutual holding company, any stock holding company, the reorganized insurer or any

1 other subsidiary of the mutual holding company or any stock holding  
2 company;

3 (2) who does not directly or indirectly own, control or hold one  
4 percent or greater of the voting securities of any stock holding compa-  
5 ny, the reorganized insurer or any other subsidiary of the mutual hold-  
6 ing company or any stock holding company; and

7 (3) who is not a director, officer or employee of any person except  
8 the mutual holding company or any stock holding company that directly or  
9 indirectly owns, controls or holds such percentage of such voting secu-  
10 rity. Lesser amounts of ownership of voting securities other than those  
11 provided for in this subsection may be approved by the superintendent as  
12 a component of the mutual holding company's plan of reorganization  
13 pursuant to this article.

14 (k) "Person" means an individual, partnership, firm, association,  
15 corporation, joint-stock company, limited liability company, limited  
16 liability partnership, trust, government or governmental agency, state  
17 or political subdivision thereof, public or private corporation, board,  
18 association, estate, trustee or fiduciary, any similar entity or any  
19 combination of the foregoing acting in concert.

20 (l) "Plan of reorganization" or "plan" means a plan adopted by a mutu-  
21 al property/casualty insurer in compliance with this article.

22 (m) "Policyholder" means a person who, by the records of the mutual  
23 property/casualty insurer, is deemed to be the policyholder of a policy  
24 or contract which is of a type of any one or more of the basic kinds of  
25 insurance specified in subsection (a) of section four thousand one  
26 hundred one of this chapter for purposes of section four thousand one  
27 hundred sixteen of this chapter.

28 (n) "Public offering" means a stock offering required to be registered  
29 pursuant to the Securities Act of 1933, United States Code, Title 15,  
30 Section 77e.

31 (o) "Reorganized stock insurer" means the stock property/casualty  
32 insurer into which a mutual property/casualty insurer has been reorgan-  
33 ized in accordance with the provisions of this article.

34 (p) "Reorganizing insurer" means, in the case of a plan of reorganiza-  
35 tion of a mutual property/casualty insurer under this article, the mutu-  
36 al property/casualty insurer that is reorganizing pursuant to such plan.

37 (q) "Intermediate stock holding company" means a corporation incorpo-  
38 rated under the laws of any jurisdiction in the United States, at least  
39 fifty-one percent of the voting stock of which is owned, directly or  
40 through another intermediate stock holding company, by a mutual holding  
41 company and which holds, directly or indirectly, voting stock in at  
42 least one reorganized insurer.

43 (r) "Voting security" includes voting securities as defined in para-  
44 graph forty-five of subsection (a) of section one hundred seven of this  
45 chapter, any reorganization certificate or subscription (including  
46 subscription rights issued pursuant to a plan of reorganization), or any  
47 security convertible (with or without consideration) into any such secu-  
48 rity, or carrying any warrant or right to subscribe for or purchase any  
49 such security, or any such warrant or right.

50 (s) "Voting stock" means capital stock that constitutes voting securi-  
51 ties as defined in paragraph forty-five of subsection (a) of section one  
52 hundred seven of this chapter. All references in this article to a spec-  
53 ified percentage of the voting stock of any person shall mean securities  
54 having the specified percentage of the voting power in such person for  
55 the election of directors, trustees or management of such person other

1 than securities having such power only by reason of the happening of a  
2 contingency.

3 § 8102. Reorganization of mutual property/casualty insurer through  
4 formation of a mutual holding company; contents of plan. (a) A mutual  
5 property/casualty insurer may be reorganized as a domestic stock  
6 property/casualty insurer with a mutual holding company by complying  
7 with the requirements of this article.

8 (b) The plan of reorganization shall contain provisions for:

9 (1) the reorganizing insurer becoming a domestic stock  
10 property/casualty insurer;

11 (2) the formation of a mutual holding company;

12 (3) the eligible members of the reorganizing insurer becoming members  
13 of the mutual holding company with membership interests therein, and the  
14 membership interests in the reorganizing insurer being extinguished;

15 (4) at least fifty-one percent of the voting stock issued by the reor-  
16 ganized insurer being acquired and held, directly or through one or more  
17 intermediate stock holding companies, by the mutual holding company;

18 (5) if applicable, the general terms for the establishment of an  
19 alternative provision under the proposed dividend policy under  
20 subsection (a) of section eight thousand one hundred three of this arti-  
21 cle; and

22 (6) a plan of operation for the reorganized insurer including finan-  
23 cial projections for a three-year period and a statement indicating its  
24 intentions with regard to issuing any nonparticipating business.

25 (c) The plan of reorganization shall provide that the reorganization  
26 process itself will not change premiums or reduce policy benefits or  
27 other policy obligations of the mutual property/casualty insurer,  
28 provided that the plan of reorganization may provide that the reorgan-  
29 ized stock insurer will be able to make such changes and reductions as  
30 would be permitted under this chapter if the mutual property/casualty  
31 insurer were not a reorganizing insurer under this article.

32 (d) The plan may provide for the formation of one or more intermediate  
33 stock holding companies.

34 (e) The plan shall include the following as exhibits:

35 (1) the proposed charters or certificates of incorporation of the  
36 reorganized insurer, the mutual holding company and any intermediate  
37 stock holding company or companies; and

38 (2) the proposed by-laws of the reorganized insurer, the mutual hold-  
39 ing company and any stock holding company or companies.

40 § 8103. Dividend practices. (a) Following the effective date of the  
41 plan, the reorganized insurer may, with respect to its individual poli-  
42 cies and contracts:

43 (1) continue the dividend practices of the reorganizing insurer;

44 (2) continue the dividend practices of the reorganizing insurer and  
45 adopt such other dividend practices as, at the time of the effective  
46 date or at any time thereafter, may be permitted under applicable law or  
47 regulation or approved by the superintendent;

48 (3) adopt such other alternative with respect to dividend practices as  
49 the superintendent may approve; or

50 (4) discontinue the dividend practices of the reorganizing insurer.

51 § 8104. Adoption of plan; submission of plan to the superintendent.  
52 (a) A mutual property/casualty insurer seeking to reorganize under this  
53 article shall, by approval of a resolution adopted by at least two-  
54 thirds of its entire board of directors, adopt a plan consistent with  
55 the provisions of sections eight thousand one hundred two and eight  
56 thousand one hundred three of this article which is fair and equitable

1 to the policyholders. The resolution voted upon by the board of direc-  
2 tors shall specify the reasons for and the purposes of the proposed  
3 reorganization.

4 (b) The plan shall be submitted to the superintendent, together with  
5 the resolution of the board of directors of the reorganizing insurer,  
6 certified by the secretary thereof, adopting the plan pursuant to this  
7 article.

8 § 8105. Amendment or withdrawal of plan. At any time before the plan  
9 of reorganization becomes effective as provided in section eight thou-  
10 sand one hundred nine of this article, the reorganizing insurer may, by  
11 resolution of a three-fourths majority of its entire board of directors,  
12 amend the plan of reorganization or withdraw the plan of reorganization.  
13 In the case of a plan amendment, all references in this article to the  
14 plan of reorganization shall be deemed to refer to the plan as amended,  
15 but no amendment shall be deemed to change the adoption date of the plan  
16 of reorganization. A further public hearing is not necessary unless the  
17 superintendent determines that amendments submitted after the original  
18 hearing required under section eight thousand one hundred seven of this  
19 article will substantially alter the plan. In the event that the super-  
20 intendent determines that the amendment substantially alters the plan,  
21 the plan as amended must be submitted for reconsideration by the eligi-  
22 ble members as provided in section eight thousand one hundred eight of  
23 this article.

24 § 8106. Consultants. The superintendent may appoint one or more  
25 consultants as the superintendent shall reasonably deem necessary to  
26 advise the superintendent in making the determination of whether the  
27 proposed plan of reorganization meets the applicable requirements of  
28 this article. The reorganizing insurer shall be responsible for the  
29 reasonable fees and expenses of any such consultants. This expenditure  
30 shall not constitute an expenditure of public funds pursuant to the  
31 state finance law, but the superintendent, with the approval of the  
32 comptroller, may in the superintendent's discretion for good cause shown  
33 remit such charges.

34 § 8107. Approval of plan by superintendent; hearing. The superinten-  
35 dent may order a public hearing on the plan to be held prior to the plan  
36 being submitted to the eligible members for their approval. The reorgan-  
37 izing insurer shall give written notice of the hearing to eligible  
38 members sent by mail or electronic transmission to the last known mail-  
39 ing or electronic addresses of such eligible members as shown on the  
40 records of the reorganizing insurer. Such summary notice shall be  
41 subject to the approval of the superintendent, shall include the date,  
42 time and place of the hearing, and shall include both a website address  
43 and a toll-free telephone number through which eligible members may  
44 obtain, if not included in the summary notice, a full notice of the  
45 hearing and either a true and correct copy of the plan, or a summary  
46 thereof approved by the superintendent, and such other explanatory  
47 information as the superintendent shall approve or require. The reor-  
48 ganizing insurer shall also post a copy of such notice on its website.  
49 Such notice shall be sent to eligible members at least thirty days  
50 before the date specified for the hearing and may be sent electronically  
51 if the eligible member has consented to receive electronic communi-  
52 cations from the reorganizing insurer under section three thousand four  
53 hundred fifty-eight of this chapter. The hearing shall be held at a time  
54 and location in this state deemed by the superintendent to be most  
55 convenient to the greatest number of eligible members. At such hearing  
56 any person may be heard in favor of, or against, the terms of the plan.



1 The plan of reorganization shall be made available for public inspection  
2 at one office of the department in each city in this state where the  
3 department maintains an office and at the principal office of the reor-  
4 ganizing insurer. The superintendent shall approve the plan if the  
5 superintendent finds that:

6 (a) the plan is fair and equitable to policyholders;

7 (b) the plan does not violate this article; and

8 (c) after giving effect to the reorganization, the reorganized insurer  
9 will have an amount of capital and surplus the superintendent deems to  
10 be reasonably necessary for its future solvency.

11 § 8108. Approval of plan by eligible members. (a) A proposal to  
12 approve the plan of reorganization shall be submitted to eligible  
13 members for approval. The reorganizing insurer shall give written  
14 notice stating the date, time and place for voting on such proposal to  
15 eligible members and to vote on the proposal in accordance with this  
16 section, sent by mail or electronic transmission to the last known mail-  
17 ing or electronic addresses of such policyholders as shown on the  
18 records of the reorganizing insurer. Such notice shall be sent at least  
19 forty-five days before the date of the proposed vote to approve the plan  
20 of reorganization. Such notice may be combined with the summary notice  
21 of the hearing required by section eight thousand one hundred seven of  
22 this article. Such notice shall be subject to the approval of the super-  
23 intendent and shall include both a website address and a toll-free tele-  
24 phone number through which members may obtain either a true and correct  
25 copy of the plan, or a summary thereof approved by the superintendent,  
26 and such other explanatory information as the superintendent shall  
27 approve or require.

28 (b) Each eligible member shall be entitled to cast one vote, unless  
29 otherwise provided in the charter or by-laws of the reorganizing insur-  
30 er, on the proposal, either in person, by mail or by proxy, irrespective  
31 of the number or amount of the policies or contracts held. Each proxy  
32 shall be revocable at any time, except to the extent that, at the time  
33 of attempted revocation, the power conferred thereby has already been  
34 properly exercised. All votes shall be by written ballot cast in person,  
35 by mail or by electronic means by eligible members or by proxy agents  
36 duly appointed by eligible members. The in-person voting on the plan  
37 shall be held at a location and time approved by the superintendent.

38 (c) The proposal to approve the plan of reorganization shall be  
39 adopted by the affirmative vote of at least two-thirds of all votes cast  
40 by eligible members.

41 (d) The superintendent shall have power to prescribe rules governing  
42 the procedures for conduct of the voting on the proposal.

43 (e) The provisions of section four thousand one hundred sixteen of  
44 this chapter shall not apply to the action by eligible members pursuant  
45 to this section.

46 (f) The provisions of subsection (a) of section four thousand one  
47 hundred ten of this chapter and subsection (a) of section six thousand  
48 six hundred thirteen of this chapter shall not apply to a corporation  
49 organized under section eight thousand one hundred seventeen of this  
50 article.

51 (g) Upon the conclusion of the vote, the reorganizing insurer shall  
52 submit to the superintendent:

53 (1) a certified copy of the plan of reorganization, subscribed by the  
54 chairman of the board, the president or any vice president and attested  
55 by the secretary or an assistant secretary of the reorganizing insurer;

1     (2) a certificate, subscribed by the chairman of the board, the presi-  
2     dent or any vice president and attested by the secretary or assistant  
3     secretary of the reorganizing insurer, or subscribed by the person or  
4     persons, if any, designated by the superintendent to supervise the  
5     giving of notice of the date for action on the proposal, to the effect  
6     that such notice was given in accordance with this section to all poli-  
7     cyholders entitled to such notice; and

8     (3) a certificate subscribed by an officer of the reorganizing insurer  
9     of the results of the vote, as evidenced by valid ballots received  
10    before the polls were closed.

11    (h) Each such certificate shall be affirmed as true under the penal-  
12    ties of perjury by the person or persons subscribing the same and, in  
13    the case of a certificate signed by officers of the reorganizing insur-  
14    er, shall be affirmed under the corporate seal of the reorganizing  
15    insurer.

16    § 8109. Filing of plan; effective date of reorganization. (a) When the  
17    superintendent has approved the plan of reorganization as provided in  
18    section eight thousand one hundred seven of this article, and certifi-  
19    cation of approval of the plan by eligible members has been made to the  
20    superintendent as provided in section eight thousand one hundred eight  
21    of this article, a copy of the plan of reorganization, with the super-  
22    intendent's approval endorsed thereon, shall be filed in the office of  
23    the superintendent. A copy of such plan certified by the superintendent  
24    shall also be filed by the reorganizing insurer in the office of the  
25    clerk of the county where the principal office of the reorganizing  
26    insurer is located within thirty days after the superintendent's  
27    approval.

28    (b) The plan of reorganization shall take effect in accordance with  
29    its terms on the date and at the time when the filing in the office of  
30    the superintendent required by this section has been made or on such  
31    later date or at such later time, if any, as may have been specified in  
32    or determined in accordance with the plan or pursuant thereto.

33    (c) As of the effective date, the superintendent shall issue an  
34    amended certificate of authority to the reorganized insurer, and, if the  
35    plan of reorganization specifies that the reorganized insurer proposes  
36    to continue to issue for delivery in this state participating policies  
37    or contracts, the superintendent shall, issue a permit authorizing it to  
38    do so.

39    § 8110. Effect of reorganization. Upon the effective date of a plan of  
40    reorganization in accordance with section eight thousand one hundred  
41    nine of this article:

42    (a) the reorganizing insurer shall immediately become a domestic stock  
43    property/casualty insurer;

44    (b) the policyholders of the reorganizing insurer on the effective  
45    date shall immediately become members of the mutual holding company with  
46    membership interests therein, and all membership interests in the reor-  
47    ganizing insurer shall be extinguished;

48    (c) persons becoming policyholders of the reorganized insurer after  
49    the effective date of the plan shall become members of the mutual hold-  
50    ing company immediately upon issuance of the policy or contract;

51    (d) one hundred percent of the voting stock issued by the reorganized  
52    insurer shall be owned, directly or through one or more intermediate  
53    stock holding companies, by the mutual holding company, and at no time  
54    subsequent shall such mutual holding company own less than fifty-one  
55    percent of such voting stock; and

1 (e) any other reorganization of the reorganizing insurer and its  
2 subsidiaries specified in the plan shall become effective in accordance  
3 with the terms of the plan. Except for the right to vote, the rights of  
4 all policyholders with respect to the reorganized insurer thereafter  
5 shall be as specified in their policies or contracts, in the charter of  
6 the reorganized insurer and in the plan of reorganization.

7 § 8111. Corporate existence. (a) The reorganized insurer shall be a  
8 continuation of the reorganizing insurer, and the reorganization shall  
9 in no way annul, modify, or change any of such insurer's existing suits,  
10 rights, contracts, or liabilities except as provided in the approved  
11 plan of reorganization. All rights, franchises and interests of the  
12 reorganizing insurer in and to every species of property, real, personal  
13 and mixed, and things in action thereunto belonging, shall be vested in  
14 the continuing company, without any deed or transfer, and simultaneously  
15 therewith such continuing company shall be subject to all of the obli-  
16 gations and liabilities of the reorganizing insurer, other than obli-  
17 gations and liabilities with respect to the policyholders' membership  
18 interests extinguished by the plan of reorganization.

19 (b) No action or proceeding pending at the time of the reorganization  
20 to which the reorganizing insurer may be a party shall be abated or  
21 discontinued by reason of such reorganization, but the same may be pros-  
22 ecuted to final judgment in the same manner as if the reorganization had  
23 not taken place, or the reorganized insurer may be substituted in place  
24 of such reorganizing insurer by order of the court in which the action  
25 or proceeding may be pending.

26 § 8112. Directors and officers. Except as otherwise provided in the  
27 plan of reorganization and subject to subsection (d) of section eight  
28 thousand one hundred seventeen of this article, the directors and offi-  
29 cers of the reorganizing insurer shall serve as directors and officers  
30 of the reorganized insurer, any intermediate stock holding company and  
31 the mutual holding company until new directors and officers have been  
32 duly elected and qualified pursuant to the charter or certificate of  
33 incorporation and the by-laws of the respective companies.

34 § 8113. Notice of proposed reorganization. (a) In addition to the  
35 notices given pursuant to section eight thousand one hundred eight of  
36 this article, the reorganizing insurer shall give written notice of the  
37 pendency of the proposed reorganization and of the effect thereof to all  
38 persons who are not eligible members to whom the reorganizing insurer  
39 delivers policies or contracts that are issued after the adoption date  
40 and before the plan takes effect or is withdrawn, sent by mail or elec-  
41 tronic transmission to the last known mailing or electronic addresses of  
42 such persons as shown on the records of the reorganizing insurer.

43 (b) Neither the receipt of such policy or contract nor the right to  
44 receive such notice shall entitle such persons to vote on the proposed  
45 plan of reorganization pursuant to section eight thousand one hundred  
46 eight of this article or vest such persons with any other rights or  
47 entitlements except as provided for in this article.

48 (c) Where, prior to the issuance of a policy or contract, the reorgan-  
49 izing insurer provides the prospective policyholders with notice of the  
50 pendency of the proposed reorganization and of the effect thereof, which  
51 notice has been approved for such purpose by the superintendent, then,  
52 unless the laws of the policyholder's domiciliary state otherwise  
53 require, such policyholders shall not have the foregoing rights of  
54 rescission and refund.

55 § 8114. Failure to give notice. If the reorganizing insurer complies  
56 substantially and in good faith with the requirements of this article



1 with respect to the giving of any required notice, its failure in any  
2 case to give such notice to any person or persons entitled thereto shall  
3 not impair the validity of the actions and proceedings taken under this  
4 article or entitle such person to any injunctive or other equitable  
5 relief with respect thereto, nor shall such person have any claim for  
6 damages due to such failure.

7 § 8115. Limitations of actions; security. (a) Notwithstanding any  
8 other provision of law to the contrary and except as otherwise provided  
9 in subsection (c) or (d) of this section, actions concerning or arising  
10 out of any plan of reorganization, proposed plan of reorganization, plan  
11 amendment or proposed plan amendment under this article or any acts  
12 taken or proposed to be taken under this article shall be commenced  
13 within eighteen months after the plan of reorganization or plan amend-  
14 ment is filed pursuant to subsection (a) of section eight thousand one  
15 hundred nine of this article or the charter is filed pursuant to  
16 subsection (c) of section eight thousand one hundred seventeen of this  
17 article, as the case may be, in the office of the superintendent or one  
18 year from the effective date of the plan of reorganization, whichever is  
19 later, or if the plan of reorganization or plan amendment is withdrawn,  
20 within one year from the date the board of directors approves a resol-  
21 ution to withdraw the plan. Where an action concerns or arises out of a  
22 plan amendment or proposed plan amendment made under section eight thou-  
23 sand one hundred five of this article, the applicable time period is  
24 measured from the filing, effective date or approval of withdrawal of  
25 the plan amendment, as the case may be. Where the action arises out of  
26 either a transfer of subsidiaries pursuant to section eight thousand one  
27 hundred twenty of this article or a sale of securities of the reorgan-  
28 ized insurer or any stock holding company pursuant to section eight  
29 thousand one hundred eighteen of this article, which transfer or sale is  
30 not contemplated by the plan, then the applicable time period shall be  
31 measured from the effective date of such transfer or sale, as the case  
32 may be. Where the action concerns or arises out of a plan of reorganiza-  
33 tion adopted pursuant to section eight thousand one hundred nineteen of  
34 this article, then the applicable time period shall be measured from the  
35 effective date of the plan of reorganization.

36 (b) In any action referred to in subsection (a) of this section, the  
37 plaintiff or plaintiffs shall be required, upon a motion of the mutual  
38 holding company, reorganizing insurer or reorganized insurer or any  
39 intermediate stock holding company which establishes to the satisfaction  
40 of the court, that a substantial likelihood exists that such action is  
41 brought without merit and with an intention to delay or harass, to give  
42 adequate security for the damages and reasonable expenses, including  
43 attorneys' fees, which may be incurred as a result of, or in connection  
44 with, such action by such company and by any other defendants in such  
45 action or for which such company may become liable, to which security  
46 the mutual holding company, reorganizing insurer or reorganized insurer  
47 or any stock holding company shall have recourse in such amount as the  
48 court determines upon the termination of such action. The amount of  
49 security may from time to time be increased or decreased in the  
50 discretion of the court upon a showing that the security provided has or  
51 may become inadequate or excessive.

52 (c) Notwithstanding any other provision of law to the contrary, any  
53 action seeking a stay, restraining order, injunction or similar remedy  
54 to prevent or delay the closing of any transaction pursuant to this  
55 article or of any transaction described in the plan of reorganization

1 must be commenced within the earlier of one hundred twenty days after,  
2 as applicable:

3 (1) the approval of a plan of reorganization by the superintendent  
4 pursuant to section eight thousand one hundred seven or eight thousand  
5 one hundred nineteen of this article, as the case may be; or

6 (2) the approval of the superintendent pursuant to section eight thou-  
7 sand one hundred twenty of this article.

8 (d) Any action or proceeding against the superintendent or any other  
9 governmental body or officer in connection with any act taken or order,  
10 regulation or rule issued pursuant to this article shall be commenced  
11 within one hundred twenty days from the date of such act or signing of  
12 such order, regulation or rule.

13 (e) Any person aggrieved by any act taken or order, regulation or rule  
14 issued pursuant to this article may petition for judicial review in the  
15 manner provided by article seventy-eight of the civil practice law and  
16 rules, pursuant to the limitations period prescribed in subsection (d)  
17 of this section. The petition shall be brought in the judicial depart-  
18 ment embracing the county wherein the act was taken, or the order, regu-  
19 lation or rule was issued. All such proceedings shall be heard and  
20 determined as expeditiously as possible and with lawful precedence over  
21 other matters. Acts taken or orders, regulations or rules issued pursu-  
22 ant to this article shall not be stayed or enjoined except upon applica-  
23 tion after notice to the superintendent and to the attorney general and  
24 upon a showing that the petitioner has a substantial likelihood of  
25 success and will suffer irreparable harm if the stay or injunction is  
26 not granted.

27 § 8116. Prohibited transactions by officers, directors and employees.  
28 No director, officer, agent or employee of the reorganizing insurer  
29 shall receive any fee, commission or other valuable consideration what-  
30 soever, other than regular salary and compensation, for in any manner  
31 aiding, promoting or assisting in the reorganization except as set forth  
32 in the plan approved by the superintendent.

33 § 8117. Requirements applicable to a mutual holding company. (a) The  
34 following provisions of this article are applicable to a mutual holding  
35 company:

36 (1) the following provisions of article twelve of this chapter shall  
37 apply to a mutual holding company as though it were a domestic mutual  
38 insurer: section one thousand two hundred one of this chapter to the  
39 extent provided in subsection (c) of this section and sections one thou-  
40 sand two hundred two, one thousand two hundred six, one thousand two  
41 hundred eight, one thousand two hundred nine, one thousand two hundred  
42 twelve, and one thousand two hundred fifteen through one thousand two  
43 hundred nineteen of this chapter;

44 (2) the provisions of the business corporation law that are applicable  
45 to a domestic mutual property/casualty insurer shall apply to a mutual  
46 holding company as though it were a domestic mutual insurer; and

47 (3) the provisions of section four thousand one hundred sixteen of  
48 this chapter applicable to a domestic mutual property/casualty insurer  
49 shall be applied to a mutual holding company as though its members were  
50 voting policyholders of a mutual property/casualty insurer.

51 (b) A mutual holding company shall not dissolve, liquidate or wind up  
52 and dissolve except through proceedings under section eight thousand one  
53 hundred nineteen of this article, article seven thousand four of this  
54 chapter for the liquidation or dissolution of the reorganized insurer or  
55 as the superintendent may otherwise approve. In the event any  
56 proceedings are instituted under article seven thousand four of this

1 chapter for the complete liquidation of reorganized insurer pursuant to  
2 this article:

3 (1) the mutual holding company formed as part of such reorganization  
4 shall automatically become a party to such proceedings;

5 (2) all of the mutual holding company's assets, including its holdings  
6 of shares in the reorganized insurer or any intermediate stock holding  
7 company, shall be deemed assets of the estate of the domestic stock  
8 property/casualty insurer to the extent necessary to satisfy claims of  
9 persons who have class one, class two, class three or class four claims  
10 under subsection (a) of section seven thousand four hundred thirty-five  
11 of this chapter with respect to such domestic stock property/casualty  
12 insurer; and

13 (3) members of the mutual holding company shall be deemed to hold  
14 class seven claims with respect to the mutual holding company under  
15 subsection (a) of section seven thousand four hundred thirty-four of  
16 this chapter.

17 (c) The charter of the mutual holding company shall be filed with the  
18 superintendent and shall contain the matters required to be contained in  
19 the charter of a domestic mutual property/casualty insurer by section  
20 one thousand two hundred one of this chapter, except that the name of  
21 the mutual holding company shall contain the word "mutual" and shall not  
22 contain the word "insurance", "assurance" and the company's powers shall  
23 not include doing an insurance business. The charter shall contain  
24 provisions stating that:

25 (1) it is a mutual holding company organized under this article;

26 (2) its purpose shall be to hold, directly or through one or more  
27 intermediate stock holding companies, greater than fifty percent of the  
28 voting stock of a reorganized insurer;

29 (3) it shall not be authorized to issue voting stock;

30 (4) it shall not be authorized to conduct any business other than that  
31 of a mutual holding company, except for the acquisition, ownership,  
32 management and disposition of its assets and all actions reasonably  
33 incident thereto; and

34 (5) it shall have members having the rights specified in this section  
35 and section eight thousand one hundred ten of this article and in its  
36 charter and by-laws. The charter shall also contain provisions setting  
37 forth any rights of members of the mutual holding company in the surplus  
38 of the mutual holding company.

39 (d) At least two-thirds of the directors of the mutual holding company  
40 and of any intermediate stock holding company, all of the members of the  
41 compensation committee of the board of directors of the mutual holding  
42 company and of any intermediate stock holding company, at least two-  
43 thirds of the members of any committee responsible for making decisions  
44 affecting the capital structure or mergers and acquisitions, and a  
45 majority of the directors on each other committee of the board of direc-  
46 tors of the mutual holding company and any stock holding company shall  
47 be outside directors. The aggregate percentage of voting securities of  
48 the reorganized insurer directly or indirectly owned, controlled or held  
49 with the power to vote, either personally or by persons (other than the  
50 mutual holding company and any intermediate stock holding company) of  
51 which they are directors, officers or employees, by outside directors,  
52 shall not exceed three percent or such lesser percentage as may be  
53 determined by the superintendent in his or her approval of the mutual  
54 holding company's plan of reorganization pursuant to this article. The  
55 by-laws of the mutual holding company and any intermediate stock holding  
56 company shall provide that the affirmative vote of at least two-thirds

1 of the board of directors of such company shall be required for any  
2 action by such company to adopt a plan of conversion pursuant to section  
3 eight thousand one hundred nineteen of this article, enter into a merg-  
4 er, conduct a public offering or authorize the issuance of any voting  
5 stock or security convertible into voting stock of the reorganized  
6 insurer or the stock holding company to any person other than the mutual  
7 holding company or the stock holding company.

8 (e) The superintendent may, by regulation, require a mutual holding  
9 company to file annual statements with the superintendent in such form  
10 as the superintendent shall prescribe.

11 (f) With the written approval of the superintendent, and subject to  
12 the conditions that the superintendent may impose, a mutual holding  
13 company or stock company may:

14 (1) merge or consolidate with, or acquire the assets of, a mutual  
15 holding company organized pursuant to this article or pursuant to the  
16 laws of another state;

17 (2) either alone or together with one or more of the reorganized  
18 insurer, any intermediate stock holding companies or any subsidiaries of  
19 any of them, merge or consolidate with or acquire the assets of a mutual  
20 property/casualty insurer;

21 (3) merge or consolidate with any other person.

22 (g) A mutual holding company or any intermediate stock holding company  
23 may also acquire the capital stock or assets of other persons.

24 (h) A member of a mutual holding company is not, as a member,  
25 personally liable for the acts, debts, liabilities or obligations of the  
26 company. No assessment of any kind may be imposed upon the members of a  
27 mutual holding company by the board of directors, members or creditors  
28 of the mutual holding company or because of any liability of any company  
29 owned or controlled, in whole or in part, directly or indirectly, by the  
30 mutual holding company or because of any act, debt or liability of the  
31 mutual holding company.

32 (i) A membership interest in a mutual holding company shall not  
33 constitute a security under the laws of this state.

34 (j) The superintendent shall retain jurisdiction over any mutual hold-  
35 ing company organized pursuant to this article.

36 (k) Directors of the mutual holding company shall be elected by a  
37 majority vote of all members who vote in such election in person or by  
38 proxy or as set forth in the by-laws of the mutual holding company. If  
39 the reorganized insurer takes any action other than election of its  
40 directors that would require a vote of policyholders if the reorganized  
41 insurer were a mutual property/casualty insurer, then such action shall  
42 require a vote of members of the mutual holding company.

43 § 8118. Other requirements applicable to an intermediate stock holding  
44 company and a mutual holding company. (a) From and after the effective  
45 date, the mutual holding company shall hold, directly or through one or  
46 more stock holding companies, more than fifty percent of the issued and  
47 outstanding voting stock of the reorganized insurer. For purposes of the  
48 voting stock ownership requirement under this subsection, any issued and  
49 outstanding securities of the reorganized insurer or any stock holding  
50 company that are convertible into voting stock shall be considered  
51 issued and outstanding voting stock.

52 (b) A mutual holding company and any intermediate stock holding compa-  
53 ny shall each be deemed to be a "holding company" of the reorganized  
54 insurer within the meaning of article fifteen of this chapter, and all  
55 provisions of article fifteen of this chapter shall apply to trans-  
56 actions occurring between the mutual holding company, the stock holding

1 company and the reorganized insurer. Approval of the plan of reorganiza-  
2 tion by the superintendent pursuant to this article shall constitute  
3 approval of the acquisition of control by a mutual holding company and  
4 any stock holding company under section one thousand five hundred six of  
5 this chapter, the registration by the reorganized insurer as a  
6 controlled insurer under section one thousand five hundred three of this  
7 chapter and notice of the acquisition of shares of the reorganized  
8 insurer under section four thousand two hundred three of this chapter.

9 (c) Outside directors of the mutual holding company, an intermediate  
10 stock holding company or the reorganized insurer shall not own benefi-  
11 cially, in the aggregate, more than three percent of the voting stock of  
12 the stock holding company or the reorganized insurer.

13 (d) Any issuance of voting stock or securities convertible into voting  
14 stock or options for the purchase of voting stock of the reorganized  
15 insurer or the stock holding company prior to an initial public offer-  
16 ing, private equity placement, or the issuance of public or private  
17 voting stock or securities convertible into voting stock of the reorgan-  
18 ized insurer or stock holding company or any other type of capital  
19 raised shall be subject to the approval of the superintendent as to the  
20 proposed valuation of such stock or securities, the superintendent may  
21 impose conditions upon such approval, and all expenses of the super-  
22 intendent's review, including without limitation those of outside  
23 consultants in reviewing such proposed valuation, shall be borne by the  
24 issuing company.

25 (e) In the event of an initial public offering, an intermediate stock  
26 holding company or reorganized insurer may not repurchase capital stock  
27 within one year following the date of such initial public offering,  
28 except that repurchases of no greater than five percent of the outstand-  
29 ing stock may be repurchased during this one-year period without the  
30 approval of the superintendent.

31 (f) In the event of any violation of this section, or of any action  
32 which, if consummated, might constitute such a violation:

33 (1) all voting stock of the reorganized insurer, any stock holding  
34 company, or the reorganized mutual holding company, acquired by any  
35 person in excess of the maximum amount permitted to be acquired by such  
36 person pursuant to this subsection shall be deemed to be non-voting  
37 stock; and

38 (2) in addition to any other enforcement powers of the superintendent  
39 under this chapter, such violation or action may be enforced or  
40 enjoined, as the case may be, by appropriate proceeding commenced on  
41 behalf of the reorganized insurer, any stock holding company or, if  
42 applicable, a reorganized mutual holding company, by the reorganized  
43 insurer, the stock holding company, the mutual holding company or the  
44 superintendent, the attorney general, any member of the mutual holding  
45 company or, if applicable, a reorganized mutual holding company, or any  
46 stockholder of the reorganized insurer, any stock holding company or the  
47 reorganized mutual holding company in the supreme court in the judicial  
48 district in which the reorganized insurer has its home office or in any  
49 other court having jurisdiction, and such court may issue any order,  
50 injunctive or otherwise, it finds necessary to cure such violation or to  
51 prevent such action.

52 § 8119. Conversion of mutual holding company. (a) A mutual holding  
53 company may reorganize in accordance with a plan of reorganization which  
54 is fair and equitable to the company's members and is:

55 (1) adopted by action of two-thirds of its entire board of directors;



1     (2) approved by the superintendent if found by the superintendent to  
2 be fair and equitable to the company's members after a hearing held upon  
3 notice to the company's members; and, thereafter,

4     (3) adopted by the affirmative vote of two-thirds of all votes cast by  
5 members of the company entitled to vote, after notice being given to all  
6 members entitled to vote. The mutual holding company shall give written  
7 notice stating the date, time and place for voting on such proposal to  
8 members entitled to notice of and to vote on the proposal in accordance  
9 with this section, sent by mail or electronic transmission to the last  
10 known mailing or electronic addresses of such policyholders as shown on  
11 the records of the mutual holding company. Such notice shall be sent at  
12 least forty-five days before the date of the proposed vote to approve  
13 the plan of reorganization. Such notice may be combined with notice of  
14 the hearing required by paragraph two of this subsection. Such notice  
15 shall be preceded or accompanied by a true and correct copy of the plan,  
16 or by a summary thereof approved by the superintendent, and such other  
17 explanatory information as the superintendent shall approve or require.

18     (b) A plan of reorganization pursuant to subsection (a) of this  
19 section shall provide for the membership interests in the mutual holding  
20 company being extinguished and may provide either for:

21     (1) the conversion of the mutual holding company into a stock corpo-  
22 ration, in which event consideration distributed shall be equal to that  
23 required under section seven thousand three hundred seven of this chap-  
24 ter or such other law governing the demutualization of mutual  
25 property/casualty insurers as may then be in effect; or

26     (2) the distribution to eligible members of the mutual holding company  
27 of consideration consisting of all assets of the mutual holding company  
28 including all stock of the reorganized insurer or any stock holding  
29 company owned by the mutual holding company, or other consideration  
30 having equivalent aggregate value, which may be in the form of cash,  
31 securities of any institution, additional insurance or annuity benefits  
32 or policy credits, dividends or other consideration, all such consider-  
33 ation being allocated among eligible members of the mutual holding  
34 company in a manner that is fair and equitable to the company's members.

35     § 8120. Transfers of subsidiaries. A reorganizing or reorganized  
36 insurer may transfer any one or more of its subsidiaries to the mutual  
37 holding company or to one or more persons owned or controlled by the  
38 mutual holding company, provided the reorganizing or reorganized insurer  
39 obtains the prior approval of the superintendent. Any such transfer may  
40 be made without consideration as a dividend or for consideration that  
41 may include obligations of the mutual holding company or obligations or  
42 preferred shares of a person owned or controlled by the mutual holding  
43 company. The superintendent shall approve each such proposed transfer if  
44 the superintendent finds it is fair and equitable. For a reorganizing  
45 insurer, the plan may provide for such transfer, in which case approval  
46 of the plan shall constitute approval by the superintendent pursuant to  
47 this section. The provisions of section one thousand five hundred five  
48 of this chapter shall not apply to any transfer of subsidiaries affected  
49 pursuant to this section but shall otherwise apply to the reorganized  
50 insurer and its affiliates in accordance with their terms. For a reor-  
51 ganized insurer, the other provisions of this article, including, with-  
52 out limitation, the requirement of filing a plan of reorganization,  
53 shall not apply to the transfer of subsidiaries pursuant to this  
54 section.

55     § 2. This act shall take effect immediately.