

STATE OF NEW YORK

3538

2023-2024 Regular Sessions

IN SENATE

January 31, 2023

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.

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

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1 8116. Prohibited transactions by officers, directors and employ-
2 ees.

3 8117. Requirements applicable to a mutual holding company.

4 8118. Other requirements applicable to an intermediate stock
5 holding company and a mutual holding company.

6 8119. Conversion of mutual holding company.

7 8120. Transfers of subsidiaries.

8 § 8101. Definitions. As used in this article, the following terms
9 shall have the following meanings:

10 (a) "Adoption date" means the date the board of directors of the mutu-
11 al property/casualty insurer adopts the plan of reorganization.

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

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

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

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

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

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

46 (h) "Mutual property/casualty insurer" for the purposes of this arti-
47 cle means a domestic mutual property/casualty insurance company organ-
48 ized under article twelve of this chapter and licensed under article
49 forty-one of this chapter, or a domestic advance premium corporation
50 organized and licensed under article sixty-six of this chapter, or an
51 assessment corporation organized and licensed under article sixty-six of
52 this chapter.

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

56 (j) "Outside director" means a director:

1 (1) who is not an officer, employee or consultant of the mutual hold-
2 ing company, any stock holding company, the reorganized insurer or any
3 other subsidiary of the mutual holding company or any stock holding
4 company;

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

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

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

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

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

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

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

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

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

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

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

1 the election of directors, trustees or management of such person other
2 than securities having such power only by reason of the happening of a
3 contingency.

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

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

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

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

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

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

19 (5) if applicable, the general terms for the establishment of an
20 alternative provision under the proposed dividend policy under section
21 eight thousand one hundred three of this article; 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. Following the effective date of the plan,
41 the reorganized insurer may, with respect to its individual policies and
42 contracts:

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

44 (b) 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 (c) adopt such other alternative with respect to dividend practices as
49 the superintendent may approve; or

50 (d) 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 seventy-four of this chapter
54 for the liquidation or dissolution of the reorganized insurer or as the
55 superintendent may otherwise approve. In the event any proceedings are

1 instituted under article seventy-four of this chapter for the complete
2 liquidation of reorganized insurer pursuant to 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.