§ 1209. Management and by-laws of mutual insurance corporations. (a) The management of the business and affairs of a domestic mutual insurance corporation shall be vested in a board of directors.

(b) Such corporation shall have not less than seven directors. The directors, except as provided in section four thousand two hundred ten of this chapter, shall be elected at the annual meetings of the members, and all except four of the directors of such corporation, elected after the organization of the corporation is completed and it has been licensed to issue insurance policies, must be members of the corporation or officers of member corporations. At any time after the first annual meeting, the directors may be divided into not exceeding three groups as nearly equal as possible, and thereafter the directors in one group only or their successors shall be elected annually as provided in the by-laws. The board of directors of such corporation shall hold regular meetings at least four times in each calendar year. At least one of such meetings shall be held within this state and the other meetings may be held elsewhere.

(c) The board of directors of such corporation shall elect such officers as are provided for in the by-laws. At least one principal officer shall be a director, but the number of officers and salaried employees who are directors shall at all times be less than a quorum of the board of directors, as prescribed in the charter or by-laws.

(d) The by-laws of any such corporation organized after January first, nineteen hundred forty may be adopted at a directors' meeting held after receipt from the superintendent of a certificate of incorporation and before the issuance of a license to do an insurance business. The by-laws, except as to corporations which elect their directors pursuant to the provisions of section four thousand two hundred ten of this chapter, may thereafter be made or amended only by a majority vote of all members present in person or by proxy at any annual meeting or other stated or special meeting called for such purpose, except that the board of directors of any mutual insurance corporation may amend its by-laws as to any provisions which do not impair the members' rights or enlarge their obligations under insurance policies. The by-laws of any domestic mutual insurance corporation which elects its directors pursuant to the provisions of such section may be amended by the board of directors. No by-law or amendment or repeal of a by-law of any domestic mutual

insurance corporation shall be effective until approved by the superintendent. The superintendent may refuse such approval if he finds that such by-law, amendment or repeal does not conform with the requirements of law, or is not equitable to the corporation's policyholders, or is inconsistent with its objects and purposes.

(e) No domestic mutual insurance corporation, except a domestic mutual insurance company organized before January first, nineteen hundred forty to do only marine protection and indemnity insurance, shall enter into any agreement under which any person, partnership or corporation agrees to pay all or a portion of the expenses of management of such insurance corporation in consideration of an agreement to pay him either commissions on premiums due the insurance corporation or any other compensation for his services.

(f) No domestic mutual insurance corporation, except a domestic mutual insurance company organized before January first, nineteen hundred forty to do only marine protection and indemnity insurance, shall enter into any agreement with any of the officers or directors, or with any firm or corporation in which any such officer or director is pecuniarily interested directly or indirectly, whereby the insurance corporation agrees to pay, for the acquisition of business, any commission or other compensation which under the agreement is increased or diminished by the amount of such business or by the insurance corporation's earnings on such business. Notwithstanding the foregoing, and upon application by a domestic mutual insurance corporation, the superintendent may permit the insurance corporation to enter into such an agreement with a firm or corporation that is a licensed insurance producer if the superintendent determines that: (1) the insurance corporation's policyholders will not be adversely affected; (2) the officer or director has no pecuniary interest directly in the insurance producer; and (3) any benefit to the officer or director that accrues as a result of the agreement would not be material in relation to the insurance corporation's overall premium volume. Any such agreement approved by the superintendent shall be subject to annual reviews and, where the superintendent determines such agreement no longer conforms to this subsection, the superintendent shall revoke his or her prior approval.