§ 6613. Limitation of expenses; co-operative property/casualty insurance companies. (a) The expenses of management of any co-operative property/casualty insurance company shall not exceed in any one calendar year forty-two and one-half percent of its net premiums written for such year. The term "net premiums written" means direct premiums written plus reinsurance assumed less return premiums and reinsurance ceded. In the event expenses incurred in making a new system upgrade result in this subsection's management expenses limit being exceeded, then the insurer shall inform the superintendent sixty days in advance of the expense limit being exceeded. Subject to approval by the superintendent, the limit shall be temporarily raised to the amount necessary to encompass the aforestated new system upgrade, provided that in no event shall the limit be raised more than five percentage points and shall not be in effect for more than three years, and provided further that an insurer may submit to the superintendent, for the superintendent's prior approval, a written request to temporarily raise the limit for up to an additional three years, for a total of no more than six years. An insurer shall submit such written request to the superintendent at least sixty days but not more than one hundred twenty days before the expiration of the initial period during which the limit was raised. The insurer shall not increase premiums solely as a result of the management expenses cap limit being exceeded. For purposes of this subsection, a new system upgrade is defined as the acquisition of electronic data processing apparatus and related equipment constituting a data processing, record keeping or accounting system and operating and non-operating software.

(b) Management expenses shall include all the expenses of such company, except expenses incurred in the investigation, adjustment and settlement of claims, taxes, fees, expenses of examination, and taxes, repairs, and expenses on real estate.

(c) This section shall not apply to any assessment corporation which is limited to the business permitted under subsection (a) of section six thousand six hundred five of this article. Furthermore, the superintendent may grant an annual exemption from compliance with the provisions of subsection (a) of this section to any co-operative property/casualty insurance company which, in the next preceding calendar year, had net premiums written of less than three million

dollars. A written application for such an exemption must be submitted by the first day of June in the year for which the exemption is requested and shall contain such information as is deemed necessary by the superintendent.