

# An Act

ENROLLED SENATE  
BILL NO. 1101

By: Sparks and Pittman of the  
Senate

and

Mulready and Moore of the  
House

An Act relating to insurance; creating the Insurance Business Transfer Act; declaring purpose of act; defining terms; establishing court jurisdiction and venue for court proceedings; authorizing certain court actions; establishing procedures for notice from certain person; specifying certain terms of response after notice; instructing Insurance Commissioner to give certain notice under certain circumstances; establishing rules and procedures for filing application for Insurance Business Transfer Plan; providing requirements for certain independent expert opinion report; instructing Insurance Commissioner to review application within certain time period; instructing Commissioner to authorize Plan to the court in certain circumstances; requiring Commissioner to notify applicants of need for change to Plan in certain circumstances; providing timeline for applicants implementing certain changes to Plan; authorizing termination of application after certain time period; instructing Commissioner to provide certain notification to applicant; establishing procedures for court filing of Plan; naming Commissioner as party to certain court proceedings; requiring applicant to file certain motion; requiring applicant to submit certain notification to policyholders; establishing procedures for approval of Plan by court; authorizing withdrawal of Plan at any time; establishing elements of implementation order for Plan; establishing procedures for denial of

Plan by court; authorizing Commissioner to promulgate certain rules; requiring certain insurers to submit to jurisdiction of Commissioner; requiring certain fees and expenses be paid to Department; authorizing the Commissioner to require certain reimbursement for certain compensation; authorizing Commissioner to hire certain persons; authorizing Commissioner to petition court for dismissal of Plan or suspend or revoke certain certificate of authority in certain circumstances; providing for codification; and providing an effective date.

SUBJECT: Insurance Business Transfer Act

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1681 of Title 36, unless there is created a duplication in numbering, reads as follows:

This act shall be known and may be cited as the "Insurance Business Transfer Act".

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1682 of Title 36, unless there is created a duplication in numbering, reads as follows:

This act is adopted to provide a basis and procedures for the transfer and statutory novation of policies from a transferring insurer to an assuming insurer by way of an Insurance Business Transfer without the affirmative consent of policyholders or reinsureds. The novation is effected by court order. This act establishes the requirements for notice and disclosure and standards and procedures for the approval of the transfer and novation by the Oklahoma Insurance Commissioner and the District Court of Oklahoma County pursuant to an Insurance Business Transfer Plan. This act does not limit or restrict other means of effecting a transfer or novation.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1683 of Title 36, unless there is created a duplication in numbering, reads as follows:

1. "Affiliate" has the meaning ascribed to such term in Section 1631 of Title 36 of the Oklahoma Statutes.

2. "Applicant" means a transferring insurer or reinsurer applying under Section 6 of this act.

3. "Assuming insurer" means an insurer domiciled in the State of Oklahoma that assumes or seeks to assume policies from a transferring insurer pursuant to this act. An assuming insurer may be a company established pursuant to the Oklahoma Captive Insurance Company Act.

4. "Court" means the District Court of Oklahoma County, Oklahoma.

5. "Department" means the Oklahoma Insurance Department.

6. "Commissioner" means the Oklahoma Insurance Commissioner.

7. "Implementation order" means an order issued by the Court under Section 6 of this act.

8. "Insurance Business Transfer" means a transfer and novation in accordance with this act. Insurance Business Transfers will transfer insurance obligations or risks, or both, of existing or in-force contracts of insurance or reinsurance from a transferring insurer to an assuming insurer. Once approved pursuant to this act, the Insurance Business Transfer will effect a novation of the transferred contracts of insurance or reinsurance with the result that the assuming insurer becomes directly liable to the policyholders of the transferring insurer and the transferring insurer's insurance obligations or risks, or both, under the contracts are extinguished.

9. "Insurance Business Transfer Plan" or "Plan" means the plan submitted to the Department to accomplish the transfer and novation pursuant to an Insurance Business Transfer, including any associated

transfer of assets and rights from or on behalf of the transferring insurer to the assuming insurer.

10. "Independent expert" means an impartial person who has no financial interest in either the assuming insurer or transferring insurer, has not been employed by or acted as an officer, director, consultant or other independent contractor for either the assuming insurer or transferring insurer within the past twelve (12) months, is not appointed by the Commissioner to assist in any capacity in any proceeding initiated pursuant to Article 18 or Article 19 of Title 36 of the Oklahoma Statutes and is receiving no compensation in connection with the transaction governed by this act other than a fee based on a fixed or hourly basis that is not contingent on the approval or consummation of an Insurance Business Transfer and provides proof of insurance coverage that is satisfactory to the Commissioner.

11. "Insurer" means an insurance or surety company, including a reinsurance company, and shall be deemed to include a corporation, company, partnership, association, society, order, individual or aggregation of individuals engaging in or proposing or attempting to engage in any kind of insurance or surety business, including the exchanging of reciprocal or inter-insurance contracts between individuals, partnerships and corporations.

12. "Policy" means a policy, contract or certificate of insurance or a contract of reinsurance pursuant to which the insurer agrees to assume an obligation or risk, or both, of the policyholder or to make payments on behalf of, or to, the policyholder or its beneficiaries, and shall include property, casualty, life, health and any other line of insurance the Commissioner finds via regulation is suitable for an insurance business transfer.

13. "Policyholder" means an insured or a reinsured under a policy that is part of the subject business.

14. "Subject business" means the policy or policies that are the subject of the Insurance Business Transfer Plan.

15. "Transfer and novation" means the transfer of insurance obligations or risks, or both, of existing or in-force policies from a transferring insurer to an assuming insurer, and is intended to

effect a novation of the transferred policies with the result that the assuming insurer becomes directly liable to the policyholders of the transferring insurer on the transferred policies and the transferring insurer's insurance obligations or risks, or both, under the transferred policies are extinguished.

16. "Transferring insurer" means an insurer or reinsurer that transfers and novates or seeks to transfer and novate obligations or risks, or both, under one or more policies to an assuming insurer pursuant to an Insurance Business Transfer Plan.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1684 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. The court considering applications brought under the Insurance Business Transfer Act shall have the same jurisdiction as a court order under Article 19 of Title 36 of the Oklahoma Statutes.

B. Venue for all court proceedings under this act shall lie in the District Court of Oklahoma County, Oklahoma.

C. Notwithstanding any other provision of law, the court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this act. No provision of this act shall be construed to preclude the court from, on its own motion, taking any action or making any determination necessary or appropriate to enforce or implement court orders or rules, or to prevent an abuse of power.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1685 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Whenever notice is required to be given by the applicant under the Insurance Business Transfer Act and except as otherwise permitted or directed by the court or the Insurance Commissioner, the applicant shall, within fifteen (15) days of the event triggering the requirement, cause transmittal of the notice:

1. By first-class mail, postage prepaid to the chief insurance regulator in each jurisdiction in which the applicant:

- a. holds or has ever held a certificate of authority, and
- b. in which policies that are part of the subject business were issued or policyholders currently reside;

2. By certified first-class mail, postage prepaid to the National Conference of Insurance Guaranty Funds, the National Organization of Life and Health Insurance Guaranty Associations and all state insurance guaranty associations for the states in which the applicant:

- a. holds or has ever held a certificate of authority, and
- b. in which policies that are part of the subject business were issued or policyholders currently reside;

3. To reinsurers of the applicant pursuant to the notice provisions of the reinsurance agreements applicable to the policies that are part of the subject business, or where an agreement has no provision for notice, by internationally recognized delivery service;

4. By United States mail, first-class postage prepaid to all policyholders holding policies that are part of the subject business, at their last-known address as indicated by the records of the applicant or to the address to which premium notices or other policy documents are sent. A notice of transfer shall also be sent to the transferring insurer's agents or brokers of record on the subject business; and

5. By publication in a newspaper of general circulation in the state in which the applicant has its principal place of business and in such other publications that the Commissioner requires.

B. If notice is given in accordance with this section, any orders under this act shall be conclusive with respect to all intended recipients of the notice, whether or not they receive actual notice.

C. Where this act requires that the applicant provide notice but the Commissioner has been named receiver of the applicant, the Commissioner shall provide the required notice.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1686 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Application Procedure.

1. An Insurance Business Transfer Plan must be filed by the applicant with the Insurance Commissioner for his or her review and approval. The Plan must contain the information set forth below or an explanation as to why the information is not included. The Plan may be supplemented by other information deemed necessary by the Commissioner:

- a. the name, address and telephone number of the transferring insurer and the assuming insurer and their respective direct and indirect controlling persons, if any,
- b. summary of the Insurance Business Transfer Plan,
- c. identification and description of the subject business,
- d. most recent audited financial statements and statutory annual and quarterly reports of the transferring insurer and assuming insurer filed with their domiciliary regulator,
- e. the most recent actuarial report and opinion that quantify the liabilities associated with the subject business,
- f. pro-forma financial statements showing the projected statutory balance sheet, results of operations and cash flows of the assuming insurer for the three (3) years following the proposed transfer and novation,

- g. officers' certificates of the transferring insurer and the assuming insurer attesting that each has obtained all required internal approvals and authorizations regarding the Insurance Business Transfer Plan and completed all necessary and appropriate actions relating thereto,
- h. proposal for Plan implementation and administration, including the form of notice to be provided under the Insurance Business Transfer Plan to any policyholder whose policy is part of the subject business,
- i. full description as to how such notice shall be provided,
- j. description of any reinsurance arrangements that would pass to the assuming insurer under the Insurance Business Transfer Plan,
- k. description of any guarantees or additional reinsurance that will cover the subject business following the transfer and novation,
- l. a statement describing the assuming insurer's proposed investment policies and any contemplated third-party claims management and administration arrangements,
- m. evidence of approval or nonobjection of the transfer from the chief insurance regulator of the state of the transferring insurer's domicile, and
- n. an opinion report from an independent expert, selected by the Commissioner from a list of at least two nominees submitted jointly by the transferring insurer and the assuming insurer, to assist the Commissioner and the court in connection with their review of the proposed transaction. Should the Commissioner, in his or her sole discretion, reject the nominees, he or she may appoint the independent expert. The report shall provide the following:



- (1) a statement of the independent expert's professional qualifications and descriptions of the experience that qualifies him or her as an expert suitable for the engagement,
- (2) whether the independent expert has, or has had, direct or indirect interest in the transferring or assuming insurer or any of their respective affiliates,
- (3) the scope of the report,
- (4) a summary of the terms of the Insurance Business Transfer Plan to the extent relevant to the report,
- (5) documents, reports and other material information the independent expert has considered in preparing the report and whether any information requested was not provided,
- (6) the extent to which the independent expert has relied on information provided by and the judgment of others,
- (7) the people on whom the independent expert has relied and why, in his or her opinion, such reliance is reasonable,
- (8) the independent expert's opinion of the likely effects of the Insurance Business Transfer Plan on policyholders and claimants, distinguishing between:
  - (a) transferring policyholders and claimants,
  - (b) policyholders and claimants of the transferring insurer whose policies will not be transferred, and
  - (c) policyholders and claimants of the assuming insurer,

- (9) for each opinion that the independent expert expresses in the report the facts and circumstances supporting the opinion, and
- (10) consideration as to whether the security position of policyholders that are affected by the Insurance Business Transfer are materially adversely affected by the transfer.

2. The independent expert's opinion report as required by subparagraph n of paragraph 1 of this subsection shall include, but not be limited to, a review of the following:

- a. analysis of the transferring insurer's actuarial review of reserves for the subject business to determine the reserve adequacy,
- b. analysis of the financial condition of the transferring and assuming insurers and the effect the transfer will have on the financial condition of each company,
- c. review of the plans or proposals the assuming insurer has with respect to the administration of the policies subject to the proposed transfer,
- d. whether the proposed transfer has a material, adverse impact on the policyholders and claimants of the transferring and the assuming insurers,
- e. analysis of the assuming insurer's corporate governance structure to ensure that there is proper board and management oversight and expertise to manage the subject business, and
- f. any other information that the Commissioner requests in order to review the Insurance Business Transfer.

3. The Commissioner shall have sixty (60) business days from the date of receipt of a complete Insurance Business Transfer Plan to review the Plan to determine if the applicant is authorized to

submit it to the court. The Commissioner may extend the sixty-day review period for an additional thirty (30) business days.

4. The Commissioner shall authorize the submission of the Plan to the court unless he or she finds that the Insurance Business Transfer would have a material adverse impact on the interests of policyholders or claimants that are part of the subject business.

5. If the Commissioner determines that the Insurance Business Transfer would have a material adverse impact on the interests of policyholders or claimants that are part of the subject business, he or she shall notify the applicant and specify any modifications, supplements or amendments and any additional information or documentation with respect to the Plan that must be provided to the Commissioner before he or she will allow the applicant to proceed with the court filing.

6. The applicant shall have thirty (30) days from the date the Commissioner notifies him or her, pursuant to paragraph 5 of this subsection, to file an amended Insurance Business Transfer Plan providing the modifications, supplements or amendments and additional information or documentation as requested by the Commissioner. If necessary the applicant may request in writing an extension of time of thirty (30) days. If the applicant does not make an amended filing within the time period provided for in this paragraph, including any extension of time granted by the Commissioner, the Insurance Business Transfer Plan filing will terminate and a subsequent filing by the applicant will be considered a new filing which shall require compliance with all provisions of this act as if the prior filing had never been made.

7. The Commissioner's review period in paragraph 2 of this subsection shall recommence when the modification, supplement, amendment or additional information requested in paragraph 5 of this subsection is received.

8. If the Commissioner determines that the Plan may proceed with the court filing, the Commissioner shall confirm that fact in writing to the applicant.

B. Application to the court for approval of the Insurance Business Transfer Plan.

1. Within thirty (30) days after notice from the Commissioner that the applicant may proceed with the court filing, the applicant shall apply to the court for approval of the Insurance Business Transfer Plan. Upon written request by the applicant, the Commissioner may extend the period for filing an application with the court for an additional thirty (30) days.

2. The applicant shall inform the court of the reasons why he or she petitions the court to find no material adverse impact to policyholders or claimants affected by the proposed transfer.

3. The application shall be in the form of a verified petition for implementation of the Insurance Business Transfer Plan in the court. The petition shall include the Insurance Business Transfer Plan and shall identify any documents and witnesses which the applicant intends to present at a hearing regarding the petition.

4. The Commissioner shall be a party to the proceedings before the court concerning the petition and shall be served with copies of all filings pursuant to the Rules for District Courts of Oklahoma. The Commissioner's position in the proceeding shall not be limited by his or her initial review of the Plan.

5. Following the filing of the petition, the applicant shall file a motion for a scheduling order setting a hearing on the petition.

6. Within fifteen (15) days after receipt of the scheduling order, the applicant shall cause notice of the hearing to be provided in accordance with the notice provisions of Section 5 of this act. Following the date of distribution of the notice, there shall be a sixty-day comment period.

7. The notice to policyholders shall state or provide:

- a. the date and time of the approval hearing,
- b. the name, address and telephone number of the assuming insurer and transferring insurer,

- c. that a policyholder may comment on or object to the transfer and novation,
- d. the procedures and deadline for submitting comments or objections on the Plan,
- e. a summary of any effect that the transfer and novation will have on the policyholder's rights,
- f. a statement that the assuming insurer is authorized, as provided in this section, to assume the subject business and that court approval of the Plan shall extinguish all rights of policyholders under policies that are part of the subject business against the transferring insurer,
- g. that policyholders shall not have the opportunity to opt out of or otherwise reject the transfer and novation,
- h. contact information for the Insurance Department where the policyholder may obtain further information, and
- i. information on how an electronic copy of the Insurance Business Transfer Plan may be accessed. In the event policyholders are unable to readily access electronic copies, the applicant shall provide hard copies by first-class mail.

8. Any person, including by their legal representative, who considers himself, herself or itself to be adversely affected can present evidence or comments to the court at the approval hearing. However, such comment or evidence shall not confer standing on any person. Any person participating in the approval hearing must follow the process established by the court and shall bear his or her own costs and attorney fees.

#### C. Approval of the Insurance Business Transfer Plan.

1. After the comment period pursuant to paragraph 6 of subsection B of this section has ended the Insurance Business

Transfer Plan shall be presented by the applicant for approval by the court.

2. At any time before the court issues an order approving the Insurance Business Transfer Plan, the applicant may withdraw the Insurance Business Transfer Plan without prejudice.

3. If the court finds that the implementation of the Insurance Business Transfer Plan would not materially adversely affect the interests of policyholders or claimants that are part of the subject business, the court shall enter an implementation order. The implementation order shall:

- a. order implementation of the Insurance Business Transfer Plan,
- b. order a statutory novation with respect to all policyholders or reinsureds and their respective policies and reinsurance agreements under the subject business, including the extinguishment of all rights of policyholders under policies that are part of the subject business against the transferring insurer, and providing that the transferring insurer shall have no further rights, obligations, or liabilities with respect to such policies, and that the assuming insurer shall have all such rights, obligations, and liabilities as if it, instead of the transferring insurer, were the original insurer of such policies,
- c. release the transferring insurer from any and all obligations or liabilities under policies that are part of the subject business,
- d. authorize and order the transfer of property or liabilities, including, but not limited to, the ceded reinsurance of transferred policies and contracts on the subject business, notwithstanding any nonassignment provisions in any such reinsurance contracts. The subject business shall vest in and become liabilities of the assuming insurer,

- e. order that the applicant provide notice of the transfer and novation in accordance with the notice provisions in Section 5 of this act, and
- f. make such other provisions with respect to incidental, consequential and supplementary matters as are necessary to assure the Insurance Business Transfer Plan is fully and effectively carried out.

4. If the court finds that the Insurance Business Transfer Plan should not be approved, the court by its order may:

- a. deny the petition, or
- b. provide the applicant leave to file an amended Insurance Business Transfer Plan and petition.

5. Nothing in this section in any way effects the right of appeal of any party.

D. Implementation of Insurance Business Transfer Plan.

The Commissioner shall have the authority to promulgate rules to effectuate the provisions of the Insurance Business Transfer Act.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1687 of Title 36, unless there is created a duplication in numbering, reads as follows:

Insurers subject to this act consent to the jurisdiction of the Insurance Commissioner with regard to ongoing oversight of operations, management and solvency relating to the transferred business, including the authority of the Commissioner to conduct financial analysis and examinations.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1688 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. At the time of filing its application with the Insurance Commissioner for review and approval of an Insurance Business Transfer Plan, the applicant shall pay a nonrefundable fee to the

Insurance Department in the amount of Ten Thousand Dollars (\$10,000.00).

B. In the Commissioner's discretion, in connection with the Department's participation in the proceedings undertaken pursuant to the Insurance Business Transfer Act, the applicant shall reimburse the Department for any compensation and benefits paid to the personnel of the Department for time spent engaged in the proceedings, including but not limited to examiners, actuaries, attorneys, managers and paraprofessionals.

C. The Commissioner may retain independent attorneys, appraisers, actuaries, certified public accountants, or other professionals and specialists to assist Department personnel in connection with the review required by the Insurance Business Transfer Act, the cost of which shall be borne by the applicant.

D. The applicant shall pay the expenses of the Department and its authorized consultants incurred in fulfilling their obligations under this act, including the actual expenses of the Department or the expenses and compensation of any consultants retained by the Department.

E. Failure to pay any of the requisite fees or reimbursements within thirty (30) days of demand shall be grounds for the Commissioner to request that the court dismiss the petition for

approval of the Insurance Business Transfer Plan prior to the filing of an implementation order by the court or, if after the filing of an implementation order, the Commissioner may suspend or revoke the assuming insurer's certificate of authority to transact insurance business in this state.

SECTION 9. This act shall become effective November 1, 2018.



Passed the Senate the 1st day of May, 2018.

\_\_\_\_\_  
Presiding Officer of the Senate

Passed the House of Representatives the 17th day of April, 2018.

\_\_\_\_\_  
Presiding Officer of the House  
of Representatives

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this \_\_\_\_\_

day of \_\_\_\_\_, 20\_\_\_\_\_, at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

By: \_\_\_\_\_

Approved by the Governor of the State of Oklahoma this \_\_\_\_\_

day of \_\_\_\_\_, 20\_\_\_\_\_, at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this \_\_\_\_\_

day of \_\_\_\_\_, 20\_\_\_\_\_, at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

By: \_\_\_\_\_