
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1370 Session of
2008

INTRODUCED BY EARLL, LAVALLE, RAFFERTY AND D. WHITE,
APRIL 14, 2008

REFERRED TO BANKING AND INSURANCE, APRIL 14, 2008

AN ACT

1 Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An
2 act relating to insurance; amending, revising, and
3 consolidating the law providing for the incorporation of
4 insurance companies, and the regulation, supervision, and
5 protection of home and foreign insurance companies, Lloyds
6 associations, reciprocal and inter-insurance exchanges, and
7 fire insurance rating bureaus, and the regulation and
8 supervision of insurance carried by such companies,
9 associations, and exchanges, including insurance carried by
10 the State Workmen's Insurance Fund; providing penalties; and
11 repealing existing laws," in insurance holding companies,
12 further providing for standards and management of an insurer
13 within a holding company system.

14 The General Assembly of the Commonwealth of Pennsylvania
15 hereby enacts as follows:

16 Section 1. Section 1405(c) of the act of May 17, 1921
17 (P.L.682, No.284), known as The Insurance Company Law of 1921,
18 amended February 17, 1994 (P.L.92, No.9), is amended to read:

19 Section 1405. Standards and Management of an Insurer within
20 a Holding Company System.--* * *

21 (c) (1) Notwithstanding the control of a domestic insurer
22 by any person, the officers and directors of the insurer shall
23 not thereby be relieved of any obligation or liability to which

1 they would otherwise be subject by law, and the insurer shall be
2 managed so as to assure its separate operating identity
3 consistent with this article.

4 (2) Nothing herein shall preclude a domestic insurer from
5 having or sharing a common management or cooperative or joint
6 use of personnel, property or services with one or more other
7 persons under arrangements meeting the standards of subsection
8 (a)(1).

9 (3) (i) Not less than one-third of the directors of a
10 domestic insurer [and not less than one-third of the members of
11 each committee of the board of directors of any domestic
12 insurer] shall be persons who are not officers or employes of
13 such insurer or of any entity controlling, controlled by or
14 under common control with such insurer and who are not
15 beneficial owners of a controlling interest in the voting stock
16 of such insurer or any such entity. At least one such person
17 must be included in any quorum for the transaction of business
18 at any meeting of the board of directors [or any committee
19 thereof].

20 (ii) Not less than one-third of the members of each
21 committee of the board of directors of any domestic insurer
22 shall be persons who are not officers or employes of such
23 insurer or of any entity controlling, controlled by or under
24 common control with such insurer. At least one such person must
25 be included in any quorum for the transaction of business at any
26 meeting of each committee.

27 (4) The board of directors of a domestic insurer shall
28 establish [one or more committees] a committee comprised solely
29 of directors who are not officers or employes of the insurer or
30 of any entity controlling, controlled by or under common control

1 with the insurer and who are not beneficial owners of a
2 controlling interest in the voting stock of the insurer or any
3 such entity. The committee [or committees] shall have
4 responsibility for recommending the selection of independent
5 certified public accountants[,] and reviewing the insurer's
6 financial condition, the scope and results of the independent
7 audit and any internal audit[, nominating candidates for
8 director for election by shareholders or policyholders,
9 evaluating the performance of officers deemed to be principal
10 officers of the insurer and recommending to the board of
11 directors the selection and compensation of the principal
12 officers]. The committee may also have the responsibilities
13 described in paragraph (4.1) if one or more committees described
14 in paragraph (4.1) are not separately established.

15 (4.1) The board of directors of a domestic insurer shall
16 establish one or more committees comprised solely of directors
17 who are not officers or employees of the insurer or of any entity
18 controlling, controlled by or under common control with the
19 insurer. The committee or committees shall have responsibility
20 for recommending candidates to be nominated by the board of
21 directors, in addition to any other nominations by voting
22 shareholders or policyholders, for election as directors by
23 voting shareholders or policyholders, evaluating the performance
24 of officers deemed to be principal officers of the insurer and
25 recommending to the board of directors the selection and
26 compensation of the principal officers.

27 (5) The provisions of paragraphs (3) [and], (4) and (4.1)
28 shall not apply to a domestic insurer if the person controlling
29 such insurer is an insurer or [a publicly held corporation]
30 another business entity having a board of directors and

1 committees thereof which already meet the requirements of
2 paragraphs (3) [and (4)], (4) and (4.1).

3 * * *

4 Section 2. This act shall take effect in 60 days.