

# An Act

ENROLLED HOUSE  
BILL NO. 2234

By: Mulready of the House

and

Sparks of the Senate

An Act relating to subsidiaries of insurers; defining terms; authorizing insurers to acquire subsidiaries; providing additional investment authority; exempting certain investments from certain restrictions; determining qualification of investment; requiring disposal of investments after cessation of control; requiring filing and statement with Insurance Commissioner for certain agreements, offers of acquisitions and divestitures; requiring information be kept confidential; providing content of statement; providing alternative filing materials; providing conditions under which Commissioner shall approve merger acquisition after public hearing; vesting jurisdiction; requiring consent of service of process; defining terms; providing applicability; requiring preacquisition notification and waiting period; providing competitive standard for acquisitions; authorizing certain order for certain violations; requiring members of an insurance holding company system register with the Commissioner; providing exception for foreign insurers; providing registration form and required information; providing for termination of registration under certain conditions; requiring annual enterprise risk report; prescribing violation; providing standards for transactions within an insurance holding company system; requiring notice and Commissioner approval of certain dividends and distributions to shareholders; providing management standards of certain domestic insurers; determining adequacy of surplus; authorizing Commissioner to examine certain insurer; providing Commissioner access to books and records; authorizing use of certain consultants; compelling

production; authorizing Commissioner to participate in certain supervisory college; providing for expense for participation; authorizing Commissioner group-wide supervision of internationally active insurance groups; authorizing other regulatory official to serve as supervisor; providing group-wide supervision activities; authorizing certain agreements; authorizing the promulgation of rules; requiring registered insurer pay for expenses of the Commissioner's participation; requiring confidential treatment of certain information reported or provided to the Insurance Department; barring Commissioner and certain employees from testifying in certain civil actions concerning confidential information; authorizing Commissioner to share and receive certain confidential and privileged information; authorizing promulgation of rules; providing for certain injunctions; prohibiting voting of certain securities; sequestering certain voting securities; providing sanctions and penalties for certain violations; authorizing Commissioner to take possession of certain property and conduct business for financially impaired domestic insurers; providing right of recovery after order for liquidation or rehabilitation; authorizing revocation, suspension or nonrenewal of insurer's license after certain violations; providing judicial review and appeal process for certain aggrieved persons; prescribing certain powers, remedies and procedures are additional; repealing 36 O.S. 2011, Sections 1651, as amended by Section 8, Chapter 269, O.S.L. 2013, 1652, 1653, 1654, as last amended by Section 5, Chapter 73, O.S.L. 2016, 1655, 1656, Section 1, Chapter 264, O.S.L. 2015, Section 1, Chapter 269, O.S.L. 2013, as amended by Section 2, Chapter 264, O.S.L. 2015, 1658.1, 1658.2, 1659.1, 1659.2, 1660, 1661 and 1662 (36 O.S. Supp. 2016, Sections 1651, 1654, 1656.1 and 1657.1), which relate to subsidiaries of insurers; providing for codification; and declaring an emergency.

SUBJECT: Subsidiaries of insurers

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 1631 of Title 36, unless there is created a duplication in numbering, reads as follows:

As used in this act, the following terms shall have these meanings unless the context shall otherwise require:

1. "Affiliate of" or person "affiliated with" a specific person means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified;

2. "Commissioner" means the Insurance Commissioner of the State of Oklahoma, the Commissioner's deputies, or the Insurance Department, as appropriate;

3. "Control" includes the terms "controlling", "controlled by" and "under common control with" and means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or nonmanagement services, or otherwise, unless the power is the result of an official position or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. This presumption may be rebutted by a showing made in the manner provided by subsection K of Section 5 of this act that control does not exist in fact. The Commissioner may determine, after furnishing all persons in interest notice and opportunity to be heard and making specific findings of fact to support the determination that control exists in fact, notwithstanding the absence of a presumption to that effect;

4. "Group-wide supervisor" means the regulatory official authorized to engage in conducting and coordinating group-wide supervision activities who is determined or acknowledged by the Commissioner under Section 9 of this act to have sufficient significant contacts with the internationally active insurance group;

5. "Insurance holding company system" means an insurance holding company system consisting of two or more affiliated persons, one or more of which is an insurer;

6. "Insurer" has the same meaning as set forth in Section 103 of Title 36 of the Oklahoma Statutes, except that it shall not include agencies, authorities or instrumentalities of the United States, its possessions and territories, the Commonwealth of Puerto Rico, the District of Columbia, or a state or political subdivision of a state;

7. "Internationally active insurance group" means an insurance holding company system that:

- a. includes an insurer registered under Section 5 of this act, and
- b. meets the following criteria:
  - (1) premiums written in at least three countries,
  - (2) the percentage of gross premiums written outside the United States is at least ten percent (10%) of the insurance holding company system's total gross written premiums, and
  - (3) based on a three-year rolling average, the total assets of the insurance holding company system are at least Fifty Billion Dollars (\$50,000,000,000.00) or the total gross written premiums of the insurance holding company system are at least Ten Billion Dollars (\$10,000,000,000.00);

8. "Enterprise risk" means any activity, circumstance, event or series of events involving one or more affiliates of an insurer that, if not remedied promptly, is likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole, including, but not limited to, anything that would cause the insurer's risk-based capital to fall into company action level as set forth in the Risk-based Capital for Insurers Act provided in Sections 1521 through 1533 of Title 36 of the Oklahoma Statutes, or would cause the insurer to be in hazardous financial condition pursuant to rules promulgated by the Insurance Department;

9. "Person" means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, an unincorporated organization, any similar entity or any combination of the foregoing acting in concert, but shall not include any joint venture partnership exclusively engaged in owning, managing, leasing or developing real or tangible personal property;

10. "Securityholder" of a specified person means one who owns any security of such person, including common stock, preferred stock, debt obligations and any other security convertible into or evidencing the right to acquire any of the foregoing;

11. "Subsidiary" of a specified person means an affiliate controlled by such person directly or indirectly through one or more intermediaries; and

12. "Voting security" means any security convertible into or evidencing a right to acquire a voting security.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1632 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. A domestic insurer, either by itself or in cooperation with one or more persons, may organize or acquire one or more subsidiaries. The subsidiaries may conduct any kind of business or businesses and their authority to do so shall not be limited by reason of the fact that they are subsidiaries of a domestic insurer.

B. In addition to investments in common stock, preferred stock, debt obligations and other securities permitted under all other sections of Title 36 of the Oklahoma Statutes, a domestic insurer may also:

1. Invest in common stock, preferred stock, debt obligations and other securities of one or more subsidiaries, amounts which do not exceed the lesser of ten percent (10%) of the insurer's assets or fifty percent (50%) of the insurer's surplus as regards policyholders, provided that after such investments the insurer's surplus as regards policyholders will be reasonable in relation to the insurer's outstanding liabilities and adequate to meet its financial needs. In calculating the amount of such investments, investments in domestic or foreign insurance subsidiaries and any other entity which provides or arranges for the financing or

provision of health care services or coverage over which the Commissioner possesses financial solvency and regulatory oversight authority shall be excluded, and there shall be included:

- a. total net monies or other consideration expended and obligations assumed in the acquisition or formation of a subsidiary, including all organizational expenses and contributions to capital and surplus of the subsidiary whether or not represented by the purchase of capital stock or issuance of other securities, and
- b. all amounts expended in acquiring additional common stock, preferred stock, debt obligations and other securities, and all contributions to the capital or surplus of a subsidiary subsequent to its acquisition or formation;

2. Invest any amount in common stock, preferred stock, debt obligations and other securities of one or more subsidiaries engaged or organized to engage exclusively in the ownership and management of assets authorized as investments for the insurer provided that each subsidiary agrees to limit its investments in any asset so that such investments will not cause the amount of the total investment of the insurer to exceed any of the investment limitations specified in paragraph 1 of this subsection or in Sections 1601 through 1629 of Title 36 of the Oklahoma Statutes applicable to the insurer. For the purpose of this paragraph, "the total investment of the insurer" shall include:

- a. any direct investment by the insurer in an asset, and
- b. the insurer's proportionate share of any investment in an asset by any subsidiary of the insurer, which shall be calculated by multiplying the amount of the subsidiary's investment by the percentage of the ownership of the subsidiary; and

3. With the approval of the Commissioner, invest any greater amount in common stock, preferred stock, debt obligations or other securities of one or more subsidiaries, provided that after the investment the insurer's surplus as regards policyholders will be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

C. Investments in common stock, preferred stock, debt obligations or other securities of subsidiaries made pursuant to subsection B of this section shall not be subject to any of the otherwise applicable restrictions or prohibitions contained in Title 36 of the Oklahoma Statutes applicable to such investments of insurers.

D. Whether any investment made pursuant to subsection B of this section meets the requirements of that subsection is to be determined before the investment is made, by calculating the applicable investment limitations as though the investment had already been made, taking into account the then outstanding principal balance on all previous investments in debt obligations, and the value of all previous investments in equity securities as of the day they were made, net of any return of capital invested, not including dividends.

E. If an insurer ceases to control a subsidiary, it shall dispose of any investment therein made pursuant to this section within three (3) years from the time of the cessation of control or within such further time as the Commissioner may prescribe, unless at any time after the investment shall have been made, the investment shall have met the requirements for investment under any other section of Title 36 of the Oklahoma Statutes, and the insurer notifies the Commissioner.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1633 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. The requirements for filing shall be as follows:

1. No person other than the issuer shall make a tender offer for or a request or invitation for tenders of, or enter into any agreement to exchange securities for, seek to acquire, or acquire, in the open market or otherwise, any voting security of a domestic insurer if, after the consummation thereof, such person would, directly or indirectly, or by conversion or by exercise of any right to acquire, be in control of the insurer, and no person shall enter into an agreement to merge with or otherwise to acquire control of a domestic insurer or any person controlling a domestic insurer unless, at the time the offer, request or invitation is made or the agreement is entered into, or prior to the acquisition of the securities if no offer or agreement is involved, such person has filed with the Commissioner and has sent to the insurer, and such

insurer has sent to its shareholders, a statement containing the information required by this section and the offer, request, invitation, agreement or acquisition has been approved by the Commissioner in the manner prescribed in this act;

2. For purposes of this section, any controlling person of a domestic insurer seeking to divest its controlling interest in the domestic insurer, in any manner, shall file with the Commissioner, with a copy to the insurer, confidential notice of its proposed divestiture at least thirty (30) days prior to the cessation of control. The Commissioner shall determine those instances in which the party or parties seeking to divest or to acquire a controlling interest in an insurer shall be required to file for and obtain approval of the transaction. The information shall remain confidential until the conclusion of the transaction unless the Commissioner, in his or her discretion, determines that confidential treatment will interfere with enforcement of this section. If the statement referred to in paragraph 1 of this subsection is otherwise filed, this paragraph shall not apply;

3. With respect to a transaction subject to this section, the acquiring person must also file a preacquisition notification with the Commissioner, which shall contain the information set forth in paragraph 1 of subsection C of Section 4 of this act. A failure to file the notification may be subject to the penalty specified in paragraph 3 of subsection E of Section 4 of this act; and

4. For purposes of this section, a "domestic insurer" shall include any person controlling a domestic insurer unless the person, as determined by the Commissioner, is either directly or through its affiliates primarily engaged in business other than the business of insurance. For the purposes of this section, "person" shall not include any securities broker holding, in the usual and customary broker's function, less than twenty percent (20%) of the voting securities of an insurance company or of any person which controls an insurance company.

B. The statement to be filed with the Commissioner shall be made under oath or affirmation and shall contain the following:

1. The name and address of each person by whom or on whose behalf the merger or other acquisition of control referred to in subsection A of this section, hereinafter called the "acquiring party", is to be affected:



- a. if the person is an individual, his or her principal occupation and all offices and positions held during the past five (5) years, and any conviction of crimes other than minor traffic violations during the past ten (10) years, and
- b. if the person is not an individual, a report of the nature of its business operations during the past five (5) years or for the lesser period as the person and any predecessors shall have been in existence; an informative description of the business intended to be done by the person and the person's subsidiaries; and a list of all individuals who are or who have been selected to become directors or executive officers of the person, or who perform or will perform functions appropriate to such positions. The list shall include for each individual the information required by subparagraph a of this paragraph;

2. The source, nature and amount of the consideration used or to be used in effecting the merger or other acquisition of control, a description of any transaction where funds were or are to be obtained for any such purpose, including any pledge of the insurer's stock or the stock of any of its subsidiaries or controlling affiliates, and the identity of persons furnishing consideration; provided, however, that where a source of consideration is a loan made in the lender's ordinary course of business, the identity of the lender shall remain confidential, if the person filing the statement so requests;

3. Fully audited financial information as to the earnings and financial condition of each acquiring party for the preceding five (5) fiscal years of each acquiring party, or for such lesser period as the acquiring party and any predecessors shall have been in existence, and similar unaudited information as of a date not earlier than ninety (90) days prior to the filing of the statement;

4. Any plans or proposals which each acquiring party may have to liquidate the insurer, to sell its assets or merge or consolidate it with any person, or to make any other material change in its business or corporate structure or management;

5. The number of shares of any security referred to in subsection A of this section which each acquiring party proposes to acquire, and the terms of the offer, request, invitation, agreement

or acquisition referred to in subsection A of this section, and a statement as to the method by which the fairness of the proposal was arrived at;

6. The amount of each class of any security referred to in subsection A of this section which is beneficially owned or concerning which there is a right to acquire beneficial ownership by each acquiring party;

7. A full description of any contracts, arrangements or understandings with respect to any security referred to in subsection A of this section in which any acquiring party is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. The description shall identify the persons with whom the contracts, arrangements or understandings have been entered into;

8. A description of the purchase of any security referred to in subsection A of this section during the twelve (12) calendar months preceding the filing of the statement by any acquiring party, including the dates of purchase, names of the purchasers and consideration paid or agreed to be paid;

9. A description of any recommendations to purchase any security referred to in subsection A of this section made during the twelve (12) calendar months preceding the filing of the statement by any acquiring party, or by anyone based upon interviews or at the suggestion of the acquiring party;

10. Copies of all tender offers for, requests, or invitations for tenders of, exchange offers for, and agreements to acquire or exchange any securities referred to in subsection A of this section, and, if distributed, additional related soliciting material;

11. The term of any agreement, contract or understanding made with or proposed to be made with any broker-dealer as to solicitation of securities referred to in subsection A of this section for tender, and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto;

12. An agreement by the person required to file the statement referred to in subsection A of this section that it will provide the

annual report, specified in subsection L of Section 5 of this act, for so long as control exists;

13. An acknowledgement by the person required to file the statement referred to in subsection A of this section that the person and all subsidiaries within its control in the insurance holding company system will provide information to the Commissioner upon request as necessary to evaluate enterprise risk to the insurer; and

14. Such additional information as the Commissioner may by rule or regulation prescribe as necessary or appropriate for the protection of policyholders of the insurer or in the public interest. If the person required to file the statement referred to in subsection A of this section is a partnership, limited partnership, syndicate or other group, the Commissioner may require that the information required pursuant to paragraphs 1 through 14 of this subsection shall be given with respect to each partner of the partnership or limited partnership, each member of the syndicate or group, and each person who controls the partner or member. If any partner, member or person is a corporation or the person required to file the statement referred to in subsection A of this section is a corporation, the Commissioner may require that the information required pursuant to paragraphs 1 through 14 of this subsection shall be given with respect to the corporation, each officer and director of the corporation, and each person who is directly or indirectly the beneficial owner of more than ten percent (10%) of the outstanding voting securities of the corporation. If any material change occurs in the facts set forth in the statement filed with the Commissioner and sent to the insurer pursuant to this section, an amendment setting forth the change, together with copies of all documents and other material relevant to the change, shall be filed with the Commissioner and sent to the insurer within two (2) business days after the person learns of the change.

C. If any offer, request, invitation, agreement or acquisition referred to in subsection A of this section is proposed to be made by means of a registration statement under the Securities Act of 1933, or in circumstances requiring the disclosure of similar information under the Securities Exchange Act of 1934 or under a state law requiring similar registration or disclosure, the person required to file the statement referred to in subsection A of this section may utilize the documents in furnishing the information called for by that statement.

D. 1. The Commissioner shall approve any merger or other acquisition of control referred to in subsection A of this section unless, after a public hearing, the Commissioner finds that:

- a. after the change of control, the domestic insurer referred to in subsection A of this section would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed,
- b. the effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this state or tend to create a monopoly. In applying the competitive standard in this subparagraph:
  - (1) the informational requirements of paragraph 1 of subsection C of Section 4 of this act and the standards of paragraph 2 of subsection D of Section 4 of this act shall apply,
  - (2) the merger or other acquisition shall not be disapproved if the Commissioner finds that any of the situations meeting the criteria provided by paragraph 3 of subsection D of Section 4 of this act exist, and
  - (3) the Commissioner may condition the approval of the merger or other acquisition on the removal of the basis of disapproval within a specified period of time,
- c. the financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders,
- d. the plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest,

- e. the competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control, or
- f. the acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

2. The public hearing referred to in paragraph 1 of this subsection shall be held within thirty (30) days after the statement required by subsection A of this section is filed, and at least twenty (20) days' notice shall be given by the Commissioner to the person filing the statement. Not less than fourteen (14) days' notice of the public hearing shall be given by the person filing the statement to the insurer and to such other persons as may be designated by the Commissioner. The insurer shall give notice to its securityholders. The Commissioner shall make a determination within the sixty-day period preceding the effective date of the proposed transaction. At the hearing, the person filing the statement, the insurer, any person to whom notice of hearing was sent, and any other person whose interest may be affected shall have the right to present evidence, examine and cross-examine witnesses, and offer oral and written arguments and in connection therewith shall be entitled to conduct discovery proceedings in the same manner as is presently allowed by subsection A of Section 317 of Title 36 of the Oklahoma Statutes. All discovery proceedings shall be concluded not later than three (3) days prior to the commencement of the public hearing.

3. If the proposed acquisition of control will require the approval of more than one state's Commissioner, the public hearing referred to in paragraph 2 of this subsection may be held on a consolidated basis upon request of the person filing the statement referred to in subsection A of this section. Such person shall file the statement referred to in subsection A of this section with the National Association of Insurance Commissioners (NAIC) within five (5) days of making the request for a public hearing. The Commissioner may opt out of a consolidated hearing, and shall provide notice to the applicant of the opt-out within ten (10) days of the receipt of the statement referred to in subsection A of this section. A hearing conducted on a consolidated basis shall be public and shall be held within the United States before the Commissioners of the states in which the insurers are domiciled.

Such Commissioners shall hear and receive evidence. A Commissioner may attend such hearing, in person or by telecommunication.

4. In connection with a change of control of a domestic insurer, any determination by the Commissioner that the person acquiring control of the insurer shall be required to maintain or restore the capital of the insurer to the level required by the laws and regulations of this state shall be made not later than sixty (60) days after the date of notification of the change in control submitted pursuant to paragraph 1 of subsection A of Section 3 of this act.

5. The Commissioner may retain at the acquiring person's expense any attorneys, actuaries, accountants and other experts not otherwise a part of the Commissioner's staff as may be reasonably necessary to assist the Commissioner in reviewing the proposed acquisition of control.

E. The provisions of this section shall not apply to any offer, request, invitation, agreement or acquisition which the Commissioner by order shall exempt as not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic insurer, or as otherwise not comprehended within the purposes of this section.

F. The following shall be violations of this section:

1. The failure to file any statement, amendment or other material required to be filed pursuant to subsection A or B of this section; or

2. The effectuation or any attempt to effectuate an acquisition of control of, divestiture of, or merger with, a domestic insurer unless the Commissioner has given approval.

G. The courts of this state are hereby vested with jurisdiction over every person not resident, domiciled or authorized to do business in this state who files a statement with the Commissioner under this section, and overall actions involving such person arising out of violations of this section, and each such person shall be deemed to have performed acts equivalent to and constituting an appointment by the person of the Commissioner to be his true and lawful attorney upon whom may be served all lawful process in any action, suit or proceeding arising out of violations of this section. Copies of all lawful process shall be served on

the Commissioner and transmitted by registered or certified mail by the Commissioner to the person at his or her last-known address.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1634 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. The following definitions shall apply for the purposes of this section only:

1. "Acquisition" means any agreement, arrangement or activity the consummation of which results in a person acquiring directly or indirectly the control of another person, and includes but is not limited to the acquisition of voting securities, the acquisition of assets, bulk reinsurance and mergers; and

2. "Involved insurer" includes an insurer which acquires or is acquired, is affiliated with an acquirer or acquired, or is the result of a merger.

B. 1. Except as exempted in paragraph 2 of this subsection, this section applies to any acquisition in which there is a change in control of an insurer authorized to do business in this state.

2. This section shall not apply to the following:

- a. a purchase of securities solely for investment purposes so long as the securities are not used by voting or otherwise to cause or attempt to cause the substantial lessening of competition in any insurance market in this state. If a purchase of securities results in a presumption of control under paragraph 3 of Section 1 of this act, it is not solely for investment purposes unless the Commissioner of the insurer's state of domicile accepts a disclaimer of control or affirmatively finds that control does not exist and the disclaimer action or affirmative finding is communicated by the domiciliary Commissioner to the Commissioner of this state,
- b. the acquisition of a person by another person when both persons are neither directly nor through affiliates primarily engaged in the business of insurance, if preacquisition notification is filed with the Commissioner in accordance with paragraph 1

of subsection C of this section thirty (30) days prior to the proposed effective date of the acquisition. However, such preacquisition notification is not required for exclusion from this section if the acquisition would otherwise be excluded from the requirements of this section by any other subparagraph of this paragraph,

- c. the acquisition of already affiliated persons,
- d. an acquisition if, as an immediate result of the acquisition,
  - (1) in no market would the combined market share of the involved insurers exceed five percent (5%) of the total market,
  - (2) there would be no increase in any market share, or
  - (3) in no market would:
    - (a) the combined market share of the involved insurers exceed twelve percent (12%) of the total market, and
    - (b) the market share increase by more than two percent (2%) of the total market.

For the purpose of this subparagraph, a "market" means direct written insurance premium in this state for a line of business as contained in the annual statement required to be filed by insurers licensed to do business in this state,

- e. an acquisition for which a preacquisition notification would be required pursuant to this section due solely to the resulting effect on the ocean marine insurance line of business, and
- f. an acquisition of an insurer whose domiciliary Commissioner affirmatively finds that the insurer is in failing condition; there is a lack of feasible alternative to improving such condition; the public benefits of improving the insurer's condition through



the acquisition exceed the public benefits that would arise from not lessening competition; and the findings are communicated by the domiciliary Commissioner to the Commissioner of this state.

C. Any acquisition described in subsection B of this section may be subject to an order pursuant to subsection E of this section unless the acquiring person files a preacquisition notification and the waiting period has expired. The acquired person may file a preacquisition notification. The Commissioner shall give confidential treatment to information submitted under this subsection in the same manner as provided in Section 10 of this act.

1. The preacquisition notification shall be in such form and contain such information as prescribed by the National Association of Insurance Commissioners (NAIC) relating to those markets which, under subparagraph d of paragraph 2 of subsection B of this section, cause the acquisition not to be exempted from the provisions of this section. The Commissioner may require such additional material and information as deemed necessary to determine whether the proposed acquisition, if consummated, would violate the competitive standard of subsection D of this section. The required information may include an opinion of an economist as to the competitive impact of the acquisition in this state accompanied by a summary of the education and experience of such person indicating his or her ability to render an informed opinion.

2. The waiting period required shall begin on the date of receipt of the Commissioner of a preacquisition notification and shall end on the earlier of the thirtieth day after the date of receipt, or termination of the waiting period by the Commissioner. Prior to the end of the waiting period, the Commissioner on a one-time basis may require the submission of additional needed information relevant to the proposed acquisition, in which event the waiting period shall end on the earlier of the thirtieth day after receipt of the additional information by the Commissioner or termination of the waiting period by the Commissioner.

D. 1. The Commissioner may enter an order under paragraph 1 of subsection E of this section with respect to an acquisition if there is substantial evidence that the effect of the acquisition may be substantially to lessen competition in any line of insurance in this state or tend to create a monopoly or if the insurer fails to file adequate information in compliance with subsection C of this section.

2. In determining whether a proposed acquisition would violate the competitive standard of paragraph 1 of this subsection, the Commissioner shall consider the following:

- a. any acquisition covered under subsection B of this section involving two or more insurers competing in the same market is evidence of violation of the competitive standards.

- (1) if the market is highly concentrated and the involved insurers possess the following shares of the market:

Insurer A	Insurer B
4%	4% or more
10%	2% or more
15%	1% or more, or

- (2) if the market is not highly concentrated and the involved insurers possess the following shares of the market:

Insurer A	Insurer B
5%	5% or more
10%	4% or more
15%	3% or more
19%	1% or more

A highly concentrated market, for purposes of this subparagraph, is one in which the share of the four largest insurers is seventy-five percent (75%) or more of the market. Percentages not shown in the tables are interpolated proportionately to the percentages that are shown. If more than two insurers are involved, exceeding the total of the two columns in the table is prima facie evidence of violation of the competitive standard in paragraph 1 of this

subsection. For the purpose of this subparagraph, the insurer with the largest share of the market shall be deemed to be Insurer A,

- b. there is a significant trend toward increased concentration when the aggregate market share of any grouping of the largest insurers in the market, from the two largest to the eight largest, has increased by seven percent (7%) or more of the market over a period of time extending from any base year five (5) to ten (10) years prior to the acquisition up to the time of the acquisition. Any acquisition or merger covered under subsection B of Section 5 of this act involving two or more insurers competing in the same market is evidence of violation of the competitive standard in paragraph 1 of this subsection if:

- (1) there is a significant trend toward increased concentration in the market,
- (2) one of the insurers involved is one of the insurers in a grouping of large insurers showing the requisite increase in the market share, and
- (3) another involved insurer's market is two percent (2%) or more,

- c. for the purposes of this paragraph:

- (1) the term "insurer" includes any company or group of companies under common management, ownership or control,
- (2) the term "market" means the relevant product and geographical markets. In determining the relevant product and geographical markets, the Commissioner shall give due consideration to, among other things, the definitions or guidelines, if any, promulgated by the NAIC and to information, if any, submitted by parties to the acquisition. In the absence of sufficient information to the contrary, the relevant product market is assumed to be the direct written insurance premium for a line of business, such line being that used in the annual statement

required to be filed by insurers doing business in this state, and the relevant geographical market is assumed to be this state,

(3) the burden of showing prima facie evidence of violation of the competitive standard rests upon the Commissioner, and

d. even though an acquisition is not a prima facie violation of the competitive standard under subparagraphs a and b of this paragraph, the Commissioner may establish the requisite anticompetitive effect based upon other substantial evidence. Even though an acquisition is a prima facie violation of the competitive standard under subparagraphs a and b of this paragraph, a party may establish the absence of the requisite anticompetitive effect based upon other substantial evidence. Relevant factors in making a determination under this subparagraph include, but are not limited to, market shares, volatility of ranking of market leaders, number of competitors, concentration, trend of concentration in the industry, and ease of entry and exit into the market.

3. An order may not be entered under subsection E of this section if:

- a. the acquisition will yield substantial economies of scale or economies in resource utilization that cannot be feasibly achieved in any other way, and the public benefits which would arise from such economies exceed the public benefits which would arise from not lessening competition, or
- b. the acquisition will substantially increase the availability of insurance, and the public benefits of the increase exceed the public benefits which would arise from not lessening competition.

E. 1. a. If an acquisition violates the standards of this section, the Commissioner may enter an order:

- (1) requiring an involved insurer to cease and desist from doing business in this state with respect to

the line or lines of insurance involved in the violation, or

- (2) denying the application of an acquired or acquiring insurer for a license to do business in this state.

b. The order shall not be entered unless:

- (1) there is a hearing,
- (2) notice of the hearing is issued prior to the end of the waiting period and not less than fifteen (15) days prior to the hearing, and
- (3) the hearing is concluded and the order is issued no later than sixty (60) days after the date of the filing of the preacquisition notification with the Commissioner.

c. Every order shall be accompanied by a written decision of the Commissioner setting forth findings of fact and conclusions of law.

d. An order pursuant to this paragraph shall not apply if the acquisition is not consummated.

2. Any person who violates a cease and desist order of the Commissioner under paragraph 1 of this subsection and while the order is in effect may, after notice and hearing and upon order of the Commissioner, be subject at the discretion of the Commissioner to one or more of the following:

a. a monetary penalty of not more than Ten Thousand Dollars (\$10,000.00) for every day of violation, or

b. suspension or revocation of the person's license.

3. Any insurer or other person who fails to make any filing required by this section, and who also fails to demonstrate a good-faith effort to comply with any filing requirement, shall be subject to a fine of not more than Fifty Thousand Dollars (\$50,000.00).

F. Subsections B and C of Section 12 of this act and Section 14 of this act shall not apply to acquisitions covered under subsection B of this section.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1635 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Every insurer which is authorized to do business in this state and which is a member of an insurance holding company system shall register with the Commissioner, except a foreign insurer subject to registration requirements and standards adopted by statute or regulation in the jurisdiction of its domicile which are substantially similar to those contained in:

1. This section;

2. Paragraph 1 of subsection A of Section 6 of this act and subsections B and D of Section 6 of this act; and

3. Either paragraph 2 of subsection A of Section 6 of this act or a provision such as the following: Each registered insurer shall keep current the information required to be disclosed in its registration statement by reporting all material changes or additions within fifteen (15) days after the end of the month in which it learns of each change or addition; provided, however, that subject to subsection B of Section 6 of this act, each registered insurer shall so report all dividends and other distributions to shareholders within two (2) business days following the declaration thereof.

Any insurer which is subject to registration under this section shall register within fifteen (15) days after it becomes subject to registration, and annually thereafter by May 1 of each year for the previous calendar year, unless the Commissioner for good cause shown extends the time for registration, and then within the extended time. The Commissioner may require any insurer authorized to do business in the state which is a member of an insurance holding company system, and which is not subject to registration under this section, to furnish a copy of the registration statement, the summary specified in subsection C of this section or other information filed by the insurance company with the insurance regulatory authority of its domiciliary jurisdiction.

B. Every insurer subject to registration shall file the registration statement with the Commissioner on a form and in a format prescribed by the National Association of Insurance Commissioners, which shall contain the following current information:

1. The capital structure, general financial condition, ownership and management of the insurer and any person controlling the insurer;

2. The identity and relationship of every member of the insurance holding company system;

3. The following agreements in force, and transactions currently outstanding or which have occurred during the last calendar year between the insurer and its affiliates:

- a. loans, other investments, or purchases, sales or exchanges of securities of the affiliates by the insurer or of the insurer by its affiliates,
- b. purchases, sales or exchange of assets,
- c. transactions not in the ordinary course of business,
- d. guarantees or undertakings for the benefit of an affiliate which result in an actual contingent exposure of the insurer's assets to liability, other than insurance contracts entered into in the ordinary course of the insurer's business,
- e. all management agreements, service contracts and all cost-sharing arrangements,
- f. reinsurance agreements,
- g. dividends and other distributions to shareholders, and
- h. consolidated tax allocation agreements;

4. Any pledge of the insurer's stock, including stock of any subsidiary or controlling affiliate, for a loan made to any member of the insurance holding company system;

5. If requested by the Commissioner, the insurer shall include financial statements of or within an insurance holding company system, including all affiliates. Financial statements may include but are not limited to annual audited financial statements filed with the U.S. Securities and Exchange Commission (SEC) pursuant to the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended. An insurer required to file financial statements pursuant to this paragraph may satisfy the request by providing the Commissioner with the most recently filed parent corporation financial statements that have been filed with the SEC;

6. Other matters concerning transactions between registered insurers and any affiliates as may be included from time to time in any registration forms adopted or approved by the Commissioner;

7. Statements that the insurer's board of directors oversees corporate governance and internal controls and that the insurer's officers or senior management have approved, implemented and continue to maintain and monitor corporate governance and internal control procedures; and

8. Any other information required by the Commissioner by rule or regulation.

C. All registration statements shall contain a summary outlining all items in the current registration statement representing changes from the prior registration statement.

D. No information need be disclosed on the registration statement filed pursuant to subsection B of this section if the information is not material for the purposes of this section. Unless the Commissioner by rule, regulation or order provides otherwise, sales, purchases, exchanges, loans or extensions of credit, investments, or guarantees involving one-half of one percent (.5%) or less of an insurer's admitted assets as of December 31 next preceding shall not be deemed material for purposes of this section.

E. Subject to subsection B of Section 6 of this act, each registered insurer shall report to the Commissioner all dividends and other distributions to shareholders within fifteen (15) business days following the declaration thereof.

F. Any person within an insurance holding company system subject to registration shall be required to provide complete and accurate information to an insurer, where the information is



reasonably necessary to enable the insurer to comply with the provisions of this act.

G. The Commissioner shall terminate the registration of any insurer which demonstrates that it no longer is a member of an insurance holding company system.

H. The Commissioner may require or allow two or more affiliated insurers subject to registration to file a consolidated registration statement.

I. The Commissioner may allow an insurer which is authorized to do business in this state and which is part of an insurance holding company system to register on behalf of any affiliated insurer which is required to register under subsection A of this section and to file all information and material required to be filed under this section.

J. The provisions of this section shall not apply to any insurer, information or transaction if and to the extent that the Commissioner by rule, regulation or order shall exempt the same from the provisions of this section.

K. Any person may file with the Commissioner a disclaimer of affiliation with any authorized insurer or a disclaimer may be filed by the insurer or any member of an insurance holding company system. The disclaimer shall fully disclose all material relationships and bases for affiliation between the person and the insurer as well as the basis for disclaiming the affiliation. A disclaimer of affiliation shall be deemed to have been granted unless the Commissioner, within thirty (30) days following receipt of a complete disclaimer, notifies the filing party the disclaimer is disallowed. In the event of disallowance, the disclaiming party may request an administrative hearing, which shall be granted. The disclaiming party shall be relieved of its duty to register under this section if approval of the disclaimer has been granted by the Commissioner, or if the disclaimer is deemed to have been approved.

L. The ultimate controlling person of every insurer subject to registration shall also file an annual enterprise risk report. The report shall, to the best of the ultimate controlling person's knowledge and belief, identify the material risks within the insurance holding company system that could pose enterprise risk to the insurer. The report shall be filed with the lead state Commissioner of the insurance holding company system as determined

by the procedures within the Financial Analysis Handbook adopted by the National Association of Insurance Commissioners.

M. The failure to file a registration statement or any summary of the registration statement or enterprise risk filing required by this section within the time specified for filing shall be a violation of this section.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1636 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. 1. Transactions within an insurance holding company system to which an insurer subject to registration is a party shall be subject to the following standards:

- a. the terms shall be fair and reasonable,
- b. agreements for cost-sharing services and management shall include such provisions as required by rule and regulation issued by the Commissioner,
- c. charges or fees for services performed shall be reasonable,
- d. expenses incurred and payment received shall be allocated to the insurer in conformity with customary insurance accounting practices consistently applied,
- e. the books, accounts and records of each party to all such transactions shall be so maintained as to clearly and accurately disclose the nature and details of the transactions including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties, and
- f. the insurer's surplus as regards policyholders following any dividends or distributions to shareholder affiliates shall be reasonable in relation to the insurer's outstanding liabilities and adequate to meet its financial needs.

2. The following transactions involving a domestic insurer and any person in its insurance holding company system, including amendments or modifications of affiliate agreements previously filed

pursuant to this section, which are subject to any materiality standards contained in subparagraphs a through g of this paragraph, shall not be entered into unless the insurer has notified the Commissioner in writing of its intention to enter into the transaction at least thirty (30) days prior thereto, or such shorter period as the Commissioner may permit, and the Commissioner has not disapproved it within that period. The notice for amendments or modifications shall include the reasons for the change and the financial impact on the domestic insurer. Informal notice shall be reported, within thirty (30) days after a termination of a previously filed agreement, to the Commissioner for determination of the type of filing required, if any:

- a. sales, purchases, exchanges, loans, extensions of credit, or investments, provided the transactions are equal to or exceed:
  - (1) with respect to nonlife insurers, the lesser of three percent (3%) of the insurer's admitted assets or twenty-five percent (25%) of surplus as regards policyholders as of the 31st day of December next preceding, and
  - (2) with respect to life insurers, three percent (3%) of the insurer's admitted assets as of the 31st day of December next preceding,
- b. loans or extensions of credit to any person who is not an affiliate, where the insurer makes loans or extensions of credit with the agreement or understanding that the proceeds of the transactions, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase assets of, or to make investments in, any affiliate of the insurer making the loans or extensions of credit provided the transactions are equal to or exceed:
  - (1) with respect to nonlife insurers, the lesser of three percent (3%) of the insurer's admitted assets or twenty-five percent (25%) of surplus as regards policyholders as of the 31st day of December next preceding, and

- (2) with respect to life insurers, three percent (3%) of the insurer's admitted assets as of the 31st day of December next preceding,
- c. reinsurance agreements or modifications thereto, including:
  - (1) all reinsurance pooling agreements, and
  - (2) agreements in which the reinsurance premium or a change in the insurer's liabilities, or the projected reinsurance premium or a change in the insurer's liabilities in any of the next three (3) years, equals or exceeds five percent (5%) of the insurer's surplus as regards policyholders, as of the 31st day of December next preceding, including those agreements which may require as consideration the transfer of assets from an insurer to a nonaffiliate, if an agreement or understanding exists between the insurer and nonaffiliate that any portion of the assets will be transferred to one or more affiliates of the insurer,
- d. all management agreements, service contracts, tax allocation agreements, guarantees and all cost-sharing arrangements,
- e. guarantees when made by a domestic insurer; provided, however, that a guarantee which is quantifiable as to amount is not subject to the notice requirements of this paragraph unless it exceeds the lesser of one-half of one percent (.5%) of the insurer's admitted assets or ten percent (10%) of surplus as regards policyholders as of the 31st day of December next preceding. Further, all guarantees which are not quantifiable as to amount are subject to the notice requirements of this paragraph,
- f. direct or indirect acquisitions or investments in a person that controls the insurer or in an affiliate of the insurer in an amount which, together with its present holdings in such investments, exceeds two and one-half percent (2.5%) of the insurer's surplus to policyholders. Direct or indirect acquisitions or

investments in subsidiaries acquired pursuant to Section 2 of this act (or authorized under any other section of this title), or in nonsubsidiary insurance affiliates that are subject to the provisions of this act, are exempt from this requirement, and

- g. any material transactions, specified by regulation, which the Commissioner determines may adversely affect the interests of the insurer's policyholders.

Nothing in this paragraph shall be deemed to authorize or permit any transactions which, in the case of an insurer not a member of the same insurance holding company system, would be otherwise contrary to law.

3. A domestic insurer may not enter into transactions which are part of a plan or series of like transactions with persons within the insurance holding company system if the purpose of those separate transactions is to avoid the statutory threshold amount and thus avoid the review that would occur otherwise. If the Commissioner determines that separate transactions were entered into over any twelve-month period for that purpose, the Commissioner may exercise his or her authority under Section 11 of this act.

4. The Commissioner, in reviewing transactions pursuant to paragraph 2 of this subsection, shall consider whether the transactions comply with the standards set forth in paragraph 1 of this subsection and whether they may adversely affect the interests of policyholders.

5. The Commissioner shall be notified within thirty (30) days of any investment of the domestic insurer in any one corporation if the total investment in the corporation by the insurance holding company system exceeds ten percent (10%) of the corporation's voting securities.

B. No domestic insurer shall pay any extraordinary dividend or make any other extraordinary distribution to its shareholders until thirty (30) days after the Commissioner has received notice of the declaration thereof and has not within that period disapproved the payment, or until the Commissioner has approved the payment within the thirty-day period. For purposes of this section, an extraordinary dividend or distribution includes any dividend or distribution of cash or other property whose fair market value

together with that of other dividends or distributions made within the preceding twelve (12) months exceeds the greater of:

1. Ten percent (10%) of the insurer's surplus as regards policyholders as of the 31st day of December next preceding; or

2. The net gain from operations of the insurer, if the insurer is a life insurer, or the net income, if the insurer is not a life insurer, not including realized capital gains, for the twelve-month period ending the 31st day of December next preceding, but shall not include pro rata distributions of any class of the insurer's own securities.

In determining whether a dividend or distribution is extraordinary, an insurer other than a life insurer may carry forward net income from the previous two (2) calendar years that has not already been paid out as dividends. This carry-forward shall be computed by taking the net income from the second and third preceding calendar years, not including realized capital gains, less dividends paid in the second and immediate preceding calendar years.

Notwithstanding any other provision of law, an insurer may declare an extraordinary dividend or distribution which is conditional upon the Commissioner's approval, and the declaration shall confer no rights upon shareholders until (1) the Commissioner has approved the payment of the dividend or distribution or (2) the Commissioner has not disapproved payment within the thirty-day period.

- C. 1. Notwithstanding the control of a domestic insurer by any person, the officers and directors of the insurer shall not thereby be relieved of any obligation or liability to which they would otherwise be subject by law, and the insurer shall be managed so as to assure its separate operating identity consistent with this act.

2. Nothing in this section shall preclude a domestic insurer from having or sharing a common management or cooperative or joint use of personnel, property or services with one or more other persons under arrangements meeting the standards of paragraph 1 of subsection A of this section.

3. Not less than one-third (1/3) of the directors of a domestic insurer, and not less than one-third (1/3) of the members of each committee of the board of directors of any domestic insurer, shall be persons who are not officers or employees of the insurer or of

any entity controlling, controlled by, or under common control with the insurer and who are not beneficial owners of a controlling interest in the voting stock of the insurer or entity. At least one such person must be included in any quorum for the transaction of business at any meeting of the board of directors or any committee thereof.

4. The board of directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with the insurer and who are not beneficial owners of a controlling interest in the voting stock of the insurer or any such entity. The committee or committees shall have responsibility for nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer and recommending to the board of directors the selection and compensation of the principal officers.

5. The provisions of paragraphs 3 and 4 of this subsection shall not apply to a domestic insurer if the person controlling the insurer, such as an insurer, a mutual insurance holding company, or a publicly held corporation, has a board of directors and committees thereof that meet the requirements of paragraphs 3 and 4 of this subsection with respect to such controlling entity.

6. An insurer may make application to the Commissioner for a waiver from the requirements of this subsection, if the insurer's annual direct written and assumed premium, excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program, is less than Three Hundred Million Dollars (\$300,000,000.00). An insurer may also make application to the Commissioner for a waiver from the requirements of this subsection based upon unique circumstances. The Commissioner may consider various factors including, but not limited to, the type of business entity, volume of business written, availability of qualified board members, or the ownership or organizational structure of the entity.

D. For purposes of this act, in determining whether an insurer's surplus as regards policyholders is reasonable in relation to the insurer's outstanding liabilities and adequate to meet its financial needs, the following factors, among others, shall be considered:

1. The size of the insurer as measured by its assets, capital and surplus, reserves, premium writings, insurance in force and other appropriate criteria;

2. The extent to which the insurer's business is diversified among several lines of insurance;

3. The number and size of risks insured in each line of business;

4. The extent of the geographical dispersion of the insurer's insured risks;

5. The nature and extent of the insurer's reinsurance program;

6. The quality, diversification and liquidity of the insurer's investment portfolio;

7. The recent past and projected future trend in the size of the insurer's investment portfolio;

8. The surplus as regards policyholders maintained by other comparable insurers;

9. The adequacy of the insurer's reserves; and

10. The quality and liquidity of investments in affiliates. The Commissioner may treat any such investment as a disallowed asset for purposes of determining the adequacy of surplus as regards policyholders whenever in the judgment of the Commissioner the investment so warrants.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1637 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Subject to the limitation contained in this section and in addition to the powers which the Commissioner has under Sections 309.1 through 309.7 of Title 36 of the Oklahoma Statutes relating to the examination of insurers, the Commissioner shall have the power to examine any insurer registered under Section 5 of this act and its affiliates to ascertain the financial condition of the insurer, including the enterprise risk to the insurer by the ultimate controlling party, or by any entity or combination of entities



within the insurance holding company system, or by the insurance holding company system on a consolidated basis.

B. 1. The Commissioner may order any insurer registered under Section 5 of this act to produce such records, books or other information papers in the possession of the insurer or its affiliates as are reasonably necessary to determine compliance with Title 36 of the Oklahoma Statutes.

2. To determine compliance with Title 36 of the Oklahoma Statutes, the Commissioner may order any insurer registered under Section 5 of this act to produce information not in the possession of the insurer if the insurer can obtain access to such information pursuant to contractual relationships, statutory obligations or other method. In the event the insurer cannot obtain the information requested by the Commissioner, the insurer shall provide the Commissioner a detailed explanation of the reason that the insurer cannot obtain the information and the identity of the holder of the information. Whenever it appears to the Commissioner that the detailed explanation is without merit, the Commissioner may require, after notice and hearing, the insurer to pay a penalty of Five Hundred Dollars (\$500.00) for each day's delay, or may suspend or revoke the insurer's license.

C. The Commissioner may retain at the registered insurer's expense such attorneys, actuaries, accountants and other experts not otherwise a part of the Commissioner's staff as shall be reasonably necessary to assist in the conduct of the examination under subsection A of this section. Any persons so retained shall be under the direction and control of the Commissioner and shall act in a purely advisory capacity.

D. Each registered insurer producing for examination records, books and papers pursuant to subsection A of this section shall be liable for and shall pay the expense of examination in accordance with Section 309.6 of Title 36 of the Oklahoma Statutes.

E. In the event the insurer fails to comply with an order, the Commissioner shall have the power to examine the affiliates to obtain the information. The Commissioner shall also have the power to issue subpoenas, to administer oaths, and to examine under oath any person for purposes of determining compliance with this section. Upon the failure or refusal of any person to obey a subpoena, the Commissioner may petition a court of competent jurisdiction, and upon proper showing, the court may enter an order compelling the

witness to appear and testify or produce documentary evidence. Failure to obey the court order shall be punishable as contempt of court. Every person shall be obliged to attend as a witness at the place specified in the subpoena, when subpoenaed, anywhere within the state. He or she shall be entitled to the fees and mileage, if claimed, as provided for witness fees pursuant to Section 81 of Title 28 of the Oklahoma Statutes, and such expense shall be itemized and charged against, and be paid by, the company being examined.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1638 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. With respect to any insurer registered under Section 5 of this act, and in accordance with subsection C of this section, the Commissioner shall also have the power to participate in a supervisory college for any domestic insurer that is part of an insurance holding company system with international operations in order to determine compliance by the insurer with Title 36 of the Oklahoma Statutes. The powers of the Commissioner with respect to supervisory colleges include, but are not limited to, the following:

1. Initiating the establishment of a supervisory college;
2. Clarifying the membership and participation of other supervisors in the supervisory college;
3. Clarifying the functions of the supervisory college and the role of other regulators, including the establishment of a group-wide supervisor;
4. Coordinating the ongoing activities of the supervisory college, including planning meetings, supervisory activities, and processes for information sharing; and
5. Establishing a crisis management plan.

B. Each registered insurer subject to this section shall be liable for and shall pay the reasonable expenses of the Commissioner's participation in a supervisory college in accordance with subsection C of this section, including reasonable travel expenses. For purposes of this section, a supervisory college may be convened as either a temporary or permanent forum for communication and cooperation between the regulators charged with

the supervision of the insurer or its affiliates, and the Commissioner may establish a regular assessment to the insurer for the payment of these expenses.

C. In order to assess the business strategy, financial position, legal and regulatory position, risk exposure, risk management and governance processes, and as part of the examination of individual insurers in accordance with Section 7 of this act, the Commissioner may participate in a supervisory college with other regulators charged with supervision of the insurer or its affiliates, including other state, federal and international regulatory agencies. The Commissioner may enter into agreements in accordance with subsection C of Section 10 of this act providing the basis for cooperation between the Commissioner and the other regulatory agencies, and the activities of the supervisory college. Nothing in this section shall delegate to the supervisory college the authority of the Commissioner to regulate or supervise the insurer or its affiliates within its jurisdiction.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1639 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. The Commissioner is authorized to act as the group-wide supervisor for any internationally active insurance group in accordance with the provisions of this section. However, the Commissioner may otherwise acknowledge another regulatory official as the group-wide supervisor where the internationally active insurance group:

1. Does not have substantial insurance operations in the United States;

2. Has substantial insurance operations in the United States, but not in this state; or

3. Has substantial insurance operations in the United States and this state, but the Commissioner has determined pursuant to the factors set forth in subsections B and F of this section that the other regulatory official is the appropriate group-wide supervisor. An insurance holding company system that does not otherwise qualify as an internationally active insurance group may request that the Commissioner make a determination or acknowledgment as to a group-wide supervisor pursuant to this section.

B. In cooperation with other state, federal and international regulatory agencies, the Commissioner will identify a single group-wide supervisor for an internationally active insurance group. The Commissioner may determine that the Commissioner is the appropriate group-wide supervisor for an internationally active insurance group that conducts substantial insurance operations concentrated in this state. However, the Commissioner may acknowledge that a regulatory official from another jurisdiction is the appropriate group-wide supervisor for the internationally active insurance group. The Commissioner shall consider the following factors when making a determination or acknowledgment under this subsection:

1. The place of domicile of the insurers within the internationally active insurance group that hold the largest share of the group's written premiums, assets or liabilities;

2. The place of domicile of the top-tiered insurer or insurers in the insurance holding company system of the internationally active insurance group;

3. The location of the executive offices or largest operational offices of the internationally active insurance group;

4. Whether another regulatory official is acting or is seeking to act as the group-wide supervisor under a regulatory system that the Commissioner determines to be:

- a. substantially similar to the system of regulation provided under the laws of this state, or

- b. otherwise sufficient in terms of providing for group-wide supervision, enterprise risk analysis, and cooperation with other regulatory officials; and

5. Whether another regulatory official acting or seeking to act as the group-wide supervisor provides the Commissioner with reasonably reciprocal recognition and cooperation. However, a Commissioner identified under this section as the group-wide supervisor may determine that it is appropriate to acknowledge another supervisor to serve as the group-wide supervisor. The acknowledgment of the group-wide supervisor shall be made after consideration of the factors listed in this paragraph and paragraphs 1 through 4 of this subsection, and shall be made in cooperation with and subject to the acknowledgment of other regulatory officials involved with supervision of members of the internationally active

insurance group, and in consultation with the internationally active insurance group.

C. Notwithstanding any other provision of law, when another regulatory official is acting as the group-wide supervisor of an internationally active insurance group, the Commissioner shall acknowledge that regulatory official as the group-wide supervisor. However, in the event of a material change in the internationally active insurance group that results in:

1. The internationally active insurance group's insurers domiciled in this state holding the largest share of the group's premiums, assets or liabilities; or

2. This state being the place of domicile of the top-tiered insurer or insurers in the insurance holding company system of the internationally active insurance group,

the Commissioner shall make a determination or acknowledgment as to the appropriate group-wide supervisor for such an internationally active insurance group pursuant to subsection B of this section.

D. Pursuant to Section 7 of this act, the Commissioner is authorized to collect from any insurer registered pursuant to Section 5 of this act all information necessary to determine whether the Commissioner may act as the group-wide supervisor of an internationally active insurance group or if the Commissioner may acknowledge another regulatory official to act as the group-wide supervisor. Prior to issuing a determination that an internationally active insurance group is subject to group-wide supervision by the Commissioner, the Commissioner shall notify the insurer registered pursuant to Section 5 and the ultimate controlling person within the internationally active insurance group. The internationally active insurance group shall have not less than thirty (30) days to provide the Commissioner with additional information pertinent to the pending determination. The Commissioner shall publish on its Internet website the identity of internationally active insurance groups that the Commissioner has determined are subject to group-wide supervision by the Commissioner.

E. If the Commissioner is the group-wide supervisor for an internationally active insurance group, the Commissioner is authorized to engage in any of the following group-wide supervision activities:

1. Assess the enterprise risks within the internationally active insurance group to ensure that:

- a. the material financial condition and liquidity risks to the members of the internationally active insurance group that are engaged in the business of insurance are identified by management, and
- b. reasonable and effective mitigation measures are in place;

2. Request, from any member of an internationally active insurance group subject to the Commissioner's supervision, information necessary and appropriate to assess enterprise risk, including, but not limited to, information about the members of the internationally active insurance group regarding:

- a. governance, risk assessment and management,
- b. capital adequacy, and
- c. material intercompany transactions;

3. Coordinate and, through the authority of the regulatory officials of the jurisdictions where members of the internationally active insurance group are domiciled, compel development and implementation of reasonable measures designed to ensure that the internationally active insurance group is able to timely recognize and mitigate enterprise risks to members of such internationally active insurance group that are engaged in the business of insurance;

4. Communicate with other state, federal and international regulatory agencies for members within the internationally active insurance group and share relevant information subject to the confidentiality provisions of Section 10 of this act, through supervisory colleges as set forth in Section 8 of this act or otherwise;

5. Enter into agreements with or obtain documentation from any insurer registered under Section 5 of this act, any member of the internationally active insurance group, and any other state, federal and international regulatory agencies for members of the internationally active insurance group, providing the basis for or

otherwise clarifying the Commissioner's role as group-wide supervisor, including provisions for resolving disputes with other regulatory officials. Such agreements or documentation shall not serve as evidence in any proceeding that any insurer or person within an insurance holding company system not domiciled or incorporated in this state is doing business in this state or is otherwise subject to jurisdiction in this state; and

6. Other group-wide supervision activities, consistent with the authorities and purposes enumerated above, as considered necessary by the Commissioner.

F. If the Commissioner acknowledges that another regulatory official from a jurisdiction that is not accredited by the National Association of Insurance Commissioners is the group-wide supervisor, the Commissioner is authorized to reasonably cooperate, through supervisory colleges or otherwise, with group-wide supervision undertaken by the group-wide supervisor, provided that:

1. The Commissioner's cooperation is in compliance with the laws of this state; and

2. The regulatory official acknowledged as the group-wide supervisor also recognizes and cooperates with the Commissioner's activities as a group-wide supervisor for other internationally active insurance groups where applicable. Where such recognition and cooperation is not reasonably reciprocal, the Commissioner is authorized to refuse recognition and cooperation.

G. The Commissioner is authorized to enter into agreements with or obtain documentation from any insurer registered under Section 5 of this act, any affiliate of the insurer, and other state, federal and international regulatory agencies for members of the internationally active insurance group, that provide the basis for or otherwise clarify a regulatory official's role as group-wide supervisor.

H. The Commissioner may promulgate regulations necessary for the administration of this section.

I. A registered insurer subject to this section shall be liable for and shall pay the reasonable expenses of the Commissioner's participation in the administration of this section, including the engagement of attorneys, actuaries and any other professionals and all reasonable travel expenses.

SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1640 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Documents, materials or other information in the possession or control of the Insurance Department that are obtained by or disclosed to the Commissioner or any other person in the course of an examination or investigation made pursuant to Section 7 of this act and all information reported or provided to the Insurance Department pursuant to paragraphs 12 and 13 of subsection B of Section 3 of this act, Section 5 of this act, Section 6 of this act and Section 11 of this act shall be confidential by law and privileged, shall not be subject to open records, or freedom of information, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action. However, the Commissioner is authorized to use the documents, materials or other information in the furtherance of any regulatory or legal action brought as a part of the Commissioner's official duties. The Commissioner shall not otherwise make the documents, materials or other information public without the prior written consent of the insurer to which it pertains unless the Commissioner, after giving the insurer and its affiliates who would be affected thereby notice and opportunity to be heard, determines that the interest of policyholders, shareholders or the public will be served by the publication thereof, in which event the Commissioner may publish all or any part in such manner as may be deemed appropriate.

B. Neither the Commissioner nor any person who received documents, materials or other information while acting under the authority of the Commissioner or with whom such documents, materials or other information are shared pursuant to this act shall be permitted or required to testify in any private civil action concerning any confidential documents, materials or information subject to subsection A of this section.

C. In order to assist in the performance of the Commissioner's duties, the Commissioner:

1. May share documents, materials or other information, including the confidential and privileged documents, materials or information subject to subsection A of this section, with other state, federal and international regulatory agencies, with the National Association of Insurance Commissioners (NAIC) and its



affiliates and subsidiaries, and with state, federal and international law enforcement authorities, including members of any supervisory college described in Section 8 of this act, provided that the recipient agrees in writing to maintain the confidentiality and privileged status of the document, material or other information, and has verified in writing the legal authority to maintain confidentiality;

2. Notwithstanding paragraph 1 of this subsection, may only share confidential and privileged documents, material or information reported pursuant to subsection L of Section 5 of this act with Commissioners of states having statutes or regulations substantially similar to subsection A of this section and who have agreed in writing not to disclose such information;

3. May receive documents, materials or information, including otherwise confidential and privileged documents, materials or information from the NAIC and its affiliates and subsidiaries and from regulatory and law enforcement officials of other foreign or domestic jurisdictions, and shall maintain as confidential or privileged any document, material or information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, material or information; and

4. Shall enter into written agreements with the NAIC governing sharing and use of information provided pursuant to this act consistent with this subsection that shall:

- a. specify procedures and protocols regarding the confidentiality and security of information shared with the NAIC and its affiliates and subsidiaries pursuant to this act, including procedures and protocols for sharing by the NAIC with other state, federal or international regulators,
- b. specify that ownership of information shared with the NAIC and its affiliates and subsidiaries pursuant to this act remains with the Commissioner and the NAIC's use of the information is subject to the direction of the Commissioner,
- c. require prompt notice to be given to an insurer whose confidential information in the possession of the NAIC

pursuant to this act is subject to a request or subpoena to the NAIC for disclosure or production, and

- d. require the NAIC and its affiliates and subsidiaries to consent to intervention by an insurer in any judicial or administrative action in which the NAIC and its affiliates and subsidiaries may be required to disclose confidential information about the insurer shared with the NAIC and its affiliates and subsidiaries pursuant to this act.

D. The sharing of information by the Commissioner pursuant to this act shall not constitute a delegation of regulatory authority or rulemaking, and the Commissioner is solely responsible for the administration, execution and enforcement of the provisions of this act.

E. No waiver of any applicable privilege or claim of confidentiality in the documents, materials or information shall occur as a result of disclosure to the Commissioner under this section or as a result of sharing as authorized in subsection C of this section.

F. Documents, materials or other information in the possession or control of the NAIC pursuant to this act shall be confidential by law and privileged, shall not be subject to open records or freedom of information, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action.

SECTION 11. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1641 of Title 36, unless there is created a duplication in numbering, reads as follows:

The Commissioner may, upon notice and opportunity for all interested persons to be heard, issue such rules, regulations and orders as shall be necessary to carry out the provisions of this act.

SECTION 12. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1642 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Whenever it appears to the Commissioner that any insurer or any director, officer, employee or agent thereof has committed or is

about to commit a violation of this act or of any rule, regulation or order issued by the Commissioner hereunder, the Commissioner may apply to the district court for the county in which the principal office of the insurer is located or if the insurer has no office in this state then to the district court for Oklahoma County for an order enjoining the insurer or director, officer, employee or agent thereof from violating or continuing to violate this act or any rule, regulation or order, and for such other equitable relief as the nature of the case and the interest of the insurer's policyholders, creditors and shareholders or the public may require.

B. No security which is the subject of any agreement or arrangement regarding acquisition, or which is acquired or to be acquired, in contravention of the provisions of this act or of any rule, regulation or order issued by the Commissioner hereunder may be voted at any shareholder's meeting, or may be counted for quorum purposes, and any action of shareholders requiring the affirmative vote of a percentage of shares may be taken as though the securities were not issued and outstanding; but no action taken at any such meeting shall be invalidated by the voting of the securities, unless the action would materially affect control of the insurer or unless the courts of this state have so ordered. If an insurer or the Commissioner has reason to believe that any security of the insurer has been or is about to be acquired in contravention of the provisions of this act or of any rule, regulation or order issued by the Commissioner hereunder, the insurer or the Commissioner may apply to the district court for the county in which the insurer has its principle place of business to enjoin any offer, request, invitation, agreement or acquisition made in contravention of Section 3 of this act or any rule, regulation or order issued by the Commissioner thereunder to enjoin the voting of any security so acquired, to void any vote of the security already cast at any meeting of shareholders and for such other equitable relief as the nature of the case and the interest of the insurer's policyholders, creditor and shareholders or the public may require.

C. In any case where a person has acquired or is proposing to acquire any voting securities in violation of this act or any rule, regulation or order issued by the Commissioner hereunder, the district court for Oklahoma County or the district court for the county in which the insurer has its principal place of business may, on such notice as the court deems appropriate, upon the application of the insurer or the Commissioner, seize or sequester any voting securities of the insurer owned directly or indirectly by the person, and issue such order as may be appropriate to effectuate the

provisions of this act. For the purposes of this act the situs of the ownership of the securities of domestic insurers shall be deemed to be in this state.

SECTION 13. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1643 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Any insurer failing, without just cause, to file any registration statement as required in this act shall be required, after notice and hearing, to pay a penalty of Five Hundred Dollars (\$500.00) for each day's delay, to be recovered by the Insurance Commissioner and the penalty so recovered shall be paid as provided in Section 307.5 of Title 36 of the Oklahoma Statutes. The maximum penalty under this section is One Hundred Thousand Dollars (\$100,000.00). The Commissioner may reduce the penalty if the insurer demonstrates to the Commissioner that the imposition of the penalty would constitute a financial hardship to the insurer.

B. Every director or officer of an insurance holding company system who knowingly violates, participates in or assents to, or who knowingly shall permit any of the officers or agents of the insurer to engage in, transactions or make investments which have not been properly reported or submitted pursuant to subsection A of Section 5 of this act, paragraph 2 of subsection A of Section 6 of this act or subsection B of Section 6 of this act, or which violate this act, shall pay, in their individual capacity, a civil forfeiture of not more than Twenty-five Thousand Dollars (\$25,000.00) per violation, after notice and hearing before the Commissioner. In determining the amount of the civil forfeiture, the Commissioner shall take into account the appropriateness of the forfeiture with respect to the gravity of the violation, the history of previous violations, and such other matters as justice may require.

C. Whenever it appears to the Commissioner that any insurer subject to this act or any director, officer, employee or agent thereof has engaged in any transaction or entered into a contract which is subject to Section 6 of this act and which would not have been approved had the approval been requested, the Commissioner may order the insurer to cease and desist immediately any further activity under that transaction or contract. After notice and hearing the Commissioner may also order the insurer to void any contracts and restore the status quo if the action is in the best interest of the policyholders, creditors or the public.

D. Whenever it appears to the Commissioner that any insurer or any director, officer, employee or agent thereof has committed a willful violation of this act, the Commissioner may submit such information to the district attorney for Oklahoma County for appropriate action against the insurer or the responsible director, officer, employee or agent thereof. Any insurer which willfully violates this act may be fined not more than One Hundred Thousand Dollars (\$100,000.00). Any individual who willfully violates this act may be fined in his or her individual capacity not more than Fifty Thousand Dollars (\$50,000.00) or be imprisoned for not more than one (1) to three (3) years or both.

E. Any officer, director or employee of an insurance holding company system who willfully and knowingly subscribes to or makes or causes to be made any false statements or false reports or false filings with the intent to deceive the Commissioner in the performance of his or her duties under this act, upon conviction shall be imprisoned for not more than five (5) years or fined One Hundred Fifty Thousand Dollars (\$150,000.00) or both. Any fines imposed shall be paid by the officer, director or employee in his or her individual capacity.

F. Whenever it appears to the Commissioner that any person has committed a violation of Section 3 of this act which prevents the full understanding of the enterprise risk to the insurer by affiliates or by the insurance holding company system, the violation may serve as an independent basis for disapproving dividends or distributions and for placing the insurer under an order of supervision in accordance with Article 18 of Title 36 of the Oklahoma Statutes.

SECTION 14. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1644 of Title 36, unless there is created a duplication in numbering, reads as follows:

Whenever it appears to the Commissioner that any person has committed a violation of this act which so impairs the financial condition of a domestic insurer as to threaten insolvency or make the further transaction of business by it hazardous to its policyholders, creditors, shareholders or the public, then the Commissioner may proceed as provided in Articles 18 and 19 of Title 36 of the Oklahoma Statutes to take possession of the property of the domestic insurer and to conduct its business.

SECTION 15. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1645 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. If an order for liquidation or rehabilitation of a domestic insurer has been entered, the receiver appointed under the order shall have a right to recover on behalf of the insurer:

1. From any parent corporation or holding company or person or affiliate who otherwise controlled the insurer, the amount of distributions (other than distributions of shares of the same class of stock) paid by the insurer on its capital stock; or

2. Any payment in the form of a bonus, termination settlement or extraordinary lump-sum salary adjustment made by the insurer or its subsidiary, to a director, officer or employee,

where the distribution or payment pursuant to paragraph 1 or 2 of this subsection is made at any time during the one (1) year preceding the petition for liquidation, conservation or rehabilitation, as the case may be, subject to the limitations of subsections B, C and D of this section.

B. No distribution shall be recoverable if the parent or affiliate shows that when paid the distribution was lawful and reasonable, and that the insurer did not know and could not reasonably have known that the distribution might adversely affect the ability of the insurer to fulfill its contractual obligations.

C. Any person who was a parent corporation or holding company or a person who otherwise controlled the insurer or affiliate at the time the distributions were paid shall be liable up to the amount of distributions or payments under subsection A of this section which the person received. Any person who otherwise controlled the insurer at the time the distributions were declared shall be liable up to the amount of distributions that would have been received if they had been paid immediately. If two or more persons are liable with respect to the same distributions, they shall be jointly and severally liable.

D. The maximum amount recoverable under this section shall be the amount needed in excess of all other available assets of the impaired or insolvent insurer to pay the contractual obligations of the impaired or insolvent insurer and to reimburse any guaranty funds.

E. To the extent that any person liable under subsection C of this section is insolvent or otherwise fails to pay claims due from it, its parent corporation or holding company or person who otherwise controlled it at the time the distribution was paid shall be jointly and severally liable for any resulting deficiency in the amount recovered from the parent corporation or holding company or person who otherwise controlled it.

SECTION 16. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1646 of Title 36, unless there is created a duplication in numbering, reads as follows:

Whenever it appears to the Commissioner that any person has committed a violation of this act which makes the continued operation of an insurer contrary to the interests of policyholders or the public, the Commissioner may, after giving notice and an opportunity to be heard, suspend, revoke or refuse to renew the insurer's license or authority to do business in this state for such period as the Commissioner finds is required for the protection of policyholders or the public. Any such determination shall be accompanied by specific findings of fact and conclusions of law.

SECTION 17. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1647 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Any person aggrieved by any act, determination, rule, regulation or order or any other action of the Commissioner pursuant to this act may appeal to the district court for Oklahoma County. The court shall conduct its review without a jury and by trial de novo, except that if all parties, including the Commissioner, so stipulate, the review shall be confined to the record. Portions of the record may be introduced by stipulation into evidence in a trial de novo as to those parties so stipulating.

B. The filing of an appeal pursuant to this section shall stay the application of any rule, regulation, order or other action of the Commissioner to the appealing party unless the court, after giving the party notice and an opportunity to be heard, determines that a stay would be detrimental to the interest of policyholders, shareholders, creditors or the public.

C. Any person aggrieved by any failure of the Commissioner to act or make a determination required by this act may petition the

district court for Oklahoma County for a writ in the nature of a mandamus or a peremptory mandamus directing the Commissioner to act or make a determination.

SECTION 18. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1648 of Title 36, unless there is created a duplication in numbering, reads as follows:

The powers, remedies, procedures and penalties provided in this act shall be in addition to, and not in limitation of, any other powers, remedies, procedures and penalties provided by law.

SECTION 19. REPEALER 36 O.S. 2011, Sections 1651, as amended by Section 8, Chapter 269, O.S.L. 2013, 1652, 1653, 1654, as last amended by Section 5, Chapter 73, O.S.L. 2016, 1655, 1656, Section 1, Chapter 264, O.S.L. 2015, Section 1, Chapter 269, O.S.L. 2013, as amended by Section 2, Chapter 264, O.S.L. 2015, 1658.1, 1658.2, 1659.1, 1659.2, 1660, 1661 and 1662 (36 O.S. Supp. 2016, Sections 1651, 1654, 1656.1 and 1657.1), are hereby repealed.

SECTION 20. It being immediately necessary for the preservation of the public peace, health or safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.



Passed the House of Representatives the 23rd day of May, 2017.

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

Passed the Senate the 24th day of May, 2017.

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

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: \_\_\_\_\_