

**Krebs, Linda (DFS)**

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**From:** dfs.sm.MLMICdemutualization  
**Sent:** Wednesday, August 29, 2018 9:02 AM  
**To:** Satriana, Alyce (DFS)  
**Subject:** FW: concern regarding demutualization plan

Please upload. Received on August 28, 2018

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**From:** Paul Perreault  
**Sent:** Tuesday, August 28, 2018 3:27 PM  
**To:** dfs.sm.MLMICdemutualization <mlmicdemutualization@dfs.ny.gov>  
**Subject:** concern regarding demutualization plan

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Dear Superintendent;

I am writing, as an eligible policy holder with MLMIC, regarding the proposed demutualization of Medical Liability Mutual Insurance Company and whether it is in the best interest of the policy holders. I do not object to the demutualization of MLMIC nor do I feel that such demutualization is contrary to the interest of the policy holders in general. I do feel, however, that the current mechanism undertaken by MLMIC and presented to the policy holders regarding the distribution of the cash consideration is flawed and not in the best interest of those policy holders who may have designated policy administrators due to employment. I refer specifically to correspondence from MLMIC to hospital employed physicians such as myself regarding assigning their cash contribution to policy administrators and the ability of policy administrators to block that payment if the policy holder refuses to sign. This arrangement implies that policy administrators have a legitimate claim to the policy holder's cash consideration.

To better understand this, I have reviewed the following documents:

1. the August 18, 2017 correspondence from MLMIC detailing the considerations for receiving a cash contribution in exchange for membership interests in the company,
2. the policy administrator designation form signed by me in 2009 which outlines the role of the policy administrator,
3. the June 22, 2018 Policy Holder Information Statement which reviews in detail the issues of the conversion of MLMIC from a mutual insurance company to a stock insurance company,
4. the June 29, 2018 statement by MLMIC informing me that the designation form referenced in 2 above does not extend to the distribution of the cash consideration,

5. the consent form from MLMIC which confirms the actual amount of my cash consideration and requests my signature to amend the designation form referenced in 2 above to allow the policy administrator to receive my cash contribution, and
6. my proxy card requesting my vote for or against the plan of conversion.

After correspondences from my hospital employer and discussions with that employer and MLMIC representatives, I have concluded that the above documents suggest or imply that the policy administrators are the rightful owners of the cash contributions to policy holders. A careful review of the documents indicates otherwise. Policy administrators are agents of the policy holders for the payment of premiums and policy holders have not given up their rights of ownership in MLMIC when designating a policy administrator. Therefore, the policy administrator has no claim to the cash consideration distributed to the owners of the company in lieu of their ownership interest in the company. Unfortunately the above documents do not sufficiently clarify that issue and can and likely has resulted in policy holders erroneously assigning their ownership rights to policy administrators. A legal review of these documents has confirmed my conclusion that the policy holders are the rightful recipients of the cash contributions and that the policy administrator is simply an agent of the policy holder.

I respectfully propose, therefore, that the Department of Financial Services request a modification of the plan of conversion that appropriately clarifies the rightful ownership interest of policy holders such that policy holders can make an informed decision whether they should assign their cash contributions to policy administrators or retain them as rightfully theirs. Since current assignments of cash contributions may have been executed without a clear understanding of policy holder ownership rights, I also suggest the modification request consider invalidating current assignments and if not possible then simply allowing them to expire on 12/31/2018 as noted on the consent form in order for policy holders to make a truly informed and fair decision regarding these issues.

I realize that there is a method for determining the rightful ownership of the cash contributions via arbitration after completion of the demutualization process. I believe it is in the best interest of policy holders to clarify this issue up front before completing the demutualization process rather than after via arbitration which can quickly become financially onerous and time consuming for all involved parties.

I am available to discuss these matters with you in more detail. I can be reached \_\_\_\_\_  
Thank you for your time and consideration.

Respectfully submitted,  
Paul R. Perreault M.D.

