

SENATE BILL No. 692

January 28, 1992, Introduced by Senators HOLMES, WARTNER, O'BRIEN, HART, CONROY, FAUST, MILLER, CHERRY, BERRYMAN, DE GROW, CARL, DI NELLO, CISKY and DUNASKISS and referred to the Committee on Commerce.

A bill to amend sections 636 and 640 of Act No. 218 of the Public Acts of 1956, entitled as amended "The insurance code of 1956," being sections 500.636 and 500.640 of the Michigan Compiled Laws; and to add section 118.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 636 and 640 of Act No. 218 of the
2 Public Acts of 1956, being sections 500.636 and 500.640 of the
3 Michigan Compiled Laws, are amended and section 118 is added to
4 read as follows:

5 SEC. 118. IF AN ALIEN INSURER IS DOMICILED IN A COUNTRY
6 OTHER THAN THE UNITED STATES THAT HAS AN AGREEMENT WITH THE
7 UNITED STATES WHEREBY EACH AGREES TO TREAT INSURERS DOMICILED IN
8 THE OTHER COUNTRY THE SAME AS INSURERS DOMICILED IN ITS OWN
9 COUNTRY, THE ALIEN INSURER SHALL BE TREATED AS A FOREIGN INSURER

1 UNDER THIS ACT, BUT ONLY TO THE EXTENT THAT THE OTHER COUNTRY IN
2 WHICH THE ALIEN IS DOMICILED ACTUALLY EXTENDS LIKE TREATMENT TO
3 INSURERS DOMICILED IN THE UNITED STATES.

4 Sec. 636. ~~—(1) Any~~ EACH domestic property ~~and/or~~ OR
5 marine insurer ~~shall have power to effect reinsurance of~~ MAY
6 REINSURE any risks ~~taken by them respectively~~ THE INSURER
7 TAKES.

8 ~~—(2) No insurer transacting property and/or marine insurance~~
9 ~~in this state shall, directly or indirectly, contract for or~~
10 ~~effect reinsurance of any risks in this state except in an~~
11 ~~insurer authorized by the commissioner to transact business~~
12 ~~herein, or in an insurer authorized to transact business in any~~
13 ~~of the United States or the District of Columbia, but only as~~
14 ~~long as such insurer is and remains of the same standard of sol-~~
15 ~~veny as is required and fixed by the laws of this state for~~
16 ~~insurers of the same class transacting business in this state.~~
17 ~~No authorized insurer shall effect reinsurance with an insurer~~
18 ~~not regularly admitted unless such assuming insurer, has been~~
19 ~~approved by the commissioner. In order to secure approval an~~
20 ~~authorized insurer shall notify the commissioner in writing of~~
21 ~~each nonadmitted insurer with which it intends to effect~~
22 ~~reinsurance. The commissioner shall approve or disapprove such~~
23 ~~assuming insurer within 20 days after receipt of the notice. An~~
24 ~~insurer which has not been disapproved within such time shall be~~
25 ~~deemed approved. The commissioner may at any time withdraw his~~
26 ~~approval when he finds that the assuming insurer no longer meets~~
27 ~~the requirements of this section. No insurer authorized by the~~

~~1 commissioner to transact business in this state shall directly or~~
~~2 indirectly take or assume reinsurance under any policy or poli-~~
~~3 cies or contracts or any agreements of indemnity covering prop-~~
~~4 erty in this state from any insurer not authorized to transact~~
~~5 property and/or marine insurance business herein under penalty of~~
~~6 revocation of authority to transact business in this state for~~
~~7 wilful or continued violation of this prohibition or provision.~~
~~8 Any violation of this subsection shall be punished by a fine of~~
~~9 not exceeding \$500.00, as a misdemeanor.~~

~~10 (3) An insurer authorized to transact multiple lines of~~
~~11 insurance may, except with respect to policies of life and endow-~~
~~12 ment insurance and contracts for the payment of annuities and~~
~~13 pure endowments, reinsure risks of every description.~~

~~14 Sec. 640. No stock or mutual fire~~ AN insurer transacting
~~15 business in this state —, shall NOT expose itself to any loss on~~
~~16 any 1 fire or inland navigation risk or hazard —, to IN an~~
~~17 amount exceeding 10% of its paid-up capital and surplus. —, nor~~
~~18 shall any fire insurance company organized under the laws, or by~~
~~19 authority of any foreign government, expose itself to any loss on~~
~~20 any 1 fire or inland navigation risk, or hazard, to an amount~~
~~21 exceeding 10% of its deposited capital and surplus in the United~~
~~22 States: Provided, however, That~~ HOWEVER, no portion of ~~any~~
~~23 such~~ A risk or hazard ~~which shall have~~ THAT HAS been reinsured
~~24 in a corporation~~ AN INSURER licensed to do ~~fire~~ insurance
~~25 business in this state —, shall be included in determining the~~
~~26 limitation of risk prescribed in this section.~~

1 Section 2. This amendatory act shall not take effect unless
2 all of the following bills of the 86th Legislature are enacted
3 into law:

4 (a) House Bill No. 5214.

5 (b) House Bill No. 5215.

6 (c) Senate Bill No. 691.

7