



Olds Plaza Building, 10th Floor  
Lansing, Michigan 48909  
Phone: 517/373-6466

## INSURANCE REGULATORY FEE

House Bills 4867-4870 with committee  
amendments  
First Analysis (3-15-94)

Sponsor: Rep. Bill Martin  
Committee: Insurance

### ***THE APPARENT PROBLEM:***

House Bill 4871, which recently passed the House, would impose a new regulatory fee on insurers authorized to do business in the state, including in addition to commercial insurance companies, Blue Cross and Blue Shield of Michigan, dental corporations, health maintenance organizations, and the State Accident Fund. The new fee would replace the current requirement that insurance companies and other regulated entities pay the costs and expenses associated with Insurance Bureau examinations and investigations. The aim of the legislation is to provide a reliable source of funding for bureau activities. (See the analysis of House Bill 4871 dated 2-16-94). Each of the type of insurance entities subject to the new fee is regulated under a separate act. Those acts need to be amended to refer to the new fee established in the Insurance Code.

### ***THE CONTENT OF THE BILLS:***

The bills would each amend a separate act governing a kind of insurance entity to make that entity subject to the regulatory fee imposed by House Bill 4871. House Bill 4867 would amend Public Act 125 of 1963 (MCL 550.359 et al.), which regulates nonprofit dental care corporations (such as Delta Dental). House Bill 4868 would amend the Nonprofit Health Care Corporation Reform Act (MCL 550.1603 et al.), which regulates Blue Cross and Blue Shield of Michigan. House Bill 4869 would amend a section of the Public Health Code (MCL 333.21025a) dealing with health maintenance organizations (HMOs). House Bill 4870 would amend the Workers Disability Compensation Act (MCL 418.713) to make the fee apply to the State Accident Fund.

### ***FISCAL IMPLICATIONS:***

The 1993-94 appropriation for the Insurance Bureau of \$15.8 million depends in large part on revenue

from the new regulatory fee. The bureau says it needs to raise about \$9.28 million from the fee (and is concerned that there will be about a \$428,000 shortfall at the maximum rate established in House Bill 4871 of 38 cents per thousand dollars of premiums written in the state). See the analysis of House Bill 4871 dated 2-16-94.

### ***ARGUMENTS:***

#### ***For:***

The bills are companion bills to House Bill 4871, recently passed by the House, which creates a new regulatory fee on insurance entities to support the operations of the Insurance Bureau, which regulates the industry.

#### ***POSITIONS:***

House Bill 4871, which is the core of the package to which these bills belong, was supported by the Michigan Insurance Federation, the Life Insurance Association of Michigan, the Association of HMOs, and Blue Cross and Blue Shield of Michigan. That bill was opposed by the Farm Bureau. (See analysis of House Bill 4871 dated 2-16-94)