



**House
Legislative
Analysis
Section**

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

INSURANCE: REGULATORY FEES

House Bills 4867-4871
Sponsor: Rep. Bill Martin
Committee: Insurance

Complete to 7-7-93

A SUMMARY OF HOUSE BILLS 4867-4871 AS INTRODUCED 6-17-93

The bills would impose a regulatory fee on insurance companies and similar entities not to exceed $\frac{3}{4}$ of $\frac{1}{10}$ of 1 percent (or .00075) of direct premiums written in the state to help fund the operation of the state's Insurance Bureau. The fee would replace the costs, expenses, and fees paid by insurers when they are examined or investigated. The total in regulatory fees for each fiscal year could not exceed 80 percent of the gross appropriations for the operation of the Insurance Bureau. At least 67 percent of the revenue derived from the regulatory fee would have to be used for financial conduct regulation and for health care and health insurance regulation. (For the 1992-93 fiscal year, the assessment rate could not exceed one-half of the maximum rate.) Additionally, there would be a regulatory fee of $\frac{1}{2}$ of 1 percent imposed on premiums written or direct business in the state by unauthorized insurers or risk retention groups without a certificate of authority.

House Bill 4871 would amend the Insurance Code (MCL 500.224 et al.) to provide for the regulatory fee and to impose it on commercial insurance companies. House Bill 4867 would amend Public Act 125 of 1963 (MCL 550.359 et al.) to impose the fee on nonprofit dental corporations (such as Delta Dental). House Bill 4868 would amend the Nonprofit Health Care Corporation Reform Act (MCL 550.1603 et al.) to impose the regulatory fee on Blue Cross and Blue Shield of Michigan. House Bill 4869 would amend the Public Health Code (MCL 333.21025a et al.) to impose the regulatory fee on health maintenance organizations (HMOs). House Bill 4870 would amend the Workers Disability Compensation Act (MCL 418.713) to apply the regulatory fee to the State Accident Fund.

House Bill 4871 would establish the regulatory fee. Each entity's regulatory fee would be at least \$250 and would be determined by multiplying the assessment rate by the amount of the direct premiums written minus annuity considerations for the immediately preceding calendar year. The assessment rate would be determined through a formula provided in the bill that would divide the total regulatory fee by the total amount of direct written premiums. The total regulatory fee would be defined as the difference between the gross appropriation for the Insurance Bureau's operation for a fiscal year and any restricted revenues, up to 80 percent of the gross appropriations. If appropriations in a fiscal year exceeded actual expenditures by the bureau, the excess would be credited against the regulatory fee in the next fiscal year.

The insurance commissioner would impose the fee by June 30th of each year or within 30 days after the enactment of any appropriation for the Insurance Bureau's operation. An insurer could protest the fee imposed not later than 15 days after receipt. The commissioner would review the grounds for the protest and hold a conference with the

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insurer at the insurer's request. The commissioner would transmit his or her findings to the insurer with a restatement of the regulatory fee. Statements (or restatements when there were protests) of fees would be due not later than 30 days after their receipt and would bear one percent per month interest if late. Failure to pay within the prescribed time limit also could result in the revocation, suspension, or limitation of a certificate of authority or license, as the commissioner determined to be warranted, until the fee was paid. If an insurer overpaid the fee, the excess would be refunded or credited to the next year's fee. Amounts of \$100 or less would be applied as a credit.

The bill would specify that the regulatory fee could not be "treated by an insurer as a levy or excise upon premium but as a regulatory burden that is apportioned in relation to insurance activity in this state and reflects the insurance regulatory burden on this state as a result of this insurance activity." The regulatory fee would be considered an examination expense under the Single Business Tax Act, which allows insurance companies a 50 percent credit against the tax and surcharges for examination fees.