



HOUSE BILL No. 4871

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June 17, 1993, Introduced by Rep. Martin and referred to the Committee on Insurance.

A bill to amend the title and sections 224, 451, 830, 1813, 1905, 1920, and 1951 of Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

section 224 as amended by Act No. 182 of the Public Acts of 1992, section 451 as amended by Act No. 261 of the Public Acts of 1987, section 830 as amended by Act No. 2 of the Public Acts of 1992, section 1813 as added and sections 1905 and 1951 as amended by Act No. 214 of the Public Acts of 1989, and section 1920 as added by Act No. 341 of the Public Acts of 1980, being sections 500.224, 500.451, 500.830, 500.1813, 500.1905, 500.1920, and 500.1951 of the Michigan Compiled Laws; and to add section 225.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. The title and sections 224, 451, 830, 1813,
2 1905, 1920, and 1951 of Act No. 218 of the Public Acts of 1956,

1 section 224 as amended by Act No. 182 of the Public Acts of 1992,
2 section 451 as amended by Act No. 261 of the Public Acts of 1987,
3 section 830 as amended by Act No. 2 of the Public Acts of 1992,
4 section 1813 as added and sections 1905 and 1951 as amended by
5 Act No. 214 of the Public Acts of 1989, and section 1920 as added
6 by Act No. 341 of the Public Acts of 1980, being sections
7 500.224, 500.451, 500.830, 500.1813, 500.1905, 500.1920, and
8 500.1951 of the Michigan Compiled Laws, are amended and section
9 225 is added to read as follows:

10

TITLE

11 An act to revise, consolidate, and classify the laws relat-
12 ing to the insurance and surety business; to regulate the incor-
13 poration or formation of domestic insurance and surety companies
14 and associations and the admission of foreign and alien companies
15 and associations; to provide their rights, powers, and immunities
16 and to prescribe the conditions on which companies and associa-
17 tions organized, existing, or authorized under this act may exer-
18 cise their powers; to provide the rights, powers, and immunities
19 and to prescribe the conditions on which other persons, firms,
20 corporations, associations, risk retention groups, and purchasing
21 groups engaged in an insurance or surety business may exercise
22 their powers; to provide for the imposition of a privilege fee on
23 domestic insurance companies and associations and the state acci-
24 dent fund; to provide for the imposition of a tax on the business
25 of foreign and alien companies and associations; to provide for
26 the imposition of a tax on risk retention groups and purchasing
27 groups; to provide for the imposition of a tax on the business of

1 surplus line agents; TO PROVIDE FOR THE IMPOSITION OF A
2 REGULATORY FEE ON CERTAIN INSURERS; to modify tort liability
3 arising out of certain accidents; to provide for limited actions
4 with respect to that modified tort liability and to prescribe
5 certain procedures for maintaining those actions; to require
6 security for losses arising out of certain accidents; to provide
7 for the continued availability and affordability of automobile
8 insurance and homeowners insurance in this state and to facili-
9 tate the purchase of that insurance by all residents of this
10 state at fair and reasonable rates; to provide for certain
11 reporting with respect to insurance and with respect to certain
12 claims against uninsured or self-insured persons; to prescribe
13 duties for certain state departments and officers with respect to
14 that reporting; to provide for certain assessments; to establish
15 and continue certain state insurance funds; to modify and clarify
16 the status, rights, powers, duties, and operations of the non-
17 profit malpractice insurance fund; to provide for the departmen-
18 tal supervision and regulation of the insurance and surety busi-
19 ness within this state; to provide for the conservation, rehabil-
20 itation, or liquidation of unsound or insolvent insurers; to pro-
21 vide for the protection of policyholders, claimants, and credi-
22 tors of unsound or insolvent insurers; to provide for associa-
23 tions of insurers to protect policyholders and claimants in the
24 event of insurer insolvencies; to prescribe educational require-
25 ments for insurance agents and solicitors; to provide for the
26 regulation of multiple employer welfare arrangements; to create
27 an automobile theft prevention authority to reduce the number of

1 automobile thefts in this state; to prescribe the powers and
2 duties of the automobile theft prevention authority; to provide
3 certain powers and duties upon certain officials, departments,
4 and authorities of this state; to repeal certain acts and parts
5 of acts; to repeal certain acts and parts of acts on specific
6 dates; to repeal certain parts of this act on specific dates; and
7 to provide penalties for the violation of this act.

8 Sec. 224. (1) All actual and necessary expenses incurred in
9 connection with the examination or other investigation of an
10 insurer or other person regulated ~~by this act~~ UNDER THE
11 COMMISSIONER'S AUTHORITY shall be certified by the commissioner,
12 together with a statement of the work performed including the
13 number of days spent by the commissioner and each of the
14 commissioner's deputies, assistants, employees, and others acting
15 under the commissioner's authority, upon the examination or
16 investigation, to the department of commerce's budget/finance
17 division. If correct, the department of commerce's
18 budget/finance division shall approve the expenses and the
19 expenses shall be paid to the persons by whom they were incurred,
20 upon the warrant of the state treasurer payable from appropria-
21 tions made by the legislature for this purpose.

22 (2) ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4),
23 THE commissioner shall prepare and present to the insurer or
24 other person examined or investigated a statement of the expenses
25 and reasonable cost incurred for each person engaged upon the
26 examination or investigation, including amounts necessary to
27 cover the pay and allowances granted to the persons by the

1 Michigan civil service commission, and the administration and
2 supervisory expense including an amount necessary to cover fringe
3 benefits in conjunction with the examination or investigation.
4 ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), THE insurer
5 or other person, upon receiving the statement, shall pay to the
6 commissioner the stated amount. The commissioner shall deposit
7 the funds with the state treasurer AS PROVIDED IN SECTION 225.

8 (3) The commissioner may employ ~~at the insurer's or other~~
9 ~~person's expense the~~ attorneys, actuaries, accountants, invest-
10 ment advisers, and other expert personnel not otherwise employees
11 of this state reasonably necessary to assist in the conduct of
12 the examination or investigation ~~of~~ OR PROCEEDING WITH RESPECT
13 TO an insurer or other person regulated ~~by the commissioner pur-~~
14 ~~suant to this act~~ UNDER THE COMMISSIONER'S AUTHORITY AT THE
15 INSURER'S OR OTHER PERSON'S EXPENSE EXCEPT AS OTHERWISE PROVIDED
16 IN SUBSECTION (4). ~~Upon~~ EXCEPT AS OTHERWISE PROVIDED IN SUB-
17 SECTION (4), UPON certification by the commissioner of the rea-
18 sonable expenses incurred under this section, the insurer or
19 other person examined or investigated shall pay those expenses
20 directly to the person or firm rendering assistance to the
21 commissioner. Expenses paid directly to such person or firm AND
22 THE REGULATORY FEES IMPOSED BY THIS SECTION shall be examination
23 expenses under section 22e of the single business tax act, Act
24 No. 228 of the Public Acts of ~~1978~~ 1975, being section 208.22e
25 of the Michigan Compiled Laws.

26 (4) AN INSURER IS SUBJECT TO A REGULATORY FEE INSTEAD OF THE
27 COSTS, EXPENSES, AND FEES PROVIDED FOR IN SUBSECTIONS (2) AND (3)

1 AND SECTION 830. BY JUNE 30 OF EACH YEAR OR WITHIN 30 DAYS AFTER
2 THE ENACTMENT INTO LAW OF ANY APPROPRIATION FOR THE INSURANCE
3 BUREAU'S OPERATION, THE COMMISSIONER SHALL IMPOSE UPON ALL INSUR-
4 ERS AUTHORIZED TO DO BUSINESS IN THIS STATE A REGULATORY FEE CAL-
5 CULATED AS FOLLOWS:

6 (A) THE ASSESSMENT RATE FOR THE REGULATORY FEE SHALL NOT
7 EXCEED .00075 AND SHALL BE A FRACTION, THE NUMERATOR OF WHICH IS
8 THE TOTAL REGULATORY FEE AND THE DENOMINATOR OF WHICH IS THE
9 TOTAL AMOUNT OF DIRECT PREMIUMS MINUS ANNUITY CONSIDERATIONS
10 WRITTEN IN THIS STATE BY ALL INSURERS FOR THE IMMEDIATELY PRECED-
11 ING CALENDAR YEAR AS REPORTED TO THE COMMISSIONER ON THE
12 INSURERS' ANNUAL STATEMENTS FILED WITH THE COMMISSIONER. THE
13 TOTAL REGULATORY FEE FOR EACH FISCAL YEAR SHALL NOT EXCEED 80% OF
14 THE GROSS APPROPRIATIONS FOR THE INSURANCE BUREAU'S OPERATION FOR
15 A FISCAL YEAR AND SHALL BE THE DIFFERENCE BETWEEN THE GROSS
16 APPROPRIATIONS FOR THE INSURANCE BUREAU'S OPERATION FOR THAT CUR-
17 RENT FISCAL YEAR AND ANY RESTRICTED REVENUES, OTHER THAN THE
18 REGULATORY FEE ITSELF, AS IDENTIFIED IN THE GROSS APPROPRIATION
19 FOR THE INSURANCE BUREAU'S OPERATION.

20 (B) FOR FISCAL YEAR 1992-93, THE ASSESSMENT RATE LEVIED TO
21 FUND ANY SUPPLEMENTAL APPROPRIATION SHALL NOT EXCEED 1/2 OF THE
22 MAXIMUM ASSESSMENT RATE.

23 (C) EACH INSURER'S REGULATORY FEE SHALL BE A MINIMUM FEE OF
24 \$250.00 AND SHALL BE DETERMINED BY MULTIPLYING THE ASSESSMENT
25 RATE BY THE AMOUNT OF THE DIRECT PREMIUMS MINUS ANNUITY CONSIDER-
26 ATIONS WRITTEN BY THE INSURER IN THIS STATE FOR THE IMMEDIATELY

1 PRECEDING CALENDAR YEAR AS REPORTED TO THE COMMISSIONER IN THE
2 INSURER'S ANNUAL STATEMENT FILED WITH THE COMMISSIONER.

3 (5) NOT LESS THAN 67% OF THE REVENUE DERIVED FROM THE REGU-
4 LATORY FEE UNDER SUBSECTION (4) SHALL BE USED FOR THE REGULATION
5 OF FINANCIAL CONDUCT OF PERSONS REGULATED UNDER THE
6 COMMISSIONER'S AUTHORITY AND FOR THE REGULATION OF PERSONS REGU-
7 LATED UNDER THE COMMISSIONER'S AUTHORITY ENGAGED IN THE BUSINESS
8 OF HEALTH CARE AND HEALTH INSURANCE IN THIS STATE.

9 (6) THE AMOUNT, IF ANY, BY WHICH APPROPRIATIONS FOR THE
10 INSURANCE BUREAU'S OPERATION IN A FISCAL YEAR EXCEED ACTUAL
11 EXPENDITURES FOR THE PURPOSES APPROPRIATED SHALL BE CREDITED
12 AGAINST THE REGULATORY FEE IMPOSED PURSUANT TO SUBSECTION (4) IN
13 THE NEXT FISCAL YEAR. A CREDIT UNDER THIS SUBSECTION SHALL BE
14 APPORTIONED AMONG INSURERS IN THE SAME PROPORTION AS THE REGULA-
15 TORY FEE WAS ORIGINALLY ASSESSED.

16 (7) ALL MONEY PAID INTO THE STATE TREASURY BY AN INSURER
17 UNDER THIS SECTION SHALL BE CREDITED AS PROVIDED UNDER SECTION
18 225.

19 (8) A REGULATORY FEE UNDER THIS SECTION SHALL NOT BE TREATED
20 BY AN INSURER AS A LEVY OR EXCISE UPON PREMIUM BUT AS A REGULA-
21 TORY BURDEN THAT IS APPORTIONED IN RELATION TO INSURANCE ACTIVITY
22 IN THIS STATE AND REFLECTS THE INSURANCE REGULATORY BURDEN ON
23 THIS STATE AS A RESULT OF THIS INSURANCE ACTIVITY.

24 (9) AN INSURER MAY FILE WITH THE COMMISSIONER A PROTEST TO
25 THE REGULATORY FEE IMPOSED NOT LATER THAN 15 DAYS AFTER RECEIPT
26 OF THE REGULATORY FEE. THE COMMISSIONER SHALL REVIEW THE GROUNDS
27 FOR THE PROTEST AND SHALL HOLD A CONFERENCE WITH THE INSURER AT

1 THE INSURER'S REQUEST. THE COMMISSIONER SHALL TRANSMIT HIS OR
 2 HER FINDINGS TO THE INSURER WITH A RESTATEMENT OF THE REGULATORY
 3 FEE BASED UPON THE FINDINGS. STATEMENTS OF REGULATORY FEES TO
 4 WHICH PROTESTS HAVE NOT BEEN MADE AND RESTATEMENTS OF REGULATORY
 5 FEES ARE DUE AND SHALL BE PAID NOT LATER THAN 30 DAYS AFTER THEIR
 6 RECEIPT. REGULATORY FEES THAT ARE NOT PAID WHEN DUE BEAR INTER-
 7 EST AT THE RATE OF 1% PER MONTH. AN INSURER WHO FAILS TO PAY ITS
 8 REGULATORY FEE WITHIN THE PRESCRIBED TIME LIMITS MAY HAVE ITS
 9 CERTIFICATE OF AUTHORITY OR LICENSE SUSPENDED, LIMITED, OR
 10 REVOKED AS THE COMMISSIONER CONSIDERS WARRANTED UNTIL THE REGULA-
 11 TORY FEE IS PAID. IF THE COMMISSIONER DETERMINES THAT A REGULA-
 12 TORY FEE OR A PART OF A REGULATORY FEE PAID BY AN INSURER IS IN
 13 EXCESS OF THE AMOUNT LEGALLY DUE AND PAYABLE, THE AMOUNT OF THE
 14 EXCESS SHALL BE REFUNDED OR, AT THE INSURER'S OPTION, BE APPLIED
 15 AS A CREDIT AGAINST THE REGULATORY FEE FOR THE NEXT FISCAL YEAR.
 16 AN OVERPAYMENT OF \$100.00 OR LESS SHALL BE APPLIED AS A CREDIT
 17 AGAINST THE INSURER'S REGULATORY FEE FOR THE NEXT FISCAL YEAR.

18 (10) ~~(4)~~ Any amounts stated and presented TO or certified,
 19 ~~to~~ ASSESSED, OR IMPOSED UPON an insurer as provided in
 20 subsections (2), ~~and~~ (3), AND (4) that are unpaid as of the
 21 date that the insurer is subjected to a delinquency proceeding
 22 pursuant to chapter 81 shall be regarded as an expense of admin-
 23 istering the delinquency proceeding and shall be payable as such
 24 from the general assets of the insurer.

25 (11) AS USED IN THIS SECTION:

26 (A) "ANNUITY CONSIDERATIONS" MEANS CONSIDERATIONS FOR A
 27 CONTRACT OR AGREEMENT TO PROVIDE A PAYMENT OR SERIES OF PAYMENTS,

1 COMMENCING AT A FIXED TIME, FOR FIXED OR VARYING AMOUNTS, IF THE
2 PAYMENTS HAVE ALREADY COMMENCED OR ARE SCHEDULED TO COMMENCE
3 WITHIN 1 YEAR AND ARE CONTINGENT, AT LEAST PARTLY, ON THE SUR-
4 VIVAL OF AN INDIVIDUAL LIFE OR GROUP OF INDIVIDUAL LIVES; OR THE
5 PAYMENTS ARE SCHEDULED TO COMMENCE 1 YEAR OR MORE IN THE FUTURE
6 AND THE AMOUNT OF THE PAYMENTS IS CONTINGENT, AT LEAST PARTLY, ON
7 THE SURVIVAL OF AN INDIVIDUAL LIFE OR GROUP OF INDIVIDUAL LIVES
8 TO WITHIN 1 YEAR OF THE FIRST PAYMENT, AND THE AGGREGATE AMOUNT
9 AND DURATION OF THE PAYMENTS IS CONTINGENT, AT LEAST PARTLY, ON
10 THE SURVIVAL OF AN INDIVIDUAL LIFE OR GROUP OF INDIVIDUAL LIVES.
11 ANNUITY CONSIDERATIONS DO NOT INCLUDE CONSIDERATIONS FOR CON-
12 TRACTS OR AGREEMENTS THAT PROVIDE THE LUMP SUM SETTLEMENTS AT
13 MATURITY OR AT ANY OTHER TIME. CONSIDERATIONS FOR SUCH CONTRACTS
14 WILL BE DETERMINED TO BE ANNUITY CONSIDERATIONS AT THE EARLIER OF
15 THE DATE WHEN THE PROVISIONS FOR LUMP SUM SETTLEMENTS EXPIRE OR
16 AT THE ANNUITY COMMENCEMENT DATE.

17 (B) "INSURER" MEANS AN INSURER AUTHORIZED TO DO BUSINESS IN
18 THIS STATE AND INCLUDES NONPROFIT HEALTH CARE CORPORATIONS,
19 DENTAL CARE CORPORATIONS, HEALTH MAINTENANCE ORGANIZATIONS, AND
20 THE STATE ACCIDENT FUND.

21 SEC. 225. ALL FEES COLLECTED PURSUANT TO THIS ACT OR UNDER
22 THE COMMISSIONER'S AUTHORITY SHALL BE PAID TO THE STATE TREASURY
23 TO THE COMMISSIONER'S CREDIT AND SHALL BE USED ONLY FOR REGULA-
24 TORY PURPOSES UNDER THE COMMISSIONER'S AUTHORITY.

25 Sec. 451. Any unauthorized insurer transacting insurance in
26 this state shall be subject to a tax of 2% of premiums written in
27 this state AND TO AN ADDITIONAL REGULATORY FEE OF 0.5% ON

1 PREMIUMS WRITTEN IN THIS STATE. In addition thereto, each
2 separate transaction of insurance in this state by an unautho-
3 rized insurer shall be subject to a tax of \$25.00, which shall be
4 added to the premium tax. Such taxes are payable within 30 days
5 after each such transaction and shall be ~~deemed~~ CONSIDERED
6 delinquent if not paid within 30 days after a copy of the compu-
7 tation of the tax by the commissioner is delivered to ~~such~~ THE
8 insurer in the manner prescribed by law for the service of
9 process.

10 Sec. 830. (1) The commissioner shall annually value, or
11 cause to be valued, the reserve liabilities, hereinafter called
12 reserves, for all outstanding life insurance policies and annuity
13 and pure endowment contracts of every life insurer doing business
14 in this state, except that for an alien insurer, the valuation
15 shall be limited to its United States' business, and may certify
16 the amount of the reserves, specifying the mortality table or
17 tables, rate or rates of interest, and methods, net level premium
18 method or other, used in the calculation of the reserves. In
19 calculating the reserves, the commissioner may use group methods
20 and approximate averages for fractions of a year or otherwise.
21 In lieu of the valuation of the reserves required in this section
22 of any foreign or alien insurer, the commissioner may accept any
23 valuation made, or caused to be made, by the insurance supervi-
24 sory official of any state or other jurisdiction, if the valua-
25 tion complies with the minimum standard provided in this section,
26 and if the official of that state or jurisdiction accepts as
27 sufficient and valid for all legal purposes the certificate of

1 valuation of the commissioner, which certificate states the
2 valuation to have been made in a specified manner according to
3 which the aggregate reserves would be at least as large as if
4 they had been computed in the manner prescribed by the law of
5 that state or jurisdiction.

6 (2) ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN SECTION 224(4),
7 THE insurer shall pay to the commissioner, as compensation for
8 the valuation, 1 cent for each thousand dollars insured, under
9 policies insuring residents of these United States, or issued by
10 an insurer organized under the laws of this state. For annual
11 valuations on or after January 1, 1988, the valuation fee imposed
12 under this section shall not apply to contracts of reinsurance.
13 A valuation fee under this subsection shall not apply to an
14 annual valuation of a domestic insurer on or after January 1,
15 1988.

16 (3) An insurer that at any time shall have adopted any stan-
17 dard of valuation producing greater aggregate reserves than those
18 calculated according to the minimum standard provided in this
19 section may, with the approval of the commissioner, adopt any
20 lower standard of valuation, but not lower than the minimum pro-
21 vided in this section.

22 (4) Every foreign cooperative or assessment insurer shall
23 have its business valued and shall maintain reserves in accord-
24 ance with the standards currently required of domestic insurers
25 transacting similar insurance by this act.

26 Sec. 1813. A risk retention group ~~which~~ THAT does not
27 have a certificate of authority issued by the commissioner shall

1 be liable for the payment of a tax of 2% ON DIRECT BUSINESS FOR A
2 RISK RESIDENT OR LOCATED WITHIN THIS STATE AND, INSTEAD OF THE
3 COSTS AND EXPENSES THAT MAY BE IMPOSED BY THE COMMISSIONER PURSU-
4 ANT TO THIS CHAPTER, AN ADDITIONAL REGULATORY FEE OF 0.5% on
5 direct business for a risk resident or located within this state
6 and shall report to the commissioner the net direct premiums
7 written for that business.

8 Sec. 1905. (1) A person shall not solicit insurance, bind
9 coverage, or in any other manner act as an agent or broker in the
10 transaction of surplus lines insurance unless licensed under this
11 chapter.

12 (2) A person shall not offer, solicit, make a quotation on,
13 sell, or issue a policy of insurance, binder, or any other evi-
14 dence of insurance with an unauthorized insurer except in compli-
15 ance with this chapter.

16 (3) A person licensed as a resident agent in this state may
17 obtain a surplus lines license by doing all of the following:

18 (a) Filing an application in the form and with the informa-
19 tion as the commissioner may reasonably require to determine the
20 ability of the applicant to satisfactorily act in accordance with
21 this chapter.

22 (b) Completing an examination testing the applicant's under-
23 standing of this chapter, the surplus lines insurance business,
24 and other chapters of this ~~code~~ ACT, if required by the
25 commissioner.

26 (c) Complying with sections 1204 to 1206.

1 (d) Delivering to the commissioner a financial guarantee
2 bond from a surety acceptable to the commissioner for the greater
3 of the following:

4 (i) \$5,000.00.

5 (ii) The largest semiannual surplus lines tax liability on
6 premiums incurred in the immediately preceding 5 years.

7 (e) Agreeing to file with the commissioner, not later than
8 February 15 and August 15 annually, a sworn statement of the
9 charges for insurance procured or placed, and the amounts
10 returned on the insurance canceled, under the license, for the
11 preceding 6 month period ending December 31 and June 30, respec-
12 tively; and at the time of filing the statement, paying to the
13 commissioner a 2% tax ON PREMIUMS WRITTEN AND, INSTEAD OF THE
14 COSTS AND EXPENSES THAT MAY BE IMPOSED BY THE COMMISSIONER PURSU-
15 ANT TO THIS CHAPTER, A 0.5% REGULATORY FEE on premiums written.

16 (4) A surplus lines licensee may do any or all of the
17 following:

18 (a) Place insurance on risks in this state with eligible
19 unauthorized insurers.

20 (b) Act in the capacity of an agent or broker, as determined
21 by the contractual relationship with the eligible unauthorized
22 insurer or that insurer's legal representative.

23 (c) Place insurance on risks in this state, with unautho-
24 rized insurers. ~~which~~ THAT are not eligible unauthorized insur-
25 ers, in strict compliance with section 1950. If the insurance is
26 provided through the participation of several insurers and the
27 licensee has reason to believe that a substantial portion of the

1 insurance would be assumed by authorized or eligible unauthorized
2 insurers, then, with respect to the unauthorized insurers not
3 eligible, the insured or the insured's representative shall be
4 informed as provided in section 1950(a).

5 (d) Engage in any other acts expressly and implicitly autho-
6 rized by this chapter and the balance of this ~~code~~ ACT.

7 (5) Before placement of insurance with an eligible unautho-
8 rized insurer, a licensee shall inform an insured or the
9 insured's representative that coverage is being placed with an
10 insurer not licensed in this state and that payment of loss may
11 not be guaranteed in the event of insolvency of the eligible
12 unauthorized insurer.

13 Sec. 1920. (1) A licensee shall offer surplus lines insur-
14 ance only to insurers ~~which~~ THAT are in a stable and unimpaired
15 financial condition. An insurer recognized by the commissioner
16 as an eligible surplus lines insurer pursuant to subsection (2)
17 shall be considered to meet the requirements of this subsection.
18 Recognition as an eligible surplus lines insurer shall be condi-
19 tioned upon the insurer's continued compliance with this chapter
20 and rules promulgated under this chapter.

21 (2) An unauthorized insurer may apply for recognition as an
22 eligible surplus lines insurer by filing an application in the
23 form and with the information as reasonably required by the com-
24 missioner regarding the insurer's financial stability, reputa-
25 tion, and integrity. The commissioner may delegate to an associ-
26 ation the power to process and to make recommendations on
27 applications for recognition as an eligible surplus lines

1 insurer. Notwithstanding a delegation by the commissioner, an
2 applicant may file an application for recognition directly with
3 the commissioner.

4 (3) The commissioner shall recognize an insurer making an
5 application in accordance with subsection (2) as an eligible sur-
6 plus lines insurer if he or she is satisfied that the insurer is
7 in a stable and unimpaired financial condition and that the
8 insurer is qualified to provide coverage in compliance with this
9 chapter. If filed with full supporting documentation before July
10 1 of any year, an application submitted under subsection (2)
11 shall be acted upon by the commissioner before December 31 of the
12 year of submission.

13 (4) The commissioner shall not recognize an insurer as an
14 eligible surplus lines insurer unless the insurer continuously
15 maintains capital and surplus of at least \$1,500,000.00, and is
16 safe, reliable, and entitled to public confidence. This subsec-
17 tion shall not be construed to require an alien insurer to file
18 financial statements in the form required of authorized insurers
19 under section 438. However, each alien applicant shall have cur-
20 rent financial data filed with the national association of insur-
21 ance commissioners.

22 (5) ~~When~~ IF the commissioner considers it necessary, he or
23 she may request information about or examine the affairs of any
24 eligible unauthorized insurer, at the expense of the insurer
25 EXCEPT AS PROVIDED IN SECTIONS 1905 AND 1951, to determine
26 whether the insurer should continue to remain on the list of
27 eligible surplus lines insurers. If the commissioner finds that

1 it is in the public interest to remove an insurer from the list
2 because the insurer no longer meets the requirements of this
3 chapter or is no longer qualified to provide coverage under this
4 chapter, the commissioner shall do so without the necessity of a
5 hearing.

6 Sec. 1951. An insured in this state who, on behalf of him-
7 self or herself, or an employee in this state who, on behalf of
8 his or her employer, procures, causes to be procured, or contin-
9 ues or renews insurance with an unauthorized insurer, or a
10 self-insurer in this state who procures or continues excess loss,
11 catastrophe, or other insurance with an unauthorized insurer,
12 upon a subject of insurance resident, located, or to be performed
13 within this state, other than insurance procured pursuant to sec-
14 tion 1905 or 1950, within 30 days after the date the insurance
15 was procured, continued, or renewed, shall file a written report
16 regarding the insurance with the commissioner on forms prescribed
17 by the commissioner and furnished to the insured upon request.
18 The report shall be accompanied by a 2% tax ON PREMIUMS WRITTEN
19 AND, INSTEAD OF THE COSTS AND EXPENSES THAT MAY BE IMPOSED BY THE
20 COMMISSIONER PURSUANT TO THIS CHAPTER, A 0.5% REGULATORY FEE on
21 premiums written. The report shall show all of the following:
22 (a) The name and address of the insured or insureds.
23 (b) The name and address of the insurer.
24 (c) The subject of the insurance.
25 (d) A general description of the coverage.
26 (e) The amount of premium currently charged for the
27 insurance.

1 (f) Any additional pertinent information, reasonably
2 requested by the commissioner.