



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 1017 (Substitute S-1 as reported)
Sponsor: Senator Loren Bennett Committee:
Financial Services

CONTENT

The bill would create a new act to enter Michigan into the Interstate Insurance Receivership Compact and create the Interstate Insurance Receivership Commission with all other jurisdictions legally joining in the Compact. The bill specifies that the purpose of the Compact and the powers of the Interstate Insurance Receivership Commission would necessarily be limited in authority, function, and scope to the Insurance Commissioner's receivership activities and powers. The Compact would not authorize the Interstate Commission or the Insurance Commissioner to expand the activities of the Compact beyond receivership activities. The bill would be repealed on June 1, 1996.

The Commission would have to oversee the administration and operations of receiverships in compacting states, as well as monitor receiverships being administered in noncompacting states that could significantly affect compacting states. The Commission also would have to attempt, upon a member's request, to resolve any disputes or other issues that were subject to the Compact and that could arise among compacting states and noncompacting states. Upon the request of a compacting state's insurance commissioner, or as otherwise provided in the Compact, the Commission would have authority to act as receiver of any insurer domiciled in, engaged in, or doing business in a compacting state. The Commission, as receiver, would have all powers and duties pursuant to the receivership laws of the domiciliary state. The Commission could not act as receiver of an estate that appeared to lack sufficient assets to fund the receivership, unless the compacting state made provisions for the payment of the estate's administrative expenses.

The Commission would have to levy on and collect an annual assessment from each compacting state and each insurer authorized to do business in a compacting state, and writing direct insurance, to cover the cost of the internal operations and activities of the Commission and its staff. The aggregate annual assessment amount would have to be allocated 75% to insurers, and 25% to compacting states, and would be based on premium volume. The Commission would be exempt from all taxation in and by the compacting states. The Commission could not pledge the credit of any compacting state, except by and with the appropriate legal authority of that compacting state.

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill could reduce the administrative costs for the Insurance Bureau by implementing a set of uniform rules that would be followed by compact members, thereby streamlining the responsibilities of the Bureau. The bill also would reduce litigation costs for the Bureau as the members would promulgate rules relating to the liquidation of insolvent companies and the disbursement of their assets, eliminating the need for states to reach a payment agreement through settlements. It is difficult to determine the exact amount of savings these changes would generate as the implementation of these rules would occur over time.

Date Completed: 5-21-96

Fiscal Analyst: M. Barsch

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