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BILL ANALYSIS



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Senate Bill 1134 (as reported without amendment)  
Sponsor: Senator Loren Bennett  
Committee: Financial Services

### **CONTENT**

The bill would amend the Insurance Code to delete a requirement that a person licensed as a resident agent in Michigan provide a financial guarantee bond to obtain a surplus lines license, delete several references to legal expense insurance, and repeal a chapter dealing with temporary medical malpractice coverage.

A person licensed as a resident agent in Michigan may obtain a surplus lines license by filing an application with the Insurance Commissioner; completing an examination; complying with the Code's requirements regarding agents' licensure, education, and examinations; and delivering to the Commissioner a financial guarantee bond from a surety acceptable to the Commissioner for \$5,000 or the largest semiannual surplus lines tax liability on premiums incurred in the immediately preceding five years, whichever is greater. The bill would delete this bond requirement.

The Code provides that a life insurer is not authorized to transact any other kind of insurance except disability insurance and legal expense insurance, unless it was engaged in transacting that other kind of insurance in Michigan before January 1, 1909. The bill would delete legal expense insurance from that provision.

Chapter 77 of the Code created the Michigan Life and Health Insurance Guaranty Association and requires that the Association maintain a health insurance account, a life insurance and annuity account, and a legal expense insurance account. The bill would delete the requirement that the Association maintain a legal expense insurance account. Chapter 77 specifies that it provides coverage to certain persons for specific types of insurance. The bill would delete legal expense insurance from that provision. A life or disability insurer cannot be a member of the Michigan Life and Health Insurance Guaranty Association, regardless of whether the insurer also transacts legal expense insurance. The bill would retain the prohibition, but delete the reference to transacting legal expense insurance.

The bill would repeal Chapter 25 of the Code (also known as the Brown-McNeely Insurance Fund Act), which created the Brown-McNeely Insurance Fund in 1975 as a temporary means of providing medical malpractice insurance coverage to all eligible health care providers until the insurance industry could offer coverage to all eligible providers at reasonable rates. Chapter 25 specifies that the Fund could not issue or renew a policy of insurance that extended beyond July 1, 1980.

MCL 500.407 et al.

Legislative Analyst: P. Affholter

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Date Completed: 9-26-96

Fiscal Analyst: M. Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.