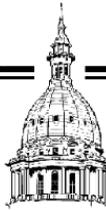




Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 1134 (as introduced 9-12-96)
Sponsor: Senator Loren Bennett
Committee: Financial Services

Date Completed: 9-25-96

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.

Surplus Lines Bond

The Code provides that a person licensed as a resident agent in Michigan may obtain a surplus lines license by doing all of the following:

- Filing an application in the form and with the information as the Insurance Commissioner may reasonably require to determine the ability of the applicant to act satisfactorily in accordance with the Code's provisions regarding surplus lines.
- Completing an examination testing the applicant's understanding of the Code's surplus lines provisions, the surplus lines insurance business, and other provisions of the Code, if required by the Commissioner.
- Complying with the Code's requirements regarding agents' licensure, education, and examinations (MCL 500.1204-500.1206).
- 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 the bond requirement from the conditions for a resident agent to obtain a surplus lines license.

Legal Expense Insurance

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, for purposes of administration and assessment, 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 direct, nongroup life, health, annuity, and supplemental policies or contracts; certificates under direct group life, health, annuity, and supplemental policies and contracts; legal expense insurance policies; and unallocated annuity contracts issued by member insurers, except as limited by that chapter. The bill would delete legal expense insurance from that provision.

The Code specifies that 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.

Repealer

The bill would repeal Chapter 25 of the Insurance 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.

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.