



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 5014 (as reported without amendment)

Sponsor: Representative John Llewellyn

House Committee: Insurance

Senate Committee: Financial Services

CONTENT

The bill would amend the Insurance Code to delete a provision permitting the Insurance Commissioner to enter an order prohibiting the payment of an *ordinary* shareholder dividend by a domestic insurer that is a member of a holding company. The bill, instead, would apply that provision to *extraordinary* dividends of insurers.

The provision allows the Commissioner to enter an order prohibiting the payment of the dividend if he or she determines that the insurer's surplus as regards policyholders is not reasonable in relation to outstanding liabilities and is not adequate to its financial needs so that it will not continue to comply with the Code's public confidence requirements.

The Code specifies that an extraordinary dividend or distribution includes any dividend or distribution of cash or other property, whose fair market value together with that of other dividends or distributions made within the preceding 12 months exceeds the greater of 10% of the insurer's surplus as regards policyholders as of December 31 of the immediately preceding year, or the net gain from the operations of the insurer, if the insurer is a life insurer, or the net income, if the insurer is not a life insurer, not including realized capital gains, for the 12-month period, but does not include pro rata distributions of any class of the insurer's own securities.

MCL 500.1343

Legislative Analyst: P. Affholter

FISCAL IMPACT

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

Date Completed: 11-1-95

Fiscal Analyst: K. Lindquist