Senate Bill 1007 (as reported without amendment)
Sponsor: Senator Michael J. Bouchard
Committee: Financial Services

CONTENT

The bill would amend the Insurance Code to allow a domestic insurer to issue capital notes. "Capital note" would mean a debt instrument that complied with the bill. The issuance of a capital note would not be subject to the prior approval of the Insurance Commissioner.

A capital note issued by a domestic insurer could provide for all of the following:

-- Interest payments at fixed or adjustable rates.
-- Sinking fund payments.
-- Payments and redemptions of principal under the terms of the capital note.

A capital note would have to be treated as a liability in the computation of statutory surplus and be reported as a liability on the insurer's annual statement filed with the Commissioner. In a liquidation proceeding under the Code, a capital note would be a "similar obligation" under Section 8142. (Section 8142 sets the priority of distribution of claims from an insurer's estate, in order of classes of claims. Class 8 includes surplus or contribution notes, or similar obligations, and premium refunds on assessable policies.)

A capital note could be included in a domestic insurer's "total adjusted capital". For a capital note to be included in the total adjusted capital, the Commissioner could require the note to contain other features that he or she determined were adequate and appropriate to ensure that the insurer continued to be safe, reliable, and entitled to public confidence. ("Total adjusted capital" would mean the sum of an insurer's statutory capital and surplus as determined under the annual statement filed with the Commissioner.)

Proposed MCL 500.839   Legislative Analyst: P. Affholter

FISCAL IMPACT

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

Date Completed: 3-12-98   Fiscal Analyst: M. Tyszkiewicz