

**SENATE BILL NO. 1007**

March 10, 1998, Introduced by Senator BOUCHARD and referred  
to the Committee on Financial Services.

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
(MCL 500.100 to 500.8302) by adding section 839.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

- 1        SEC. 839. (1) A DOMESTIC INSURER MAY ISSUE CAPITAL NOTES  
2 UNDER THIS SECTION.
- 3        (2) A CAPITAL NOTE ISSUED BY A DOMESTIC INSURER MAY PROVIDE  
4 FOR INTEREST PAYMENTS AT FIXED OR ADJUSTABLE RATES, FOR SINKING  
5 FUND PAYMENTS, AND FOR PAYMENTS AND REDEMPTIONS OF PRINCIPAL  
6 UNDER THE TERMS OF THE CAPITAL NOTE.
- 7        (3) THE ISSUANCE OF A CAPITAL NOTE IS NOT SUBJECT TO THE  
8 COMMISSIONER'S PRIOR APPROVAL.
- 9        (4) A CAPITAL NOTE SHALL BE TREATED AS A LIABILITY IN THE  
10 COMPUTATION OF STATUTORY SURPLUS AND SHALL BE REPORTED AS A

1 LIABILITY ON THE DOMESTIC INSURER'S ANNUAL STATEMENT FILED WITH  
2 THE COMMISSIONER UNDER SECTION 438.

3 (5) IN A LIQUIDATION PROCEEDING PURSUANT TO CHAPTER 81, A  
4 CAPITAL NOTE IS A SIMILAR OBLIGATION UNDER SECTION 8142(H).

5 (6) A CAPITAL NOTE MAY BE INCLUDED IN A DOMESTIC INSURER'S  
6 TOTAL ADJUSTED CAPITAL. FOR A CAPITAL NOTE TO BE SO INCLUDED,  
7 THE COMMISSIONER MAY REQUIRE THE CAPITAL NOTE TO CONTAIN OTHER  
8 FEATURES AS THE COMMISSIONER DETERMINES ARE ADEQUATE AND APPRO-  
9 PRIATE TO ENSURE THAT THE INSURER CONTINUES TO BE SAFE, RELIABLE,  
10 AND ENTITLED TO PUBLIC CONFIDENCE.

11 (7) AS USED IN THIS SECTION:

12 (A) "CAPITAL NOTE" MEANS A DEBT INSTRUMENT THAT COMPLIES  
13 WITH THIS SECTION.

14 (B) "TOTAL ADJUSTED CAPITAL" MEANS THE SUM OF AN INSURER'S  
15 STATUTORY CAPITAL AND SURPLUS AS DETERMINED UNDER THE ANNUAL  
16 STATEMENT FILED WITH THE COMMISSIONER UNDER SECTION 438.