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Senate Bill 500 (as introduced 5-22-01)
Sponsor: Senator Dale L. Shugars
Committee: Health Policy

Date Completed: 10-15-01

CONTENT

The bill would amend the Insurance Code to raise the amount of deposit that a foreign (out-of-State) insurer must make to the State Treasurer for a court-ordered stay to take effect; and to prescribe the deposit amount for a foreign life or health insurer.

Under the Code, an insurer has the right to petition the circuit court for a stay of an order issued by the Commissioner of the Office of Financial and Insurance Services suspending, revoking, or limiting the insurer's certificate of authority. The petition must be filed on an emergency basis to the circuit court for Ingham County or for the county in which the insurer has its principal place of business. A stay issued by the court does not take effect until the insurer deposits cash or securities with the State Treasurer, under supervision of the court, in amounts specified in the Code. (The amount of the deposit varies depending on whether the insurer has its headquarters in the State, out of State, or in another country. If the court issues a stay, and the deposit is paid, the Commissioner's order is suspended until the case is decided in a contested case hearing.)

Currently, for a foreign insurer, the deposit must equal 100% of the aggregate sum of Michigan direct unpaid losses and unpaid loss adjustment expenses, plus 100% of Michigan direct unearned premiums. The bill would increase the required percentage of unpaid losses and unpaid loss adjustment expenses to 125%. The bill also specifies that for a foreign life or health insurer, the deposit would have to equal 125% of Michigan reserves and liabilities for policies and contracts for which coverage was provided by the Michigan Life and Health Insurance Guaranty Association, without respect to the limitations and exclusions provided under Chapter 77 of the Code. (Chapter 77 created the Michigan Life and Health Insurance Guaranty Association to protect persons against failure to perform contract obligations, under insurance policies and annuity contracts, because of an insurer's impairment or insolvency. Chapter 77 excludes certain policies and contracts, and places specified limits on benefits for which the Association is liable.)

MCL 500.244

Legislative Analyst: G. Towne

FISCAL IMPACT

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

Fiscal Analyst: M. Tyszkiewicz

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