

Insurance; insurers; certain capital and surplus requirements;
clarify.

INSURANCE: Insurers

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending section 410 (MCL 500.410), as amended by 1998 PA
457.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 410. (1) To qualify for and maintain authority to
2 transact insurance in this state on or after July 21, 1965 and
3 before January 1, 1999, a domestic, foreign, or alien insurer
4 shall possess and thereafter maintain unimpaired capital and sur-
5 plus in an amount determined adequate by the commissioner to con-
6 tinue to comply with section 403 but not less than
7 \$1,000,000.00. The commissioner shall take into account the risk
8 based capital requirements as developed by the national
9 association of insurance commissioners in order to determine
10 adequate compliance with section 403.

(2) To qualify for and maintain authority to transact insurance in this state on or after January 1, 1999, a domestic, foreign, or alien insurer shall possess and thereafter maintain unimpaired capital and surplus in an amount determined adequate by the commissioner to continue to comply with section 403 but not less than \$7,000,000.00. The commissioner shall take into account the risk based capital requirements as developed by the national association of insurance commissioners in order to determine adequate compliance with section 403.

(3) In addition to the minimum capital and surplus specified in subsections (1) and (2), an insurer applying for an initial certificate of authority after July 21, 1965 in this state shall possess and maintain surplus or additional surplus in an amount determined by the commissioner adequate to comply with section 403 for the kind or kinds of insurance it writes or proposes to write, but in no event less than \$500,000.00.

(4) Except as provided by section 407, every insurer authorized to transact insurance in this state may transact life insurance or property insurance but not both, unless it was authorized to transact such other kind or kinds of insurance in this state immediately prior to January 1, 1965. For the purpose of this section, life insurance includes any 1 or more of the insurances described in sections 602 and 606; property insurance includes any 1 or more of the insurances described in chapter 6, excepting only section 602 and those provisions of section 632 that apply to insurances described in section 602. Nothing in

1 this section shall be construed to broaden the authority of
2 reciprocal insurers.

3 (5) Except as provided in subsection (7), an insurer autho-
4 rized to transact insurance prior to July 21, 1965 may continue
5 to transact insurance so long as it maintains the minimum finan-
6 cial requirements of section 408. ~~However, an insurer autho-~~
7 ~~rized to transact insurance prior to July 21, 1965, that attains~~
8 ~~the level of minimum capital and surplus required by subsection~~
9 ~~(1) shall maintain compliance with this section unless the direct~~
10 ~~premiums written and any reinsurance assumed by the insurer in an~~
11 ~~annual period are less than the insurer's surplus.~~

12 (6) Except as provided in subsection (7), an insurer autho-
13 rized to transact insurance on or after July 21, 1965 and before
14 January 1, 1999 that attains the level of minimum capital and
15 surplus required by subsection (2) shall maintain compliance with
16 this section unless the direct premiums written and any reinsur-
17 ance assumed by the insurer in an annual period are less than the
18 insurer's surplus.

19 (7) An insurer shall not be authorized to transact legal
20 expense insurance unless it meets the capital and surplus
21 requirements of subsections (1), (2), and (3).

22 (8) Notwithstanding the specific requirements of this sec-
23 tion, domestic, foreign, and alien insurers shall also comply
24 with the standard set forth in section 403.