



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5281 (Substitute H-1 as passed by the House)
Sponsor: Representative Mickey Mortimer
House Committee: Insurance
Senate Committee: Banking and Financial Institutions

Date Completed: 4-29-04

CONTENT

The bill would amend the Insurance Code to establish an unimpaired capital and surplus requirement for insurers that solely transact bail bond surety and fidelity insurance.

Specifically, to qualify for and maintain authority to transact insurance in this State solely as a bail bond surety and fidelity insurance company, an insurer that was in good standing in its state of domicile and was subject to regulation by the Commissioner of the Office of Financial and Insurance Services (OFIS), would have to possess and maintain unimpaired capital and surplus in an amount determined adequate by the Commissioner to continue to comply with Section 403 of the Code, but not less than \$4.5 million. The insurer also would have to have and maintain at least \$3 million in current guarantees and security with respect to bail bonds issued by the insurer in states in which it was authorized. (Under Section 403, a domestic, foreign, or alien insurer may not be authorized, or continue to be authorized, to do business in this State if the insurer is not or does not continue to be safe, reliable, and entitled to public confidence.)

In order to determine adequate compliance with Section 403, the Commissioner would have to take into account the risk-based capital requirements developed by the National Association of Insurance Commissioners, as well as the claims history for Michigan bail bonds issued by the licensed bail bond agencies for which the insurer was presently or would be issuing bail bonds in Michigan.

An insurer with authority to transact bail bond surety and fidelity insurance in Michigan could not offer or provide surety or fidelity coverage other than bail bonds.

(Under Section 410 of the Code, a domestic, foreign, or alien insurer must maintain at least \$7.5 million of unimpaired capital and surplus to be licensed or authorized in Michigan.)

Proposed MCL 500.410a

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase the regulatory responsibilities for OFIS. Insurance companies are assessed by the Insurance Bureau to cover administrative costs related to regulating the industry. Any additional costs would be covered with restricted revenue generated from these assessments and would not affect the General Fund.

Fiscal Analyst: Maria Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.