



Senate Fiscal Agency
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**BILL ANALYSIS**

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House Bill 5624 (Substitute S-3 as reported by the Committee of the Whole)

Sponsor: Representative Joe Hune

House Committee: Insurance

Senate Committee: Banking and Financial Institutions

CONTENT

The bill would amend the Insurance Code to allow a domestic insurer to recognize as an asset in its annual report the value of a book of business that included life insurance or other business written by a life insurance company that the domestic insurer acquired through a business acquisition or a reinsurance transaction.

Specifically, except as otherwise provided, if a domestic insurer acquired a book of business that had a readily determinable market value represented by the present value of the future after-tax profits that would be earned on the book of business in force at the date of the acquisition, the value of the book of business could be recognized as an asset in the annual statement that insurers must file under the Code, with the prior approval of Commissioner of the Office of Financial and Insurance Services. The Commissioner would have to make a determination regarding the admissibility of the asset within 60 days after receiving a request. The value of the book of business that an insurer could recognize as an asset could not exceed the lesser of 50% of capital and surplus or the sum of all of the following:

- 20% of that "adjusted capital and surplus" that was less than or equal to 500% of authorized control level risk-based capital.
- 85% of that adjusted capital and surplus that was greater than 500%, but less than or equal to 600%, of authorized control level risk-based capital.
- 95% of that adjusted capital and surplus that was greater than 600%, but less than or equal to 700%, of authorized control level risk-based capital.
- 100% of that adjusted capital and surplus that was greater than 700% of authorized control level risk-based capital.

A domestic insurer also could recognize as an admitted asset the value of a book of business described above, without the Commissioner's prior approval, if the insurer filed a written notice with the Commissioner of its intent to record the value of the book of business acquired as an admitted asset and provided a certificate by an officer of the insurer that, as of the date of the notice, the insurer met certain business and financial requirements.

MCL 500.1305

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would require that the Commissioner of the Office of Financial and Insurance Services develop a list of approved statistical organizations, which could result in additional costs to the Department of Labor and Economic Growth of an unknown amount. The bill would have no fiscal impact on local government.

Date Completed: 2-28-06

Fiscal Analyst: Elizabeth Pratt, Maria Tyszkiewicz

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Analysis available @ <http://www.michiganlegislature.org>

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