

# HOUSE BILL No. 5624

February 1, 2006, Introduced by Reps. Hune, Hildenbrand, Gaffney, Marleau and Farrah and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending section 1305 (MCL 500.1305), as amended by 1992 PA 182.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 1305. (1) A domestic insurer, either by itself or in  
2       cooperation with 1 or more persons, may organize or acquire 1 or  
3       more subsidiaries if consistent with other provisions of this act.  
4       These subsidiaries may conduct any kind of business and their  
5       authority to do so shall not be limited by reason of the fact that  
6       they are subsidiaries of a domestic insurer. This provision shall  
7       not be construed to provide authority for conduct or activities by  
8       these subsidiaries that would otherwise be inconsistent with other  
9       provisions of this act.

1           (2) IF A DOMESTIC INSURER ACQUIRES THROUGH A BUSINESS  
2 ACQUISITION OR A REINSURANCE TRANSACTION A BOOK OF BUSINESS THAT  
3 INCLUDES LIFE INSURANCE OR OTHER BUSINESS WRITTEN BY A LIFE  
4 INSURANCE COMPANY, AND THE BOOK OF BUSINESS HAS A READILY  
5 DETERMINABLE MARKET VALUE REPRESENTED BY THE PRESENT VALUE OF THE  
6 FUTURE AFTER-TAX PROFITS THAT WILL BE EARNED ON THE BOOK OF  
7 BUSINESS IN FORCE AT THE DATE OF THE ACQUISITION, THE VALUE OF THE  
8 BOOK OF BUSINESS ACQUIRED MAY BE RECOGNIZED AS AN ASSET IN THE  
9 ANNUAL STATEMENT FILED PURSUANT TO SECTION 438.

10           (3) THE VALUE OF THE BOOK OF BUSINESS ACQUIRED AS DESCRIBED IN  
11 SUBSECTION (2) THAT A DOMESTIC INSURER MAY RECOGNIZE AS AN ASSET  
12 SHALL NOT EXCEED THE FOLLOWING:

13           (A) TEN PERCENT OF THAT CAPITAL AND SURPLUS THAT IS LESS THAN  
14 300% OF AUTHORIZED CONTROL LEVEL RISK BASED CAPITAL, PLUS

15           (B) TWENTY-FIVE PERCENT OF THAT CAPITAL AND SURPLUS THAT IS  
16 EQUAL TO OR GREATER THAN 300%, BUT LESS THAN 400%, OF AUTHORIZED  
17 CONTROL LEVEL RISK BASED CAPITAL, PLUS

18           (C) FIFTY PERCENT OF THAT CAPITAL AND SURPLUS THAT IS EQUAL TO  
19 OR GREATER THAN 400%, BUT LESS THAN 500%, OF AUTHORIZED CONTROL  
20 LEVEL RISK BASED CAPITAL, PLUS

21           (D) SEVENTY-FIVE PERCENT OF THAT CAPITAL AND SURPLUS THAT IS  
22 EQUAL TO OR GREATER THAN 500% OF AUTHORIZED CONTROL LEVEL RISK  
23 BASED CAPITAL.

24           (4) THE VALUE OF THE BOOK OF BUSINESS ACQUIRED AS DESCRIBED IN  
25 SUBSECTION (2) SHALL BE AMORTIZED TO INCOME OVER THE PERIOD IN  
26 WHICH THE DOMESTIC INSURER BENEFITS ECONOMICALLY, NOT TO EXCEED 10  
27 YEARS. THE VALUE OF THE BOOK OF BUSINESS ACQUIRED IN EXCESS OF THE

House Bill No. 5624 as amended February 9, 2006

1 AMOUNT ALLOWABLE UNDER THIS SECTION SHALL NOT BE AN ADMITTED ASSET

2 IN THE ANNUAL STATEMENT FILED PURSUANT TO SECTION 438.

[ (5) A DOMESTIC INSURER THAT RECOGNIZES AS AN ADMITTED ASSET ANY  
AMOUNT UNDER SUBSECTIONS (2) AND (3) SHALL ANNUALLY TEST THE VALUE OF THE  
ASSET FOR IMPAIRMENT. THE DOMESTIC INSURER SHALL FOLLOW THE ASSET  
ADEQUACY ANALYSIS AS REQUIRED UNDER SECTION 830A.

3 (6)] AS USED IN THIS SECTION, "CAPITAL AND SURPLUS" MEANS

4 CAPITAL AND SURPLUS AS OF DECEMBER 31 OF THE IMMEDIATELY PRECEDING

5 YEAR, ADJUSTED TO EXCLUDE ANY NET POSITIVE GOODWILL EXCLUSIVE OF

6 ANY COMPONENT OF THE GOODWILL RELATING TO THE EXISTING VALUE OF THE

7 BOOK OF BUSINESS ACQUIRED, ELECTRONIC DATA PROCESSING EQUIPMENT,

8 OPERATING SYSTEM SOFTWARE, AND NET DEFERRED TAX ASSETS.