

Legislative Analysis



INSURANCE COMPANY TAKEOVER

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Senate Bill 1174

Sponsor: Sen. Gerald Van Woerkom

House Committee: Insurance

Senate Committee: Economic Development and Regulatory Reform

Complete to 4-14-10

A SUMMARY OF SENATE BILL 1174 AS PASSED BY THE SENATE 3-23-10

The bill would amend the Insurance Code to address the takeover of a domestic (Michigan-based) insurance company with 200 employees or fewer. Generally speaking, under the bill, if a majority of the company's board of directors does not support a proposal made by an outside entity to merge with or acquire control of the company, then approval of the proposal would be required by 66.7 percent of the outstanding voting securities.

Specifically, this would apply to any proposal to enter into an agreement to merge with or otherwise control the domestic insurer or to merge with or control "a person" controlling the domestic insurer. This includes a proposal that, for the purpose of obtaining control, seeks the election of two or more members of the board of the domestic insurer or of "a person" controlling an insurer. (The term "person" as used here includes "an individual, insurer, company, association, organization, Lloyds, society, reciprocal or inter-insurance exchange, partnership, syndicate, business trust, corporation, and any other legal entity.")

The requirement regarding the number of employees refers to those employed directly or employed indirectly through an affiliate transacting the company's business.

This would be in addition to existing requirements about proposals to merge with or control an insurance company, which include the requirement that the Commissioner of the Office of Financial and Insurance Regulation be notified following OFIR rules or orders.

MCL 500.1311

FISCAL IMPACT:

The bill would have an indeterminate fiscal impact on state and local government.

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