



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

Senate Bill 825 (as enacted)
Sponsor: Senator Jason E. Allen
Senate Committee: Economic Development and Regulatory Reform
House Committee: Insurance

PUBLIC ACT 338 of 2010

Date Completed: 4-26-11

CONTENT

The bill amended the Insurance Code to increase the limit on a title insurer's exposure for loss on any one risk or hazard, from 10% of paid-up capital and surplus to 50% under certain circumstances.

Under the Code, an insurer transacting business in Michigan may not expose itself to any loss on any one risk or hazard in an amount exceeding 10% of its paid-up capital and surplus. No portion of a risk or hazard that has been reinsured in an insurer licensed to do business in Michigan may be included in determining the limitation of risk. The bill makes an exception to this 10% limit, as described below.

Under the bill, if an insurer obtained a certificate of authority for the transaction of title insurance in this State before the bill's effective date, the insurer may not expose itself to any loss on any one title insurance risk or hazard in an amount exceeding 50% of its paid-up capital and surplus.

If an insurer obtained or obtains a certificate of authority for the transaction of title insurance in this State on or after the bill's effective date, the insurer may not expose itself to any loss on any one title insurance risk or hazard in an amount exceeding 10% of its paid-up capital and surplus unless the insurer meets all of the following:

- It has a most recent A.M. best financial rating of at least an A- or has a comparable rating as assigned by a nationally recognized statistical rating organization approved by the

Commissioner of Financial and Insurance Regulation.

- It has been licensed and operating in Michigan or another state for at least five years and has reported a net income for at least three of the last five years.
- It has capital that exceeds two times the minimum paid-up capital and surplus requirements in Michigan.

An insurer meeting these criteria may not expose itself to any loss on any one title insurance risk or hazard in an amount exceeding 50% of its paid-up capital and surplus.

No portion of a title insurance risk or hazard that has been reinsured by a title insurer licensed in this State may be included in determining either the 50% risk limitation for an insurer licensed before the bill's effective date, or the 10% limitation for an insurer licensed on or after that date.

Upon a title insurer's application, the Commissioner may waive the 10% limitation for a particular risk or hazard for good cause shown, as long as the net retained liability for that particular risk or hazard does not exceed 50% of the insurer's paid-up capital and surplus.

The bill took effect on December 21, 2010.

MCL 500.640

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The Office of Financial and Insurance Regulation within the Department of Licensing and Regulatory Affairs expects that the administrative costs of reviewing applications pursuant to the bill will be minimal and able to be absorbed within current resources.

Fiscal Analyst: Elizabeth Pratt

S0910\sb825es

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.