

SUBSTITUTE FOR
SENATE BILL NO. 825

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending section 640 (MCL 500.640), as amended by 1992 PA 182.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 640. (1) ~~An~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS**
2 **(2) TO (5), AN** insurer transacting business in this state shall not
3 expose itself to any loss on any 1 risk or hazard in an amount
4 exceeding 10% of its paid-up capital and surplus. However, no
5 portion of a risk or hazard that has been reinsured ~~in~~ **BY** an
6 insurer licensed to do insurance business in this state shall be
7 included in determining the limitation of risk prescribed in this
8 ~~section~~ **SUBSECTION.**
9 **(2) AN INSURER TRANSACTING BUSINESS IN THIS STATE THAT HAS**
10 **OBTAINED A CERTIFICATE OF AUTHORITY AUTHORIZING THE TRANSACTION OF**

Senate Bill No. 825 (S-2) as amended December 15, 2010

1 TITLE INSURANCE IN THIS STATE BEFORE THE EFFECTIVE DATE OF THE
 2 AMENDATORY ACT THAT ADDED THIS SUBSECTION SHALL NOT EXPOSE ITSELF
 3 TO ANY LOSS ON ANY 1 [TITLE INSURANCE] RISK OR HAZARD IN AN AMOUNT
 4 EXCEEDING 50% OF
 5 ITS PAID-UP CAPITAL AND SURPLUS. HOWEVER, NO PORTION OF A [TITLE
 6 INSURANCE] RISK OR
 7 HAZARD THAT HAS BEEN REINSURED BY AN INSURER LICENSED TO DO TITLE
 8 INSURANCE BUSINESS IN THIS STATE SHALL BE INCLUDED IN DETERMINING
 9 THE LIMITATION OF RISK PRESCRIBED IN THIS SUBSECTION.

10 (3) AN INSURER TRANSACTING BUSINESS IN THIS STATE THAT OBTAINS
 11 A CERTIFICATE OF AUTHORITY AUTHORIZING THE TRANSACTION OF TITLE
 12 INSURANCE IN THIS STATE ON OR AFTER THE EFFECTIVE DATE OF THE
 13 AMENDATORY ACT THAT ADDED THIS SUBSECTION SHALL NOT EXPOSE ITSELF
 14 TO ANY LOSS ON ANY 1 [TITLE INSURANCE] RISK OR HAZARD IN AN AMOUNT
 15 EXCEEDING 10% OF
 16 ITS PAID-UP CAPITAL AND SURPLUS UNLESS THE TITLE INSURER MEETS ALL
 17 OF THE FOLLOWING:

18 (A) HAS A MOST RECENT A.M. BEST FINANCIAL RATING OF AT LEAST
 19 AN A- OR HAS A COMPARABLE RATING AS ASSIGNED BY A NATIONALLY
 20 RECOGNIZED STATISTICAL RATING ORGANIZATION APPROVED BY THE
 21 COMMISSIONER.

22 (B) HAS BEEN LICENSED AND OPERATING IN THIS OR ANOTHER STATE
 23 FOR AT LEAST 5 YEARS AND HAS REPORTED A NET INCOME FOR AT LEAST 3
 24 OF THE LAST 5 YEARS.

25 (C) HAS CAPITAL THAT EXCEEDS 2 TIMES THE MINIMUM PAID-UP
 26 CAPITAL AND SURPLUS REQUIREMENTS IN MICHIGAN.

27 (4) NO PORTION OF A [TITLE INSURANCE] RISK OR HAZARD THAT HAS BEEN
 REINSURED BY
 AN INSURER LICENSED TO DO TITLE INSURANCE BUSINESS IN THIS STATE
 SHALL BE INCLUDED IN DETERMINING THE 10% LIMITATION OF RISK
 PRESCRIBED IN SUBSECTION (3). [AN INSURER DESCRIBED IN SUBSECTION (3) (A)
 TO (C) SHALL NOT EXPOSE ITSELF TO ANY LOSS ON ANY 1 TITLE INSURANCE RISK
 OR HAZARD IN AN AMOUNT EXCEEDING 50% OF ITS PAID-UP CAPITAL AND SURPLUS.]

1 (5) UPON APPLICATION BY A TITLE INSURER, THE COMMISSIONER MAY
2 WAIVE THE 10% LIMITATION OF RISK PRESCRIBED IN SUBSECTION (3) FOR A
3 PARTICULAR RISK OR HAZARD FOR GOOD CAUSE SHOWN AND SO LONG AS THE
4 NET RETAINED LIABILITY FOR THAT PARTICULAR RISK OR HAZARD DOES NOT
5 EXCEED 50% OF THE INSURER'S PAID-UP CAPITAL AND SURPLUS.

6 (6) AS USED IN THIS SECTION, "TITLE INSURANCE" AND "TITLE
7 INSURER" MEAN THOSE TERMS AS DEFINED IN SECTION 7301.