

**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**

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 RISK OR HAZARD IN AN AMOUNT EXCEEDING 50% OF
4 ITS PAID-UP CAPITAL AND SURPLUS. HOWEVER, NO PORTION OF A RISK OR
5 HAZARD THAT HAS BEEN REINSURED BY AN INSURER LICENSED TO DO TITLE
6 INSURANCE BUSINESS IN THIS STATE SHALL BE INCLUDED IN DETERMINING
7 THE LIMITATION OF RISK PRESCRIBED IN THIS SUBSECTION.

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

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

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

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

24 (4) NO PORTION OF A RISK OR HAZARD THAT HAS BEEN REINSURED BY
25 AN INSURER LICENSED TO DO TITLE INSURANCE BUSINESS IN THIS STATE
26 SHALL BE INCLUDED IN DETERMINING THE 10% LIMITATION OF RISK
27 PRESCRIBED IN SUBSECTION (3).

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.