



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 177 (Summary S-1 as reported)
Sponsor: Senator Joe Hune
Committee: Insurance

CONTENT

The bill would amend Chapter 13 (Holding Companies) of the Insurance Code to do the following:

- Require the controlling person of a domestic insurer seeking to divest its controlling interest to file with the Director of the Department of Insurance and Financial Services (DIFS) a confidential notice at least 30 days before ceding control, and give a copy of the notice to the insurer.
- Require the DIFS Director to determine the instances in which a person seeking to divest or to acquire a controlling interest in an insurer was required to file for approval of the transaction.
- Provide, as a rule, that the information contained in such a filing would be confidential until the transaction concluded.
- Require certain controlling people to file an annual enterprise risk report with the DIFS Director, provide information that allowed the Director to evaluate enterprise risk to the insurer, and ensure that all subsidiaries within the person's control in the insurance holding company system would provide such information.
- Create an exception to a requirement that the Director approve a proposed acquisition of a domestic insurer in the case of an acquisition that was likely to be hazardous or prejudicial to the insurance-buying public.
- Authorize the Director to hold a public hearing to receive evidence and to hear parties affected by a merger or acquisition involving a domestic insurer.
- Require a statement regarding corporate governance and internal control procedures to be included in the information required in the registration statement filed with the Director by an insurer that is a member of a holding company system.
- Require financial statements of or within an insurance holding company system, if requested by the Director, to be included in financial reports certain insurers must file with the Director.
- Delete a felony penalty for an ultimately controlling person of an insurer who misrepresents financial information provided to the Director.
- Require the ultimate controlling person of an insurer subject to registration to file with the Director an annual enterprise risk report that identified the material risks within the insurance holding company system that could pose enterprise risk to the insurer.
- Provide that the enterprise risk report would not be subject to subpoena or discovery, would not be admissible in evidence in a private civil or administrative action, and would not be subject to the Freedom of Information Act (FOIA).
- Expand the types of transactions between a domestic insurer and a person in its holding company system for which the insurer must notify the DIFS Director in advance.
- Allow the Director to order a registered insurer to produce records, books, or other information not in the insurer's possession if necessary to determine the insurer's financial condition or legality of conduct and the insurer could obtain access to it.

- Specify that information provided by an insurer in connection with its registration statement would not be subject to FOIA, subject to discovery, or admissible in evidence in a private civil or administrative action.
- Allow the Director to share information, including confidential and privileged documents, with other regulatory agencies, the National Association of Insurance Commissioners (NAIC), and law enforcement authorities, if they agreed to maintain the confidentiality and privileged status of the information and had verified the legal authority to maintain confidentiality.
- Allow the Director to share confidential and privileged information regarding an enterprise risk report with insurance commissioners of other states who agreed not to disclose the information.
- Authorize the Director to receive information, including otherwise confidential and privileged information, from the NAIC and from regulatory and law enforcement officials of other jurisdictions, and require the Director to maintain as confidential or privileged any document, material, or information received with notice or the understanding that it was confidential or privileged.
- Provide that information in the possession or control of DIFS or the NAIC under Chapter 13 would be confidential and privileged, would not be subject to FOIA, would not be subject to subpoena, and would not be subject to discovery or admissible as evidence in a private civil or administrative action.
- Require the Director to enter into agreements with the NAIC governing sharing and use of information provided under Chapter 13.
- Authorize the Director to participate in a supervisory college for a domestic insurer that was part of an insurance holding company system with international operations to determine the insurer's financial condition, business strategy, risk management, risk exposures, governance processes, regulatory position, or legality of conduct.

MCL 500.1301 et al.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 10-29-15

Fiscal Analyst: Glenn Steffens

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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.