



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 178 (Substitute S-1 as reported)
Sponsor: Senator Joe Hune
Committee: Insurance

CONTENT

The bill would add Chapter 17 (Risk Management and Own Risk and Solvency Assessment) to the Insurance Code to do the following:

- Require an insurer to maintain a risk management framework to assist the insurer with identifying, assessing, monitoring, managing, and reporting on its material and relevant risks.
- Require an insurer or the insurance group of which it was a member, at least annually, to conduct a regular own risk solvency assessment (ORSA) (i.e., an internal assessment of the risks associated with the insurer or insurance group's current business plan and the sufficiency of capital resources to support those risks).
- Require an insurer to submit to the Director of the Department of Financial and Insurance Services (DIFS) an annual confidential ORSA summary report.
- Exempt an insurer from the requirements of Chapter 17 if it had annual direct written and unaffiliated assumed premium less than \$500.0 million and the insurance group of which the insurer was a member had annual direct written and unaffiliated assumed premium less than \$1.0 billion.
- Allow an insurer that did not qualify for the exemption to apply to the DIFS Director for a waiver from the requirements of Chapter 17 based on unique circumstances.
- Authorize the DIFS Director to require an insurer to maintain a risk management framework, conduct an ORSA, and file an ORSA summary report under certain circumstances.
- Provide for the confidentiality of documents, materials, and other information, including the ORSA summary report, in the possession or control of the Director that were obtained by, created by, or disclosed to the Director or any other person under Chapter 17.
- Allow the Director to use the documents, materials, or information in the furtherance of any regulatory or legal action brought as a part of his or her official duties, but prohibit the Director from otherwise making them public without the prior written consent of the insurer.
- Allow the Director to share the documents, materials, or other ORSA-related information with other regulatory agencies, the National Association of Insurance Commissioners (NAIC) and third-party consultants, if the recipient agreed to maintain their confidentiality and had verified the legal authority to maintain confidentiality.
- Allow the Director to receive documents, materials, or other ORSA-related information from regulatory officials of other jurisdictions and from the NAIC, and require the Director to maintain them as confidential or privileged if received with notice or the understanding that they were confidential or privileged.
- Require the Director to enter into an agreement with the NAIC or a third-party consultant governing sharing and use of the information provided under Chapter 17.
- Provide for the confidentiality of information in the possession or control of the NAIC or third-party consultants under Chapter 17.

- Provide for the confidentiality of documents, materials, or other information in the possession of an insurer created by the insurer to comply with Chapter 17.
- Prescribe a civil fine for an insurer that did not, without just cause, file a required ORSA summary report in a timely fashion.

The bill also would amend Chapters 21 (which pertains to home and automobile insurance) and 24 (Casualty Insurance Rates) of the Code to do the following:

- Provide that a filing by an insurer of a manual of classification, manual of rules and rates, rating plan, or modification of a manual or plan would be a public record as provided in the Freedom of Information Act (FOIA).
- Allow an insurer or rating organization filing on the insurer's behalf to designate the filing as a trade secret, and provide that it would be exempt from FOIA if the DIFS Director determined it was a trade secret.

The bill would take effect 90 days after it was enacted.

MCL 500.2108 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.