

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bills 1426 and 1427 (as introduced 9-19-02)
Sponsor: Senator Bill Bullard, Jr.
Committee: Financial Services

Date Completed: 9-24-02

CONTENT

The bills would amend the Insurance Code to revise requirements pertaining to insurers' capital and surplus. Senate Bill 1426 would delete a provision under which an insurer authorized to transact business before July 31, 1965, need not maintain the minimum required level if its premiums written and reinsurance assumed are less than its surplus. Senate Bill 1427 would increase the minimum capital and surplus required for surplus lines insurers.

The bills are described in more detail below.

Senate Bill 1426

Under Section 410 of the Insurance Code, an insurer's required level of capital and surplus depends on when it became authorized to transact business in this State. Since January 1, 1999, domestic, foreign, and alien insurers have had to maintain at least \$7 million in unimpaired capital and surplus. The minimum is \$1 million for insurers authorized to transact insurance on or after July 21, 1965, and before 1999.

Section 410 also provides that an insurer authorized to transact insurance before July 21, 1965, must maintain the minimum financial requirements of Section 408, which contains a schedule of required capital or surplus based on the type of insurance transacted. If, however, the insurer attains the level of capital and surplus required for insurers authorized on or after July 21, 1965, and before 1999, the insurer is required to maintain compliance with Section 410 unless the direct premiums written and any reinsurance assumed by the insurer in an annual period are less than the insurer's surplus. The bill would delete that provision.

Senate Bill 1427

Chapter 19 of the Code, which is titled the "Surplus Lines Insurance Act", governs the placement of insurance with eligible unauthorized insurers, also known as eligible surplus lines insurers. (Surplus lines insurance generally refers to coverage that is difficult or impossible to obtain in the State's ordinary insurance market.) In order to be "recognized" by the Commissioner as an eligible surplus lines insurer, an insurer must continuously maintain capital and surplus of at least \$1.5 million. The bill would increase that amount to \$7 million.

MCL 500.410 (S.B. 1426)
500.1920 (S.B. 1427)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

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

Fiscal Analyst: Maria Tyszkiewicz

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