



**House
Legislative
Analysis
Section**

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REDOMESTICATION OF INSURERS

Senate Bill 398 as passed by the Senate
First Analysis (5-25-89)

RECEIVED

JUN 08 1989

Sponsor: Sen. William Faust
Senate Committee: Commerce & Technology
House Committee: Insurance

THE APPARENT PROBLEM:

The Insurance Bureau has requested that a streamlined process be put in place to allow foreign (out-of-state) insurance companies admitted to business in Michigan to become domestic (Michigan-based) insurers. Regulators describe the current process as "expensive, cumbersome, and time-consuming."

THE CONTENT OF THE BILL:

The bill would amend Chapter 4 of the Insurance Code, which deals with the authorization of insurers, to provide the following.

- An insurance company organized under the laws of another state and admitted to do business in this state could become a domestic insurer by complying with all of the requirements of law relative to the organization and licensing of a domestic insurer of the same type and by designating its principal place of business at a place in the state. A company that did so would be entitled to domestic insurer certificates and licenses to transact business in the state and would be subject to the authority and jurisdiction of the state.
- With the approval of the insurance commissioner, a domestic insurer could transfer its domicile to any other state where it was admitted. Upon transfer, the company would cease to be a domestic insurer but would be admitted to the state as a foreign insurer if qualified. The commissioner would approve a transfer unless he or she determined the transfer not to be in the interest of the policyholders of the state.
- The certificate of authority, agent's appointments, licenses, rates, and other items as allowed by the commissioner in existence at the time of the transfer would continue in full force and effect as long as the company remained qualified to transact the business of insurance in the state. All outstanding policies would remain in full force and effect and would not have to be endorsed as to the new name of the company or its new location, unless so ordered by the commissioner. A transferring insurer would have to file new policy forms with the commissioner on or before the date of the transfer but could use existing policy forms with appropriate endorsements if allowed by the commissioner, who could impose conditions on such use. Each transferring insurer would have to notify the commissioner of the proposed transfer and file promptly any resulting amendments to corporate documents filed or required to be filed with the commissioner.

The insurance commissioner would be required to promulgate rules to carry out the purposes of the bill.

MCL 500.412 et al.

FISCAL IMPLICATIONS:

The Department of Licensing and Regulation says the bill has no revenue or budgetary implications. (5-9-89)

ARGUMENTS:

For:

The bill's aim, insurance regulators say, is to allow admitted insurers (those doing business in Michigan) to change their states of domicile more easily. When a company is purchased by another company or group, the company making the acquisition wants to change the state of domicile (the headquarters state) of the acquired company. The current process is considered overly burdensome. By creating an easier process for redomestication, the bill would encourage the expansion of the state's insurance industry. The legislation is based on a model bill for redomestication developed by the National Association of Insurance Commissioners.

Response: It should be pointed out that the bill, along with making it easier for out-of-state companies to become Michigan-based companies, makes it easier for a Michigan company to change its state of domicile.

POSITIONS:

The Insurance Bureau supports the bill and requested its introduction. (5-9-89)