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BILL ANALYSIS

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Senate Fiscal Agency

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Senate Bill 351 (as enrolled)

Sponsor: Senator Richard Posthumus

Senate Committee: Commerce and Technology

House Committee: Insurance

Date Completed: 6-29-89

PUBLIC ACT 139 of 1989**RATIONALE**

The Insurance Code requires that all domestic (i.e., Michigan-based) insurance companies have as trustees or directors at least three Michigan residents. Some have argued that the residency requirement can be a hindrance to a company that wishes to keep its headquarters in Michigan when it becomes part of a larger group of companies or a holding company based out of the State. In such cases, the trustees or directors of the larger group or the holding company may not be Michigan residents, and the group or holding company may not want to require them to become Michigan residents, or add Michigan residents to its board of trustees or directors, simply to enable the Michigan-based company to retain its Michigan headquarters. Some also note that the residency requirement is inconsistent with statutes governing Michigan corporations regulated under the Business Corporation Act, which does not contain a residency requirement for corporate directors.

CONTENT

The bill would amend the Insurance Code to reduce from three to one the minimum number of trustees or directors of a domestic insurance company who must be residents of Michigan.

MCL 500.5238

FISCAL IMPACT

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

ARGUMENTS**Supporting Argument**

The bill recognizes that most business corporations in Michigan do not have a residency requirement for trustees or directors, and that such a requirement for insurance companies actually can be problematic to companies wishing to keep their headquarters in Michigan when they become part of a larger business entity based outside the State. Many other states have no residency requirement for directors of insurance companies.

Opposing Argument

The bill would not eliminate the residency requirement completely. If other corporations are not required to have resident trustees or directors and the residency requirement can be a problem for domestic insurers wishing to remain domestic insurers, then the residency requirement should be eliminated altogether.

Response: Eliminating the residency requirement for Michigan insurers would render less meaningful the fact that a company is headquartered in the State and could make it more likely that a company would leave Michigan or disregard the interests of the State and its people.

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