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BILL ANALYSIS

Senate Fiscal Agency

• Lansing, Michigan 48909

• (517) 373-5383

Senate Bill 972

Sponsor: Senator Norman D. Shinkle

Committee: Commerce and Technology

Date Completed: 5-23-90

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JUN 28 1990

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SUMMARY OF SENATE BILL 972 as introduced 5-23-90:

The bill would amend the Insurance Code to allow a trade association agent to effect insurance upon the property, life, or other risk of members or shareholders of the trade association that owned a majority of the capital stock of the trade association agent. Further, the trade association agent could pay dividends or make other distributions to the members or shareholders of the trade association agent. These provisions would not imply, however, that a shareholder or member of a corporation was a business associate, or that the payment of dividends or the making of other distributions by an agent was a reward or remuneration. (The Code limits the amount of insurance an agent may effect on his or her business associates, and prohibits agents from rewarding or remunerating persons for procuring or inducing business in Michigan, furnishing leads or prospects, or acting in any other manner as an agent.)

The bill also specifies that the Act's provisions concerning unfair and deceptive acts and practices would not prohibit a trade association agent from issuing shares of capital stock of the trade association agent to the trade association that owned a majority of the capital stock of the trade association agent or to members or shareholders of the trade association. This provision would not imply that issuing shares of capital stock of an agent to its members or shareholders was an inducement to insurance.

"Trade association" would mean an organization exempt from Federal income tax under the Internal Revenue Code. "Trade association agent" would mean an agent that is a corporation, a majority of the capital stock of which is owned by a trade association, and that effects insurance solely upon the property, life, or other risk of the trade association, its directors, officers, or employees, the members or shareholders of the trade association, or the directors, officers, or employees of the members or shareholders of the trade association.

MCL 500.1207 et al.

Legislative Analyst: L. Burghardt

FISCAL IMPACT

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

Fiscal Analyst: J. Schultz

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