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BILL ANALYSIS

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Senate Bill 398 (as enrolled)

Sponsor: Senator William Faust

Senate Committee: Commerce and Technology

House Committee: Insurance

PUBLIC ACT 92 of 1989

Date Completed: 6-29-89

RATIONALE

Sometimes when one insurance company is purchased by another company or group of companies, the acquiring company or group may choose to change the state of domicile or headquarters of the acquired company. Although the ability to make such a change, some claim, is particularly significant for promoting of the growth and expansion of the State's insurance industry, the current process for accomplishing such a change is considered expensive, cumbersome, and time-consuming. Some believe that a more streamlined process, modeled after a bill for redomestication developed by the National Association of Insurance Commissioners, would make it easier for foreign insurers to become Michigan-based companies, which they say would benefit the State's insurance industry and contribute to the State's economic diversification efforts.

Upon the approval of the Insurance Commissioner, a domestic insurer would be allowed to transfer its domicile to any other state in which it was admitted to transact business. Upon the transfer the insurer would cease to be a domestic insurer but would have to be admitted to Michigan if the insurer were qualified as a foreign insurer. The Insurance Commissioner would be required to approve a proposed transfer unless she or he determined the transfer was not in the interests of the policyholders in this State.

The bill specifies that any certificate of authority, agent's appointments, licenses, rates, or other item allowed by the Insurance Commission that was in existence at the time the insurer licensed to do business in Michigan transferred its corporate domicile to this or any other state by merger, consolidation or any other lawful method would continue in full force and effect upon the transfer if the insurer remained duly qualified to do business in Michigan. All outstanding policies of a transferring insurer 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. Each transferring insurer would be required to file new policy forms with the Commissioner on or before the effective date of the transfer but could use existing policy forms with appropriate endorsements, if allowed by, and under conditions approved by the Commissioner. Each transferring insurer would be required to

CONTENT

The bill would amend the Insurance Code to allow an insurer organized under the laws of any other state and admitted to do business in Michigan (i.e., a foreign insurer) to become a domestic insurer by complying with all legal requirements relative to the organization and licensing of a domestic insurer of the same type and by designating a place in Michigan as its principal place of business. An insurer who complied with these requirements would be entitled to domestic insurer certificates and licenses and would be subject to the authority and jurisdiction of this State.

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notify the Commissioner of the details of the proposed transfer and file promptly any resulting amendments to corporate documents filed or required to be filed with the Commissioner.

The Commissioner could promulgate rules to implement the bill.

MCL 500.412 et al.

FISCAL IMPACT

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

ARGUMENTS

Supporting Argument

The bill would replace an overly burdensome and outmoded redomestication process for insurance companies with one that is more streamlined and, thus, more likely to encourage the growth and expansion of the State's insurance industry.

Response: It should be noted that the bill would make it easier not only for out-of-state companies to become Michigan-based companies but also for a Michigan company to change its state of domicile and become a foreign company.

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