

**Michigan Office of Administrative Hearings and Rules**

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**AGENCY REPORT TO THE  
JOINT COMMITTEE ON ADMINISTRATIVE RULES (JCAR)**

**1. Agency Information**

**Agency name:**

Insurance and Financial Services

**Division/Bureau/Office:**

Insurance

**Name of person completing this form:**

Julie Agueros

**Phone number of person completing this form:**

517-894-3713

**E-mail of person completing this form:**

AguerosJ@michigan.gov

**Name of Department Regulatory Affairs Officer reviewing this form:**

Sarah Wohlford

**2. Rule Set Information**

**MOAHR assigned rule set number:**

2020-132 IF

**Title of proposed rule set:**

Credit for Reinsurance

**3. Purpose for the proposed rules and background:**

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These rules were promulgated in 1996, following the enactment of Chapter 11 of the Insurance Code of 1956 (Code), MCL 500.1101 to 500.1127, to regulate reinsurance, which occurs when an insurer cedes a portion of its risk to another insurer that assumes the risk. See, generally, 1994 PA 226. These rules were amended in 2011 and 2019, following changes the National Association of Insurance Commissioners (NAIC) made to its model law and regulation and legislative amendments to the Code designed to bring Michigan into compliance with the NAIC model law and regulation. See 2018 PA 91. Specifically, these rules and Sections 1103, 1105, and 1106 of the Code, MCL 500.1103, 500.1105, and 500.1106, establish requirements for insurers to take credit, i.e., as an asset or reduction from liability, for reinsurance ceded to an assuming insurer. Section 1103 allows credit for reinsurance if ceded to an assuming insurer that meets any of subsections (2) through (6) of MCL 500.1103. The NAIC has made additional changes to its model law and regulation to facilitate the consistency of state law with the “covered agreement” entered by the United States on September 22, 2017, authorized under 31 USC 314. The changes to the NAIC models necessitate corresponding legislative amendments and amendments to these rules to provide for additional categories of assuming insurers that will provide the ceding insurer credit for the cession. The legislative amendments are contained within Senate Bill 1015’20 (PA 328 of 2020), which was signed by Governor Whitmer on December 29, 2020. These proposed rules would implement those legislative amendments.

#### **4. Summary of proposed rules:**

These rules are promulgated under Chapter 11 of the Insurance Code of 1956 to regulate reinsurance, which occurs when an insurer cedes a portion of its risk to another insurer that assumes the risk. These rules are based on the model law and regulation promulgated by the National Association of Insurance Commissioners (NAIC). The NAIC has made changes to its model law and regulation to facilitate the consistency of state law with the “covered agreements” entered by the United States, authorized under 31 USC 313-314. The changes to the NAIC models necessitate corresponding legislative amendments and amendments to these rules to provide credit for a cession to a reinsurer in a “reciprocal jurisdiction.” The legislative amendments are contained within Senate Bill 1015’20 (PA 328 of 2020). The proposed rules would implement those legislative amendments.

#### **5. List names of newspapers in which the notice of public hearing was published and publication dates:**

Oakland Press, March 8, 2021; Lansing State Journal, March 8, 2021; Escanaba Daily Press, March 8, 2021

#### **6. Date of publication of rules and notice of public hearing in Michigan Register:**

3/15/2021

#### **7. Date, time, and location of public hearing:**

3/23/2021 10:00 AM at This public hearing will be held virtually via Microsoft Teams to receive public comments while complying with measures designed to help prevent the spread of Coronavirus Disease 2019 (COVID-19). , <http://bit.ly/CreditForReinsuranceDraftRulesPublicHearing>

#### **8. Provide the link the agency used to post the regulatory impact statement and cost-benefit analysis on its website:**

<https://ARS.apps.lara.state.mi.us/Transaction/RFRTransaction?TransactionID=1258>

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**9. List of the name and title of agency representative(s) attending public hearing:**

Sarah Wohlford, Senior Deputy Director; Julie Agueros, Staff Attorney

**10. Persons submitting comments of support:**

Sabrina Miesowitz on behalf of Underwriters at Lloyd's, London (written); Ken Ross on behalf of John Hancock (hearing)

**11. Persons submitting comments of opposition:**

There were no comments of opposition.

**12. Identify any changes made to the proposed rules based on comments received during the public comment period:**

	<b>Name &amp; Organization</b>	<b>Comments made at public hearing</b>	<b>Written Comments</b>	<b>Agency Rationale for change</b>	<b>Rule number &amp; citation changed</b>
1					

**13. Date report completed:**

3/26/2021