

Michigan Office of Administrative Hearings and Rules
MOAHR-Rules@michigan.gov

**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 Merriman

Phone number of person completing this form:

517-284-8787

E-mail of person completing this form:

MerrimanJ2@michigan.gov

Name of Department Regulatory Affairs Officer reviewing this form:

Sarah Wohlford

2. Rule Set Information

MOAHR assigned rule set number:

2023-21 IF

Title of proposed rule set:

Holding Companies

3. Purpose for the proposed rules and background:

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Michigan regulates the acquisition of control of, and merger with, insurance companies and transactions between insurance companies and affiliated entities. Statutory requirements for such insurance holding company systems are set forth in Chapter 13 of the Insurance Code of 1956, MCL 500.1301 to 500.1379, and are implemented by the Director of the Department of Insurance and Financial Services (Department), in part, through required registration and statement filings on forms and instructions, as prescribed by the Director. These requirements are based on the model Insurance Holding Company System Regulatory Act and Regulation promulgated by the National Association of Insurance Commissioners (NAIC).

The proposed rules ensure that Michigan's oversight of insurance holding company systems are aligned with the NAIC models to strengthen and clarify existing regulatory requirements, including implementation of the group capital calculation (GCC) and liquidity stress test, as adopted under the NAIC models and enacted in Michigan under a series of public acts amending Chapter 13. See 2022 PA 258 to 263. These requirements are intended to strengthen financial solvency regulatory requirements for insurers and give state insurance regulators a better understanding of risks to insurance groups and their policyholders. A state's adoption of the NAIC models is generally required for a state to maintain its accreditation through the NAIC, and the changes relevant to the GCC are anticipated to become part of the accreditation requirements. The GCC is also intended to comply with the "Covered Agreements" between the United States and the European Union (EU) and the United Kingdom (UK), and such compliance ensures that a supervisor in the EU or UK could not impose its own group capital calculation on a United States group operating in that jurisdiction.

4. Summary of proposed rules:

The proposed rules establish a new rule set based on the Insurance Holding Company System Regulatory Act (#440) and Insurance Holding Company System Model Regulation (#450) promulgated by the National Association of Insurance Commissioners (NAIC). Recent changes to the NAIC models strengthen and clarify existing regulatory requirements, including implementation of the group capital calculation and liquidity stress test, which were enacted in Michigan under amendments to Chapter 13 of the Insurance Code of 1956. See 2022 PA 258 to 264. These requirements, which are implemented under the proposed rules, are intended to strengthen financial solvency regulatory requirements for insurers and give state insurance regulators a better understanding of risks to insurers at the group level.

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

Lansing State Journal, December 1, 2023; Detroit Free Press, November 29, 2023; Daily Press (Escanaba), December 1, 2023.

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

12/1/2023

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

12/19/2023 10:30 AM at Ottawa Building, Conference Room #6 , 611 West Ottawa Street, Lansing, Michigan 48933

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

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<https://ARS.apps.lara.state.mi.us/Transaction/RFRTransaction?TransactionID=1448>

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

Julie Merriman, Administrative Law Specialist, Office of Appeals, Legal Research, and Market Regulation.

10. Persons submitting comments of support:

Dyck E. Van Koevering, Insurance Alliance of Michigan.

11. Persons submitting comments of opposition:

There were no comments in opposition of the entire rule set.

12. Persons submitting other comments:

Johanna M. Novak, Upper Peninsula Health Plan; Eric Poe and Justin Klitsch, Reciprocal Attorney-In-Fact, Inc., and NJ PURE and Reciprocal Management Corp. and CURE Auto Insurance.

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

	Name & Organization	Comments made at public hearing	Written Comments	Agency Rationale for Rule Change and Description of Change(s) Made	Rule number & citation changed
1	Johanna M. Novak, Upper Peninsula Health Plan		Filings submitted under the proposed rules should allow for the Department’s current electronic filing instructions.	The Department currently instructs the filings to be submitted electronically pursuant to an annual order of the Director. The rule has been updated to accommodate this process.	R 500.74(2)

14. Date report completed:

1/17/2024