



**House
Legislative
Analysis
Section**

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TIAA-CREF SERVICE CENTER

House Bill 5511 as enrolled
Second Analysis (10-10-88)

RECEIVED

NOV 10 1988

Sponsor: Rep. John Bennett
House Committee: Insurance
Senate Committee: Commerce & Technology

Mich. State Law Library

THE APPARENT PROBLEM:

The Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) is a large, New York-based nonprofit life insurer that specializes in retirement programs for private and public colleges and universities. It is excluded at present from regulation under the Insurance Code because the code does not include as a "transaction of insurance" any transaction by a nonprofit life insurer involving a life insurance, disability, or annuity contract issued directly from the company's home office, without agents or representatives in Michigan, only to or for the benefit of employees of nonprofit educational, scientific, or religious institutions. TIAA-CREF wants to open a "service center" in Michigan to service its extensive business in the state (not to solicit business from the general public), but fears that its salaried employees at the center would be considered "representatives" under the code, which would force the organization to become a licensed insurance company.

Committee, the Teachers Insurance and Annuity Association – College Retirement Equities Fund does business with 127 institutions in Michigan, mostly colleges, representing nearly 30,000 individual annuitants. The organization's exemption from the Insurance Code is contingent upon its not having "agents or representatives" in the state. The bill's intent is to allow the organization to have salaried employees in the state to service contracts. It is not the bill's intent to permit a sales staff in the state.

H.B. 5511 (10-10-88)

THE CONTENT OF THE BILL:

The bill would amend the Insurance Code to allow a nonprofit life insurer exempt from the code because its transactions involve life insurance, disability, or annuity contracts issued directly from its home office only to or for the benefit of employees of nonprofit educational, scientific, or religious institutions, to have representatives in the state to service life insurance, disability, or annuity contracts. (The code would be amended to read that such a nonprofit life insurer would be exempt only if it was "without agents or representatives in this state other than representatives servicing life insurance, disability, or annuity contracts, or providing information upon request concerning other products of the company.")

MCL 500.402b

FISCAL IMPLICATIONS:

The bill would have no fiscal implications to the state, according to the Department of Licensing and Regulation. (5-19-88)

ARGUMENTS:

For:

The bill would allow a large, non-profit life insurer to open a service center in Michigan without losing its exemption from regulation under the Insurance Code. The employees at the service center would not be competing with commercial life insurers for business among the general public but would be responsible for servicing its already extensive Michigan business among colleges, universities, and other nonprofit scientific or religious organizations. According to information distributed to the House Insurance