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BILL ANALYSIS

Senate Fiscal Agency

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House Bill 5511 (as reported with amendment)**Sponsor: Representative John Bennett****House Committee: Insurance****Senate Committee: Commerce and Technology****Date Completed: 9-23-88*****RATIONALE***

The Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) is a 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" the transactions by a nonprofit life insurer involving life insurance, disability, or annuity contracts 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. (According to the Department of Licensing and Regulation the only nonprofit insurer that meets these restrictions is the TIAA-CREF.) Reportedly, the TIAA-CREF wants to open a 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 require the organization to become licensed.

CONTENT

The bill would amend the Insurance Code to allow a nonprofit life insurance company to have representatives in this State service life insurance, disability, or annuity contracts (for employees of nonprofit educational, scientific, or religious institutions), or provide information upon request concerning other products of the company, without being subject to regulation under the Code.

MCL 500.402b

SENATE COMMITTEE ACTION

As passed by the House, the bill would allow a nonprofit life insurance company to have representatives in the State service life insurance, disability, or annuity contracts, under the conditions specified, without being subject to regulation. The Senate Committee adopted an amendment to provide further that a representative, upon request, could supply to clients information concerning other products of the company, without being subject to regulation under the Code.

FISCAL IMPACT

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

ARGUMENTS***Supporting Argument***

The bill would allow a large nonprofit 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 Committee, the Teachers Insurance and Annuity Association - College Retirement Equities Fund services 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 would simply allow the organization to have salaried employees staff a service center to service contracts. It would not permit a sales staff in the State.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

H.B. 5511 (9-23-88)