



HOUSE BILL No. 4018

January 11, 1995, Introduced by Rep. Clack and referred to the Committee on Insurance.

A bill to amend Act No. 218 of the Public Acts of 1956,
entitled as amended
"The insurance code of 1956,"
as amended, being sections 500.100 to 500.8302 of the Michigan
Compiled Laws, by adding chapter 11a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 218 of the Public Acts of 1956, as
2 amended, being sections 500.100 to 500.8302 of the Michigan
3 Compiled Laws, is amended by adding chapter 11a to read as
4 follows:

5 CHAPTER 11A

6 COMMUNITY INVESTMENTS

7 SEC. 1181. AS USED IN THIS CHAPTER:

1 (A) "COMMUNITY DEVELOPMENT CORPORATION" MEANS A QUASI-PUBLIC
2 NONPROFIT CORPORATION ORGANIZED TO CARRY OUT CERTAIN PUBLIC
3 PURPOSES AND WITH BYLAWS PROVIDING ALL OF THE FOLLOWING:

4 (i) THAT IT IS ORGANIZED TO OPERATE WITHIN A SPECIFIED GEO-
5 GRAPHIC AREA THAT COINCIDES WITH EXISTING POLITICAL BOUNDARIES.

6 (ii) THAT MEMBERSHIP IN THE CORPORATION IS OPEN TO ALL RESI-
7 DENTS IN THE SPECIFIED GEOGRAPHIC AREA WHO ARE 18 YEARS OF AGE OR
8 OLDER.

9 (iii) THAT AT LEAST A MAJORITY OF ITS BOARD OF DIRECTORS ARE
10 ELECTED BY THE FULL MEMBERSHIP WITH EACH MEMBER HAVING AN EQUAL
11 VOTE.

12 (iv) THAT ANY OTHER DIRECTORS BE EITHER APPOINTEES OF
13 ELECTED STATE OR LOCAL GOVERNMENT OFFICIALS OR APPOINTEES OF
14 OTHER NONPROFIT ORGANIZATIONS HAVING AS A PURPOSE THE PROMOTION
15 OF DEVELOPMENT IN THE SPECIFIED GEOGRAPHIC AREA.

16 (v) THAT ELECTIONS ARE HELD ANNUALLY FOR AT LEAST 1/3 OF THE
17 MEMBERS OF THE BOARD OF DIRECTORS SO THAT EACH ELECTED DIRECTOR
18 SHALL SERVE FOR A TERM OF AT LEAST 3 YEARS.

19 (vi) THAT THE DESIGNATED GEOGRAPHIC AREA IS CONSISTENT WITH
20 SOME EXISTING, OR COMBINATION OF EXISTING, POLITICAL DISTRICTS,
21 PROVIDED THAT THE AGGREGATE POPULATION OF THE SPECIFIED GEO-
22 GRAPHIC AREA DOES NOT EXCEED 115,000 PEOPLE BASED ON THE MOST
23 RECENT APPROPRIATE FEDERAL CENSUS.

24 (B) "LOW- AND MODERATE-INCOME" MEANS THOSE INDIVIDUALS OR
25 FAMILIES THAT HAVE INCOMES THAT DO NOT EXCEED 80% OF THE MEDIAN
26 INCOME FOR THE SPECIFIED GEOGRAPHIC AREA, WITH ADJUSTMENTS FOR
27 SMALLER AND LARGER FAMILIES, AS SUCH MEDIAN IS DETERMINED BY THE

1 SECRETARY OF HOUSING AND URBAN DEVELOPMENT PURSUANT TO
2 SECTION 3(b) OF TITLE I OF THE UNITED STATES HOUSING ACT OF 1937,
3 CHAPTER 896, 88 STAT. 654, 42 U.S.C. 1437a.

4 (C) "LOW- AND MODERATE-INCOME COMMUNITIES" MEANS THOSE COM-
5 MUNITIES WHERE THE MAJORITY OF THE INDIVIDUALS OR FAMILIES HAVE
6 INCOMES THAT DO NOT EXCEED 80% OF THE MEDIAN INCOME FOR THE SPEC-
7 IFIED GEOGRAPHIC AREA, WITH ADJUSTMENTS FOR SMALLER AND LARGER
8 FAMILIES, AS SUCH MEDIAN IS DETERMINED BY THE SECRETARY OF HOUS-
9 ING AND URBAN DEVELOPMENT PURSUANT TO SECTION 3(b) OF TITLE I OF
10 THE UNITED STATES HOUSING ACT OF 1937, 42 U.S.C. 1437a.

11 (D) "NOT-FOR-PROFIT INTERMEDIARIES" MEANS THOSE TAX EXEMPT
12 ORGANIZATIONS UNDER SECTION 501(c)(3) OF THE INTERNAL REVENUE
13 CODE OF 1986, 26 U.S.C. 501, THAT PACKAGE LOANS AND ADMINISTER
14 LOAN FUNDS FOR ECONOMIC AND HOUSING DEVELOPMENT IN LOW- AND
15 MODERATE-INCOME COMMUNITIES.

16 (E) "SMALL BUSINESSES" MEANS THOSE BUSINESSES WITH ANNUAL
17 SALES OF LESS THAN \$10,000,000.00 AND WHO EMPLOY RESIDENTS OF THE
18 STATE.

19 SEC. 1183. (1) AN INSURANCE COMPANY AUTHORIZED TO DO BUSI-
20 NESS IN MICHIGAN SHALL INVEST IN THE SMALL BUSINESSES AND LOW-
21 AND MODERATE-INCOME COMMUNITIES OF MICHIGAN. THIS OBLIGATION MAY
22 BE MET IN PART THROUGH EITHER DIRECT LOANS OR AUTHORIZED INVEST-
23 MENTS DESIGNATED BY THE COMMISSIONER UNDER SUBSECTION (2) AS SAT-
24 ISFYING THE REINVESTMENT RESPONSIBILITIES OF THIS CHAPTER.

25 (2) THE COMMISSIONER SHALL DESIGNATE AS AUTHORIZED INVEST-
26 MENTS SATISFYING SUBSECTION (1) ALL OF THE FOLLOWING:

1 (A) PERMANENT FINANCING FOR LOW- AND MODERATE-INCOME RENTAL
2 AND COOPERATIVE HOUSING DEVELOPMENTS.

3 (B) LOAN FUNDS AND INVESTMENTS IN NOT-FOR-PROFIT INTERMEDIA-
4 RIES AND COMMUNITY DEVELOPMENT CORPORATIONS THAT IN TURN LEND TO
5 OR INVEST IN MICHIGAN DEVELOPMENT.

6 (C) SECURITIES BACKED BY MICHIGAN LOANS.

7 (D) BONDS ISSUED BY MICHIGAN AGENCIES.

8 (3) INVESTMENTS AUTHORIZED UNDER SUBSECTION (2) SHALL SAT-
9 ISFY THE REINVESTMENT RESPONSIBILITIES OF THIS CHAPTER IF THESE
10 INVESTMENTS ARE DETERMINED BY THE COMMISSIONER TO SERVE THE
11 INVESTMENT NEEDS OF SMALL BUSINESSES AND LOW- AND MODERATE-INCOME
12 COMMUNITIES IN MICHIGAN AND ARE CONSISTENT WITH THE SAFE AND
13 SOUND OPERATION OF THE INSURER.

14 SEC. 1185. EACH INSURANCE COMPANY AUTHORIZED TO DO BUSINESS
15 IN MICHIGAN SHALL ADOPT ANNUALLY A STATEMENT OF COMMUNITY REIN-
16 VESTMENT THAT DESCRIBES ITS EFFORTS TO MEET THE INVESTMENT NEEDS
17 OF LOW- AND MODERATE-INCOME COMMUNITIES AND SMALL BUSINESSES IN
18 MICHIGAN. COPIES OF THE STATEMENT SHALL BE MADE PUBLICLY AVAIL-
19 ABLE AT ALL LOCATIONS IN MICHIGAN WHERE THE INSURER DOES BUSINESS
20 OR WHERE BUSINESS IS DONE ON ITS BEHALF.

21 SEC. 1187. EACH INSURANCE COMPANY AUTHORIZED TO DO BUSINESS
22 IN MICHIGAN SHALL MAINTAIN A FILE AT EACH OFFICE IN THE STATE
23 WHERE THE INSURER DOES BUSINESS OR WHERE BUSINESS IS DONE ON ITS
24 BEHALF OF ANY WRITTEN COMMENTS SUBMITTED BY THE PUBLIC OVER THE
25 PAST 2 YEARS ON ITS REINVESTMENT PERFORMANCE. THIS FILE SHALL
26 ALSO CONTAIN COPIES OF ANY RESPONSES THAT THE INSURER MAKES TO
27 THESE COMMENTS AND A COPY OF THE 2 MOST RECENT REINVESTMENT

1 REPORTS, LISTING THE INSURER'S INVESTMENTS IN MICHIGAN. THIS
2 FILE SHALL BE AVAILABLE TO THE PUBLIC FOR REVIEW UPON REQUEST.

3 SEC. 1189. EACH INSURANCE COMPANY AUTHORIZED TO DO BUSINESS
4 IN MICHIGAN SHALL POST A NOTICE AT EACH OFFICE IN MICHIGAN WHERE
5 THE INSURER DOES BUSINESS OR WHERE BUSINESS IS DONE ON ITS BEHALF
6 THAT DESCRIBES HOW TO OBTAIN A COPY OF THE STATEMENT OF COMMUNITY
7 REINVESTMENT, WHERE TO SEND COMMENTS ABOUT THE INSURER'S REIN-
8 VESTMENT PERFORMANCE, WHERE TO REVIEW THE FILE OF COMMENTS ON THE
9 INSURER'S REINVESTMENT PERFORMANCE, AND HOW TO FILE A COMPLAINT
10 OR REQUEST A HEARING FROM THE COMMISSIONER.

11 SEC. 1191. (1) INSURANCE COMPANIES AUTHORIZED TO DO BUSI-
12 NESS IN MICHIGAN SHALL FILE ANNUALLY WITH THE COMMISSIONER A
13 REINVESTMENT REPORT THAT DISCLOSES BY COUNTY AND CENSUS TRACT OR
14 BY COUNTY IN RURAL AREAS WITHOUT CENSUS TRACTS THE NUMBER OF POL-
15 ICIES SOLD AND DOLLAR AMOUNTS OF PREMIUMS COLLECTED IN THE STATE
16 FOR EACH LINE OF INSURANCE DURING THE PREVIOUS YEAR. THE INSURER
17 SHALL DISCLOSE BY COUNTY AND CENSUS TRACT THE TYPE, NUMBER, AND
18 DOLLAR AMOUNT OF ALL LOANS, INCLUDING, BUT NOT LIMITED TO, COM-
19 MERCIAL, HOUSING, AND CONSUMER LOANS. THE INSURER SHALL DISCLOSE
20 THE TYPE, NUMBER, AND DOLLAR AMOUNT OF ALL OTHER INVESTMENTS
21 INCLUDING, BUT NOT LIMITED TO, GOVERNMENT OBLIGATIONS, CORPORATE
22 BONDS AND EQUITIES, AND OPEN MARKET PAPER. THE DATA SHALL BE
23 FURTHER ITEMIZED ACCORDING TO THE NUMBER AND DOLLAR AMOUNT OF
24 COMMERCIAL, CONSUMER, AND HOUSING LOANS INVOLVING APPLICANTS
25 GROUPED ACCORDING TO INCOME LEVEL, RACIAL CHARACTERISTICS, AND
26 GENDER. IN ADDITION, THE INSURER SHALL DISCLOSE ALL INVESTMENTS
27 MADE THAT SPECIFICALLY MEET THE INVESTMENT NEEDS OF SMALL

1 BUSINESSES AND LOW- AND MODERATE-INCOME COMMUNITIES. THE
2 COMMISSIONER SHALL HAVE THE POWER TO REQUIRE DISCLOSURE AS IS
3 NECESSARY TO EVALUATE THE REINVESTMENT PERFORMANCE OF INSURERS TO
4 ENFORCE COMPLIANCE WITH THIS CHAPTER.

5 (2) THE DATE OF THE REINVESTMENT REPORT SHALL BE DISCLOSED
6 FOR EACH CALENDAR YEAR AND SHALL BE PUBLICLY AVAILABLE AT THE
7 INSURANCE COMPANY BY MARCH 31 OF EACH YEAR. COPIES OF THE INFOR-
8 MATION SHALL BE PROVIDED UPON REQUEST. A REASONABLE FEE MAY BE
9 CHARGED FOR THE COST OF COPYING.

10 SEC. 1193. TWO COPIES OF EACH INSURER'S REINVESTMENT REPORT
11 SHALL BE FILED WITH THE COMMISSIONER BY MARCH 31 OF EACH YEAR.
12 THE COMMISSIONER SHALL MAINTAIN ORGANIZED FILES AVAILABLE TO THE
13 PUBLIC OF THE DISCLOSURE INFORMATION. THE COMMISSIONER SHALL
14 MAKE THE INFORMATION AVAILABLE TO THE PUBLIC FOR REVIEW AND COPY-
15 ING DURING NORMAL BUSINESS HOURS.

16 SEC. 1195. THE COMMISSIONER SHALL USE HIS OR HER AUTHORITY
17 WHEN EXAMINING INSURANCE COMPANIES TO REQUIRE INSURERS UNDER THIS
18 CHAPTER TO INVEST IN ECONOMIC AND HOUSING DEVELOPMENT IN LOW- AND
19 MODERATE-INCOME COMMUNITIES INCLUDING, BUT NOT LIMITED TO,
20 INVESTMENTS IN SMALL BUSINESSES, COMMUNITY DEVELOPMENT CORPORA-
21 TIONS, AND NOT-FOR-PROFIT INTERMEDIARIES CONSISTENT WITH THE SAFE
22 AND SOUND OPERATION OF THE INSURERS.

23 SEC. 1196. WHEN EXAMINING AN INSURANCE COMPANY AUTHORIZED
24 TO DO BUSINESS IN THIS STATE, THE COMMISSIONER SHALL PREPARE A
25 WRITTEN EVALUATION OF THE INSURER'S RECORD OF PERFORMANCE IN
26 MEETING THE INVESTMENT NEEDS OF ITS ENTIRE COMMUNITY, INCLUDING
27 LOW- AND MODERATE-INCOME NEIGHBORHOODS, WHICH SHALL BE OPEN TO

1 PUBLIC INSPECTION UPON REQUEST. THE WRITTEN EVALUATION SHALL DO
2 BOTH OF THE FOLLOWING:

3 (A) STATE THE COMMISSIONER'S CONCLUSIONS ON HOW THE INSURER
4 MET ITS OBLIGATIONS UNDER THIS CHAPTER AND THE FACTS SUPPORTING
5 HIS OR HER CONCLUSIONS.

6 (B) CONTAIN THE INSURER'S DESCRIPTIVE RATING AND A STATEMENT
7 DESCRIBING THE BASIS FOR THE RATING. THIS RATING SHALL BE 1 OF
8 THE FOLLOWING:

9 (i) OUTSTANDING RECORD OF MEETING COMMUNITY CREDIT NEEDS.

10 (ii) SATISFACTORY RECORD OF MEETING COMMUNITY CREDIT NEEDS.

11 (iii) NEEDS TO IMPROVE RECORD OF MEETING COMMUNITY CREDIT
12 NEEDS.

13 (iv) SUBSTANTIAL NONCOMPLIANCE IN MEETING COMMUNITY CREDIT
14 NEEDS.

15 SEC. 1197. (1) ANY COMMUNITY ORGANIZATION THAT HAS A COM-
16 PLAINT ABOUT THE REINVESTMENT PERFORMANCE OF AN INSURANCE COMPANY
17 AUTHORIZED TO DO BUSINESS IN THIS STATE CAN REQUEST AND SHALL
18 RECEIVE A PUBLIC HEARING ON ITS COMPLAINT. THE PUBLIC HEARING
19 WILL BE CONDUCTED BY THE COMMISSIONER, SHALL BE ATTENDED BY THE
20 INSURER IN QUESTION, AND SHALL BE HELD AT A TIME AND PLACE CON-
21 VENIENT FOR THE PUBLIC.

22 (2) THE COMMISSIONER SHALL HAVE SUBPOENA POWER AT A HEARING
23 UNDER SUBSECTION (1) AND SHALL HAVE THE POWER TO SOLICIT TESTI-
24 MONY AND EVIDENCE. WITHIN 30 DAYS OF THE END OF THE HEARING, THE
25 COMMISSIONER SHALL ISSUE A FINDING. A SECTION 1196(B)(iii) OR
26 (iv) RATING SHALL BE GROUNDS FOR A CEASE AND DESIST ORDER, A
27 CIVIL FINE NOT EXCEEDING \$5,000.00, OR SUSPENSION OR REVOCATION

1 OF THE INSURER'S LICENSE OR CERTIFICATE OF AUTHORITY TO DO
2 BUSINESS IN THIS STATE, AS DETERMINED BY THE COMMISSIONER.

3 SEC. 1198. THE COMMISSIONER SHALL APPOINT A 7-MEMBER INSUR-
4 ANCE REINVESTMENT OVERSIGHT COMMITTEE, WITH A MAJORITY OF THE
5 MEMBERS REPRESENTING LOW- AND MODERATE-INCOME COMMUNITIES AND
6 SMALL BUSINESSES, AND WITH THE REMAINING REPRESENTATIVES FROM THE
7 INSURANCE INDUSTRY. THE OVERSIGHT COMMITTEE SHALL MEET NO LESS
8 THAN ONCE A QUARTER AND SHALL MONITOR IMPLEMENTATION OF THIS
9 CHAPTER AND THE RESULTS OF ANY REINVESTMENT HEARINGS. THE OVER-
10 SIGHT COMMITTEE SHALL PRESENT AN ANNUAL REPORT TO THE LEGISLATURE
11 ON THE IMPLEMENTATION OF THIS CHAPTER. THIS REPORT SHALL INCLUDE
12 AN ANALYSIS OF LENDING AND INVESTMENTS DISCLOSED BY THE INSURANCE
13 INDUSTRY, THE LENDING THAT REACHED THE LOW- AND MODERATE-INCOME
14 COMMUNITIES AND SMALL BUSINESSES OF THE STATE, THE REINVESTMENT
15 RATINGS OF THE INSURERS DOING BUSINESS IN THE STATE, AND THE
16 RESULTS OF ANY REINVESTMENT HEARINGS.