



Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 6520 (Substitute H-3 as reported without amendment)

Sponsor: Representative Lana Theis

House Committee: Insurance

Senate Committee: Insurance

CONTENT

The bill would add Chapter 17a (Corporate Governance Annual Disclosure) to the Insurance Code, which would do the following:

- Require an insurer, or the insurance group of which the insurer was a member, to submit to the Director of the Department of Insurance and Financial Services (DIFS) a corporate governance annual disclosure (CGAD) no later than June 1, 2020, and each June 1 after that date.
- Require the CGAD to be prepared as prescribed by the Director.
- Require an insurer that was a member of an insurance group to submit the CGAD to the commissioner of the lead state for the insurance group.
- Allow an insurer or insurance group to provide information regarding corporate governance at several levels.
- Specify that an insurer or insurance group that provided information substantially similar to the information required by the bill in other documents provided to the Director would not be required to duplicate that information in the CGAD.
- Specify that documents, materials, or other information relating to the bill, including the CGAD, in the possession or control of the Director would be considered proprietary, and that the information would be considered confidential and privileged.
- Prohibit the Director or any person who received documents, materials, or other CGAD-related information, from testifying in any private civil action concerning any confidential documents, materials, or information.
- Specify the actions the Director could take in regards to the information collected under the bill.
- Subject the National Association of Insurance Commissioners (NAIC) and third-party consultants to the same confidentiality standards and requirements as the Director.
- Specify what a written agreement with the NAIC or a third-party consultant, or both, governing sharing and use of information would have to contain.
- Prescribe a daily civil fine of \$1,000 for an insurer or insurance group that did not, without just cause, timely file the CGAD as required, after written notice and hearing, up to a maximum of \$75,000.
- Specify that Chapter 17a would be void if in a final decision a court held certain provisions to be invalid.
- Prohibit a Michigan court from applying a principle from the American Law Institute's "Restatement of the Law, Liability Insurance" in ruling on an issue in a case unless the principle was clearly expressed in a statute of the State, the common law, or case law precedent of the State.

The proposed Chapter 17a would apply to all insurers domiciled in Michigan.

FISCAL IMPACT

The bill would have no fiscal impact on the Department of Insurance and Financial Services (DIFS) and a minor positive fiscal impact on the General Fund. Costs associated with the responsibilities of the DIFS Director and staff included in the bill would be covered by existing appropriations. The bill would establish a civil fine of \$1,000 per day for insurers who did not file the CGAD in a timely manner. Revenue from this fine would be deposited into the State General Fund.

The bill would have no fiscal impact on local government.

Date Completed: 12-17-18

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