

**THE INSURANCE CODE OF 1956 (EXCERPT)**  
**Act 218 of 1956**

**500.640 Insurers; limitation of risk; exceptions; "title insurance" and "title insurer" defined.**

Sec. 640. (1) Except as otherwise provided in subsections (2) to (5), an insurer transacting business in this state shall not expose itself to any loss on any 1 risk or hazard in an amount exceeding 10% of its paid-up capital and surplus. However, no portion of a risk or hazard that has been reinsured by an insurer licensed to do insurance business in this state shall be included in determining the limitation of risk prescribed in this subsection.

(2) An insurer transacting business in this state that has obtained a certificate of authority authorizing the transaction of title insurance in this state before the effective date of the amendatory act that added this subsection shall not expose itself to any loss on any 1 title insurance risk or hazard in an amount exceeding 50% of its paid-up capital and surplus. However, no portion of a title insurance risk or hazard that has been reinsured by an insurer licensed to do title insurance business in this state shall be included in determining the limitation of risk prescribed in this subsection.

(3) An insurer transacting business in this state that obtains a certificate of authority authorizing the transaction of title insurance in this state on or after the effective date of the amendatory act that added this subsection shall not expose itself to any loss on any 1 title insurance risk or hazard in an amount exceeding 10% of its paid-up capital and surplus unless the title insurer meets all of the following:

(a) Has a most recent A.M. best financial rating of at least an A- or has a comparable rating as assigned by a nationally recognized statistical rating organization approved by the commissioner.

(b) Has been licensed and operating in this or another state for at least 5 years and has reported a net income for at least 3 of the last 5 years.

(c) Has capital that exceeds 2 times the minimum paid-up capital and surplus requirements in Michigan.

(4) No portion of a title insurance risk or hazard that has been reinsured by an insurer licensed to do title insurance business in this state shall be included in determining the 10% limitation of risk prescribed in subsection (3). An insurer described in subsection (3)(a) to (c) shall not expose itself to any loss on any 1 title insurance risk or hazard in an amount exceeding 50% of its paid-up capital and surplus.

(5) Upon application by a title insurer, the commissioner may waive the 10% limitation of risk prescribed in subsection (3) for a particular risk or hazard for good cause shown and so long as the net retained liability for that particular risk or hazard does not exceed 50% of the insurer's paid-up capital and surplus.

(6) As used in this section, "title insurance" and "title insurer" mean those terms as defined in section 7301.

**History:** 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1992, Act 182, Imd. Eff. Oct. 1, 1992;—Am. 2010, Act 338, Imd. Eff. Dec. 21, 2010.

**Popular name:** Act 218