



HOUSE BILL No. 4917

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July 1, 1993, Introduced by Reps. Clack and Harder 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 11.

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 11 to read as
4 follows:

CHAPTER 11

COMMUNITY INVESTMENTS

7 SEC. 1101. 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 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, CHAPTER 896, 88 STAT. 654,
11 42 U.S.C. 1437a.

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

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

20 SEC. 1103. (1) AN INSURANCE COMPANY THAT DOES BUSINESS IN
21 MICHIGAN SHALL INVEST IN THE SMALL BUSINESSES AND LOW- AND
22 MODERATE-INCOME COMMUNITIES OF MICHIGAN. THIS OBLIGATION MAY BE
23 MET IN PART THROUGH EITHER DIRECT LOANS OR AUTHORIZED INVESTMENTS
24 DESIGNATED BY THE COMMISSIONER UNDER SUBSECTION (2) AS SATISFYING
25 THE REINVESTMENT RESPONSIBILITIES OF THIS CHAPTER.

26 (2) THE COMMISSIONER SHALL DESIGNATE AS AUTHORIZED
27 INVESTMENTS 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. 1105. EACH INSURANCE COMPANY THAT DOES BUSINESS IN
15 MICHIGAN SHALL ADOPT ANNUALLY A STATEMENT OF COMMUNITY REINVEST-
16 MENT THAT DESCRIBES ITS EFFORTS TO MEET THE INVESTMENT NEEDS OF
17 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. 1107. EACH INSURANCE COMPANY SHALL MAINTAIN A FILE AT
22 EACH OFFICE IN THE STATE WHERE THE INSURER DOES BUSINESS OR WHERE
23 BUSINESS IS DONE ON ITS BEHALF OF ANY WRITTEN COMMENTS SUBMITTED
24 BY THE PUBLIC OVER THE PAST 2 YEARS ON ITS REINVESTMENT
25 PERFORMANCE. THIS FILE SHALL ALSO CONTAIN COPIES OF ANY
26 RESPONSES THAT THE INSURER MAKES TO THESE COMMENTS AND A COPY OF
27 THE 2 MOST RECENT REINVESTMENT REPORTS, LISTING THE INSURER'S

1 INVESTMENTS IN MICHIGAN. THIS FILE SHALL BE AVAILABLE TO THE
2 PUBLIC FOR REVIEW UPON REQUEST.

3 SEC. 1109. EACH INSURANCE COMPANY SHALL POST A NOTICE AT
4 EACH OFFICE IN MICHIGAN WHERE THE INSURER DOES BUSINESS OR WHERE
5 BUSINESS IS DONE ON ITS BEHALF THAT DESCRIBES HOW TO OBTAIN A
6 COPY OF THE STATEMENT OF COMMUNITY REINVESTMENT, WHERE TO SEND
7 COMMENTS ABOUT THE INSURER'S REINVESTMENT PERFORMANCE, WHERE TO
8 REVIEW THE FILE OF COMMENTS ON THE INSURER'S REINVESTMENT PER-
9 FORMANCE, AND HOW TO FILE A COMPLAINT OR REQUEST A HEARING FROM
10 THE COMMISSIONER.

11 SEC. 1111. (1) INSURANCE COMPANIES SHALL FILE ANNUALLY WITH
12 THE COMMISSIONER A REINVESTMENT REPORT THAT DISCLOSES BY COUNTY
13 AND CENSUS TRACT OR BY COUNTY IN RURAL AREAS WITHOUT CENSUS
14 TRACTS THE NUMBER OF POLICIES SOLD AND DOLLAR AMOUNTS OF PREMIUMS
15 COLLECTED IN THE STATE FOR EACH LINE OF INSURANCE DURING THE PRE-
16 VIOUS YEAR. EACH INSURER SHALL DISCLOSE BY COUNTY AND CENSUS
17 TRACT THE TYPE, NUMBER, AND DOLLAR AMOUNT OF ALL LOANS, INCLUD-
18 ING, BUT NOT LIMITED TO, COMMERCIAL, HOUSING, AND CONSUMER
19 LOANS. EACH INSURER SHALL DISCLOSE THE TYPE, NUMBER, AND DOLLAR
20 AMOUNT OF ALL OTHER INVESTMENTS INCLUDING, BUT NOT LIMITED TO,
21 GOVERNMENT OBLIGATIONS, CORPORATE BONDS AND EQUITIES, AND OPEN
22 MARKET PAPER. THE DATA SHALL BE FURTHER ITEMIZED ACCORDING TO
23 THE NUMBER AND DOLLAR AMOUNT OF COMMERCIAL, CONSUMER, AND HOUSING
24 LOANS INVOLVING APPLICANTS GROUPED ACCORDING TO INCOME LEVEL,
25 RACIAL CHARACTERISTICS, AND GENDER. IN ADDITION, EACH INSURER
26 SHALL DISCLOSE ALL INVESTMENTS MADE THAT SPECIFICALLY MEET THE
27 INVESTMENT NEEDS OF SMALL BUSINESSES AND LOW- AND MODERATE-INCOME

1 COMMUNITIES. THE COMMISSIONER SHALL HAVE THE POWER TO REQUIRE
2 SUCH DISCLOSURE AS IS NECESSARY TO EVALUATE THE REINVESTMENT PER-
3 FORMANCE OF INSURERS TO ENFORCE COMPLIANCE WITH THIS CHAPTER.

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

9 SEC. 1113. TWO COPIES OF EACH INSURER'S REINVESTMENT REPORT
10 SHALL BE FILED WITH THE COMMISSIONER BY MARCH 31 OF EACH YEAR.
11 THE COMMISSIONER SHALL MAINTAIN ORGANIZED FILES AVAILABLE TO THE
12 PUBLIC OF THE DISCLOSURE INFORMATION. THE COMMISSIONER SHALL
13 MAKE THE INFORMATION AVAILABLE TO THE PUBLIC FOR REVIEW AND COPY-
14 ING DURING NORMAL BUSINESS HOURS.

15 SEC. 1115. THE COMMISSIONER SHALL USE HIS OR HER AUTHORITY
16 WHEN EXAMINING INSURANCE COMPANIES TO REQUIRE THE INSURERS TO
17 INVEST IN ECONOMIC AND HOUSING DEVELOPMENT IN LOW- AND
18 MODERATE-INCOME COMMUNITIES INCLUDING, BUT NOT LIMITED TO,
19 INVESTMENTS IN SMALL BUSINESSES, COMMUNITY DEVELOPMENT CORPORA-
20 TIONS, AND NOT-FOR-PROFIT INTERMEDIARIES CONSISTENT WITH THE SAFE
21 AND SOUND OPERATION OF THE INSURERS.

22 SEC. 1117. WHEN EXAMINING AN INSURANCE COMPANY, THE COMMIS-
23 SIONER SHALL PREPARE A WRITTEN EVALUATION OF THE INSURER'S RECORD
24 OF PERFORMANCE IN MEETING THE INVESTMENT NEEDS OF ITS ENTIRE COM-
25 MUNITY, INCLUDING LOW- AND MODERATE-INCOME NEIGHBORHOODS, WHICH
26 SHALL BE OPEN TO PUBLIC INSPECTION UPON REQUEST. THE WRITTEN
27 EVALUATION SHALL DO BOTH OF THE FOLLOWING:

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

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

- 7 (i) OUTSTANDING RECORD OF MEETING COMMUNITY CREDIT NEEDS.
8 (ii) SATISFACTORY RECORD OF MEETING COMMUNITY CREDIT NEEDS.
9 (iii) NEEDS TO IMPROVE RECORD OF MEETING COMMUNITY CREDIT
10 NEEDS.
11 (iv) SUBSTANTIAL NONCOMPLIANCE IN MEETING COMMUNITY CREDIT
12 NEEDS.

13 SEC. 1119. (1) ANY COMMUNITY ORGANIZATION THAT HAS A COM-
14 PLAINTE ABOUT THE REINVESTMENT PERFORMANCE OF AN INSURANCE COMPANY
15 CAN REQUEST AND SHALL RECEIVE A PUBLIC HEARING ON ITS COMPLAINT.
16 THE PUBLIC HEARING WILL BE CONDUCTED BY THE COMMISSIONER, SHALL
17 BE ATTENDED BY THE INSURER IN QUESTION, AND SHALL BE HELD AT A
18 TIME AND PLACE CONVENIENT FOR THE PUBLIC.

19 (2) THE COMMISSIONER SHALL HAVE SUBPOENA POWER AT A HEARING
20 UNDER SUBSECTION (1) AND SHALL HAVE THE POWER TO SOLICIT TESTI-
21 MONY AND EVIDENCE. WITHIN 30 DAYS OF THE END OF THE HEARING, THE
22 COMMISSIONER SHALL ISSUE A FINDING. A SECTION 1117(B)(iii) OR
23 (iv) RATING SHALL BE GROUNDS FOR A CEASE AND DESIST ORDER, A
24 CIVIL FINE NOT EXCEEDING \$5,000.00, OR SUSPENSION OR REVOCATION
25 OF THE INSURER'S LICENSE OR CERTIFICATE OF AUTHORITY TO DO BUSI-
26 NESS IN THIS STATE, AS DETERMINED BY THE COMMISSIONER.

1 SEC. 1121. THE COMMISSIONER SHALL APPOINT A 7-MEMBER
2 INSURANCE REINVESTMENT OVERSIGHT COMMITTEE, WITH A MAJORITY OF
3 THE MEMBERS REPRESENTING LOW- AND MODERATE-INCOME COMMUNITIES AND
4 SMALL BUSINESSES, AND WITH THE REMAINING REPRESENTATIVES FROM THE
5 INSURANCE INDUSTRY. THE OVERSIGHT COMMITTEE SHALL MEET NO LESS
6 THAN ONCE A QUARTER AND SHALL MONITOR IMPLEMENTATION OF THIS
7 CHAPTER AND THE RESULTS OF ANY REINVESTMENT HEARINGS. THE OVER-
8 SIGHT COMMITTEE SHALL PRESENT AN ANNUAL REPORT TO THE LEGISLATURE
9 ON THE IMPLEMENTATION OF THIS CHAPTER. THIS REPORT SHALL INCLUDE
10 AN ANALYSIS OF LENDING AND INVESTMENTS DISCLOSED BY THE INSURANCE
11 INDUSTRY, THE LENDING THAT REACHED THE LOW- AND MODERATE-INCOME
12 COMMUNITIES AND SMALL BUSINESSES OF THE STATE, THE REINVESTMENT
13 RATINGS OF THE INSURERS DOING BUSINESS IN THE STATE, AND THE
14 RESULTS OF ANY REINVESTMENT HEARINGS.