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SFA**BILL ANALYSIS**

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Senate Bill 1434 (as enrolled)
Sponsor: Senator Valde Garcia
Committee: Financial Services

Date Completed: 10-28-02

RATIONALE

Under the Insurance Code, all insurers licensed to do business in Michigan are required to notify the Commissioner of the Office of Financial and Insurance Services (OFIS) when any new officers or directors are appointed or elected. This requirement applies both to Michigan-based (domestic) insurers and to insurers based elsewhere (foreign insurers). It has been suggested that OFIS does not need to monitor closely a foreign insurer's change of officers and directors, since the state where the insurer is domiciled is responsible for regulating the company.

CONTENT

The bill would amend the Insurance Code to limit the requirement that all insurers licensed to do business in this State notify the Commissioner of the Office of Financial and Insurance Services within 30 days of the appointment or election of any new officers or directors. Under the bill, that requirement would apply only to domestic insurers.

MCL 500.250

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

To help eliminate the duplication of regulation throughout the 50 states, the National Association of Insurance Commissioners has been instrumental in implementing a standard accreditation system in all states. Each state now has assumed primary responsibility for the regulation of its own domestic insurers.

By eliminating the requirement that foreign insurers notify the Commissioner of changes in officers and directors, the bill would reduce the workload and unnecessary paperwork of both the insurers and OFIS. According to OFIS, the notification letters do not provide meaningful information for the OFIS staff. If OFIS needs to find out about a foreign insurer's officers or directors, it can simply contact the regulatory agency in the insurer's state of domicile. Often, that state will be the first to recognize a need to investigate. Deleting the notice requirement, however, would not in any way limit the Commissioner's authority to take action against foreign insurers and their officers and directors, should the need arise.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

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

Fiscal Analyst: Maria Tyszkiewicz

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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.