

Senate Fiscal Agency
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SFA

BILL ANALYSIS

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Senate Bill 496 (as enrolled)
Sponsor: Senator Bill Bullard, Jr.
Committee: Financial Services

Date Completed: 6-20-01

RATIONALE

Under the Insurance Code, insurance companies, associations, risk retention groups, and purchasing groups that are not organized under Michigan law are considered to be foreign (out-of-State) or alien (out-of-country) insurers. When these insurers are licensed to do business in the State, they must agree that service of legal papers on the Commissioner of the Office of Financial and Insurance Services constitutes service upon the insurer. Thus, if someone wants to serve legal papers on a foreign or alien insurer, he or she must deliver the papers to the Commissioner, who then must notify the insurer that it has been served. Some people believe that service on foreign and alien companies could be simplified if these insurers designated a resident agent in the State for the service of process.

CONTENT

The bill would amend the Insurance Code to require insurers not organized under this State's laws to designate a resident agent for the service of process, instead of stipulating to service on the Commissioner of the Office of Financial and Insurance Services. Unauthorized insurers without a resident agent still would have to stipulate to service on the Commissioner. The bill also would increase from \$5 to \$10 the fee for service on the Commissioner.

Under the bill, every insurance company, association, risk retention group, or purchasing group not organized under this State's statutes would have to file with the Commissioner, as a condition of doing business in the State, the name and address

of a resident agent upon which any local process affecting the company, association, or group could be served. The bill specifies that service on the resident agent would be service on the company, association, or group. The designation would remain in force as long as any liability remained within the State.

Under the Code, every insurance company, association, risk retention group, or purchasing group not organized under this State's statutes must file with the Commissioner, as a condition of doing business in the State, its irrevocable written stipulation that any legal process affecting the company or group, served on the Commissioner or his or her deputies, has the same effect as if personally served on the company or group. A copy of the appointment must be filed with the Commissioner. Service on the Commissioner is considered sufficient service upon the company or group. Under the bill, these provisions would apply, as a condition of doing business in the State, to an unauthorized insurer, including an association, that did not have a resident agent.

MCL 500.456

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

The current procedure in which in which legal papers for foreign and alien insurers must be served on the Commissioner creates a lag between the time the Commissioner is served the papers and when the insurance company

actually receives them from the Commissioner. By requiring foreign and alien insurers to designate a resident agent in Michigan to receive service of process, the bill would simplify the process for these insurers, which would save time and resources for all parties as well as reduce the confusion as to whom should receive the documents. In addition, an increase in the fee for service on the Commissioner would address the costs the Commissioner's office incurs when process is served for an insurer.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would increase the process serving fee from \$5 to \$10, which would be more consistent with a consumer price index increase and more consistent with administrative costs associated with this filing procedure. Additionally, the bill would reduce the number of companies required to pay this fee, to just those without a resident agent, which is only 5% of the companies that are currently required to pay the service fee.

Fiscal Analyst: M. 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.