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Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

**SFA****BILL ANALYSIS**

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

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Senate Bill 639 (Substitute S-2 as reported)  
Sponsor: Senator Bill Bullard, Jr.  
Committee: Financial Services

### **CONTENT**

The bill would amend the Insurance Code by moving claims for "bodily injury or for injury to or destruction of tangible property not under policies" from the Class 2 distribution category to the Class 4 distribution category in Chapter 81 of the Code, which deals with liquidation of insurance companies.

Under the Code, in the event that an insurance company becomes insolvent, the insurer's estate is disbursed by priority established in Chapter 81. Disbursements are grouped into nine classes, with highest priority disbursements under Class 1. Every claim in each class must be paid in full, or adequate funds must be retained for its payment, before the members of the next class receive payment.

Currently, items in Class Two include all claims under policies for losses incurred, including third party claims, all claims against the insurer for liability for bodily injury or for injury to or destruction of tangible property that are not under policies, and all claims of a guaranty association or foreign guaranty association. All claims under life insurance and annuity policies are treated as loss claims.

MCL 500.8142

Legislative Analyst: C. Layman

### **FISCAL IMPACT**

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

Date Completed: 11-1-01

Fiscal Analyst: M. Tyszkiewicz