

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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House Bill 4819 (as reported without amendment)  
Sponsor: Representative Larry Julian  
House Committee: Insurance and Financial Services  
Senate Committee: Financial Services

Date Completed: 10-9-01

### **RATIONALE**

Under Public Act 228 of 1994, the Commissioner of the Office of Financial and Insurance Services (OFIS) must impose a regulatory fee on all insurers authorized to do business in the State (including nonprofit health care corporations, dental corporations, and health maintenance organizations (HMOs)), by June 30 of each year or within 30 days after the enactment of any appropriation for the operation of the Insurance Bureau (now within the OFIS). The Insurance Code, however, provides that all fees added by Public Act 228 of 1994 do not apply unless, by September 1 of each year, the Commissioner submits a report to the Senate and House of Representatives standing committees on insurance issues and Appropriations regulatory subcommittees, on all receivership activities of the Commissioner and the Insurance Bureau pertaining to the liquidation of insolvent insurers for the immediately preceding calendar year. According to the OFIS, preparing and producing this report consume large amounts of time and money, yet it does not appear to be read by a large number of individuals. Therefore, it has been suggested that the receivership report be eliminated from the Commissioner's responsibilities.

### **CONTENT**

The bill would amend the Insurance Code to eliminate the requirement that the Commissioner of the Office of Financial and Insurance Services provide a report to the Legislature on receivership activities and insurer liquidations.

The bill also would repeal a section containing similar provisions pertaining to the

Commissioner report on insurance issues and receivership activities in Chapter 81 (Supervision, Rehabilitation, and Liquidation) of the Insurance Code (MCL 500.8160).

MCL 500.224

### **BACKGROUND**

The total regulatory fee under Public Act 228 of 1994 may not exceed 80% of the gross appropriation for the Insurance Bureau's operation for a fiscal year and must be the difference between the gross appropriation for the Bureau's operation for the current fiscal year and any restricted revenues, other than the regulatory fee, identified in the gross appropriation. The minimum regulatory fee for all insurers and HMOs is \$250.

The report required under the Insurance Code must include a summary schedule of all Insurance Bureau expenditures and a detailed schedule of all Bureau contractual expenditures for legal, accounting, and administrative expenditures made or incurred for the liquidation of insurers in receivership and paid for out of the insurers' assets during the reported calendar year. The report also must include a statement of the net changes in assets and liabilities of each insurer in receivership, including changes due to interest rate changes, real estate values, and other investment activities, including a detailed statement of the sale of assets and the net loss or gain on those assets, and a statement of the amount of assets preserved, gained, or recovered by the receiver.

## **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**

By eliminating the annual receivership report issued by the OFIS Commissioner, the bill would save the Department of Consumer and Industry Services the resources and time devoted to preparing and producing the report. The Auditor General would continue to review the receivership operations of the OFIS to determine if statutory requirements are being met, and interested parties can review those findings.

Legislative Analyst: N. Nagata

### **FISCAL IMPACT**

The bill would eliminate the receivership report which, according to the Department, would result in the savings of restricted revenue due to the reduced administrative responsibilities. These savings could result in a reduced assessment on the insurance industry.

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.