



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



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

Senate Bill 495 (Substitute S-1 as reported)
Sponsor: Senator Dan Lauwers
Committee: Finance, Insurance, and Consumer Protection

CONTENT

The bill would require a fraternal benefit society to notify the Director of the Department of Insurance and Financial Service (DIFS) of a deficiency in its reserves and specify that an assessment upon its certificate owners to remedy the deficiency could not take effect until 90 days of the Director's approval, unless the Director approved an earlier date. Additionally, the Director could declare a society in hazardous condition if the society had insufficient reserves or had not responded to certain corrective orders, and the Director could order the society to remedy the condition. An order could include authorization to the society to negotiate an agreement to transfer all its members, certificates, and other assets and liabilities to another fraternal benefit society or other insurer through merger, consolidation, assumption, or other means. Generally, under the bill, a society that failed to remedy a hazardous condition would be subject to rehabilitation or liquidation; under these circumstances, if the liquidator or rehabilitator moved to transfer members and assets to a society that did not have a certificate of authority in the State, the Director of DIFS could grant that society a limited certificate.

MCL 500.8182 et al.

BRIEF RATIONALE

According to testimony, there are over 300,000 fraternal benefit society members in Michigan. Some have argued that a society that falls into a hazardous financial condition could be very harmful to its members. Accordingly, it has been suggested that the State should implement some requirements for ensuring that societies have sufficient reserves.

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

The bill is a reintroduction of Senate Bill 712 of the 2021-2022 Legislative Session which was passed by the Senate and reported out of the House Committee on Rules and Competitiveness but received no further action.

FISCAL IMPACT

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

Date Completed: 6-18-24

Analyst: Nathan Leaman