



Senate Fiscal Agency
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House Bill 5823 (Substitute S-2 as reported)
Sponsor: Representative Pete Lund
House Committee: Insurance
Senate Committee: Insurance

CONTENT

The bill would add Part 17 (Risk Management and Own Risk and Solvency Assessment) to the Insurance Code to do the following:

- Require an insurer to maintain a risk management framework to assist the insurer with identifying, assessing, monitoring, and reporting on its material and relevant risks.
- Require an insurer, or the insurance group of which the insurer was a member, regularly to conduct an own risk and solvency assessment (ORSA).
- Require the ORSA to be conducted at least annually, or upon any significant changes to the insurer's or insurance group's risk profile.
- Require an insurer to submit to the Director of the Department of Insurance and Financial Services an annual ORSA summary report.
- Exempt an insurer from the requirements of proposed Part 17 if the insurer and the insurance group of which it was a member had annual direct written and unaffiliated assumed premium less than \$500.0 million and \$1.0 billion, respectively.
- Allow an insurer that did not qualify for exemption to apply to the Director for a waiver from the requirements of Chapter 17 based upon unique circumstances.
- Prescribe circumstances under which the Director could require an insurer to maintain a risk management framework, conduct an ORSA, and/or file an ORSA summary report.
- Require an insurer that did not, without just cause, file a timely ORSA summary report to pay a civil fine of \$1,000 for each day's delay, to be paid into the General Fund.
- Specify that certain information in the possession of the Director under Part 17 would be privileged, would not be subject to discovery, and would not be subject to disclosure under the Freedom of Information Act.
- Allow the Director to share confidential information with certain entities.

The bill also would amend sections of the Code that require insurers to file with the Director manuals of classification, manuals of rules and rates, and rating plans for automobile, home, and worker's compensation insurance. Under the bill, an insurer could designate the filing or accompanying information as a trade secret and, if the Director determined it was, the filing or information would be exempt from disclosure under the Freedom of Information Act.

The bill is tie-barred to House Bill 5792, which would amend Chapter 13 (Holding Companies) of the Code.

MCL 500.2108 et al.

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have a minor, but potentially positive, fiscal impact on the State and no fiscal impact on local units of government. The bill would allow the Director of the Department of Insurance and Financial Services to levy a civil fine of up to \$1,000 per day upon an insurer that did not file an own risk and solvency report in a timely manner. It is unknown how much revenue would be generated from these fines, but the fines would be credited to the State General Fund.

Date Completed: 12-17-14

Fiscal Analyst: Josh Sefton

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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.