

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

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Senate Bill 494 (as enrolled)  
Sponsor: Senator Bill Bullard, Jr.  
Committee: Financial Services

Date Completed: 6-20-01

### **RATIONALE**

The Insurance Code regulates the incorporation and formation of surety companies, and prohibits a person from transacting a surety business in the State without complying with the applicable provisions in the Code (MCL 500.120). The Code also defines surety and fidelity insurance and places standards on this type of insurance (MCL 500.628). Public Act 266 of 1895, however, also governs surety companies. Since the Act's licensing requirements and financial standards for surety companies are considered inadequate compared with the Code's standards, it has been suggested that Public Act 266 be repealed.

### **CONTENT**

The bill would repeal Public Act 266 of 1895, which provides that when a bond is required to be given with surety it may be executed by a qualified surety company; establishes requirements for a company to act as surety; requires the Commissioner of the Office of Financial and Insurance Services (OFIS) to issue a certificate of authority to a company that meets the requirements; and allows a surety to seek a release from liability.

MCL 550.101-550.109

### **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**

Regulating surety companies under different standards creates confusion for insurance companies and financial regulators. By

repealing Public Act 266, the bill would eliminate obsolete language, and allow the Code alone to regulate surety companies. According to the OFIS, the capitalization requirements found in Public Act 266 are inadequate, and the standards in the Insurance Code are more appropriate.

Legislative Analyst: L. Arasim

### **FISCAL IMPACT**

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

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.