



Senate Fiscal Agency
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House Bills 6297 through 6303 (as discharged)
Sponsor: Representative Andrew W. Beeler (S.B. 6297)
Representative Ken Borton (S.B. 6298)
Representative Mike Harris (S.B. 6299)
Representative Sarah Anthony (S.B. 6300)
Representative Richard M. Steenland (S.B. 6301)
Representative Tim Sneller (S.B. 6302)
Representative Julie Calley (S.B. 6303)

House Committee: Rules and Competitiveness
Senate Committee: Insurance and Banking (discharged)

Date Completed: 12-7-22

CONTENT

House Bill 6297 would amend Chapter 13 (Holding Companies) of the Insurance Code to add various definitions.

House Bill 6298 would amend Chapter 13 of the Code to specify that a sale, purchase, exchange, loan, extension of credit, or investment involving 0.5% or less of an insurer's admitted assets on the preceding December 31 would not be material for purposes of an annual group capital calculation under Section 1325b, which House Bill 6301 would add, or a National Association of Insurance Commissioners (NAIC) liquidity stress test under Section 1325c, which House Bill 6302 would add.

House Bill 6299 would amend Chapter 13 of the Code to delete a provision specifying that an annual enterprise risk report is not subject to subpoena or discovery, it not admissible in evidence in a private civil or administrative action, and is not subject to the Freedom of Information Act.

House Bill 6300 (H-1) would amend Chapter 13 of the Code to do the following:

- Modify various provisions governing the disclosure of certain documents, materials, and other information in the Department of Insurance and Financial Services's (DIFS's) possession or control.
- Prohibit the Director from disclosing certain information reported and provided to DIFS under Sections 1325b and 1325c.
- Subject a third-party consultant designated by the Director to various disclosure and confidentiality provisions.
- Specify that a group capital calculation and resulting group capital ratio required under Section 1325b and the NAIC liquidity stress test and its results and supporting disclosures under Section 1325c would be regulatory tools for assessing group risk and capital adequacy and group liquidity risks, respectively, and would not be intended as a means to rank insurers or insurance holding company systems.
- Prescribe various disclosure requirements.

House Bill 6301 would add Section 1325b to Chapter 13 of the Code to do the following:

- Require the ultimate controlling person of an insurer subject to registration to file with the registration an annual group capital calculation that met certain requirements.
- Require the lead state commissioner to require the group capital calculation for United States operations of any non-US based insurance holding company system if it were considered appropriate by the lead state commissioner for prudential oversight and solvency monitoring purposes or for ensuring the competitiveness of the insurance marketplace.
- Allow the lead state commission to exempt the ultimate controlling person from filing the annual group capital calculation or to accept a limited group capital filing or report under criteria specified by the Director.
- Require the insurance holding company system to file the group capital calculation at the next annual filing date unless given an extension by the lead state commissioner based on reasonable grounds shown if the lead state commissioner determined that an insurance holding company no longer qualified as one or more of the exempted systems.

House Bill 6302 would add Section 1325c to Chapter 13 of the Code to do the following:

- Require the ultimate controlling person of every insurer that was subject to registration and that was scoped in the NAIC liquidity stress test framework for the specified data year to file with the lead state commissioner the results of that year's liquidity stress test.
- Require a change to the NAIC liquidity stress test framework or to the data year for which the scope criteria were to be measured to be effective on January 1 of the year following the calendar year when the change is adopted by the NAIC.
- Specify that an insurer that met at least one threshold of the scope criteria would be considered scoped into the NAIC liquidity stress test framework for the specified data year, unless determined otherwise, and specify that an insurer that did not meet at least one threshold of the scope criteria would be considered scoped out of the NAIC liquidity stress test framework for the specified year, unless determined otherwise.
- Require the lead state commissioner, in consultation with the NAIC financial stability task force, to consider that regulators wish to avoid having insurers scoped in and out of the NAIC liquidity stress test framework on a frequent basis.
- Require the performance of a specified year's liquidity stress test to comply with the NAIC liquidity stress test framework's instructions and reporting templates for that year and any lead state commissioner determination.

House Bill 6303 would add Section 1341a to Chapter 13 of the Code to do the following:

- Allow a domestic insurer to invest in common stock, preferred stock, debt obligations, and other securities of one or more subsidiaries, amounts that do not exceed the lesser of 10% of the insurer's assets or 50% of the insurer's surplus with regard to policyholders, if after the investments, the insurer's surplus with regard to policyholders would be reasonable in relation to the insurer's outstanding liabilities and adequate to meet its financial needs.
- Specify that any investment in domestic or foreign insurance subsidiaries, licensed third-party administrators, and domestic health maintenance organizations would have to be excluded from the calculating the amount described above, and prescribe various assets that would have to be included.
- Allow an insurer to invest, with the Director's approval, in common stock, preferred stock, debt obligations, or other securities of one or more subsidiaries, if after the investment the insurer's surplus with regard to policyholders would be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

The bills are tie-barred.

MCL 500.1301 (H.B. 6297)

MCL 500.1326 (H.B. 6298)

Legislative Analyst: Stephen P. Jackson

MCL 500.1325a (H.B. 6299)
MCL 500.1355 (H.B. 6300)
Proposed MCL 500.1325b (H.B. 6301)
Proposed MCL 500.1325c (H.B. 6302)
Proposed MCL 500.1341a (H.B. 6303)

FISCAL IMPACT

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

Fiscal Analyst: Jonah Houtz

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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.