



Property Casualty Insurers  
Association of America

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Jeffrey Junkas  
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October 29, 2015

The Honorable Tom Leonard  
Chairman, Insurance Committee  
Michigan House of Representatives  
124 North Capitol Avenue  
P.O. Box 30014  
Lansing, MI 48909-7514

Re: SUPPORT WITH AMENDMENTS HB 4532

Dear Chairman Leonard and members of the House Insurance Committee:

The Property Casualty Insurers Association of America (PCI) is a trade association representing nearly 1,000 property and casualty insurance companies that write more than \$183 billion in direct written premium, including 38 percent of the Michigan market.

PCI strongly supports the goal of making Michigan the final state (see attached map) to reform surplus lines insurance and therefore we urge your passage of House Bill 4532 with the following changes and technical corrections to make the bill operable in the market.

PCI has long advocated for all states to uniformly implement the provisions of Dodd-Frank/Non-admitted and Reinsurance Reform Act (NRRA; enacted by in Congress in 2010, see attached bill). These conforming requirements create a uniform framework intended to modernize the taxation and regulation of surplus lines insurance placed with eligible non-admitted insurers in accordance with state surplus lines law. To date, Michigan is the last remaining state needing to enact NRRA conforming legislation intended to garner greater market efficacy for the placement of insurance for those residents, businesses and professionals that otherwise struggle to find insurance coverage (see attached summary information).

Specific comments and changes to the bill include:

Throughout Chap. 19 (a vast majority of the bill):

REPLACE "unauthorized" with "nonadmitted" as this will provide clarity of Chapter 19 (known as the "surplus lines insurance act") applying, as we believe is intended, only to surplus lines insurance and not other insurance (e.g. risk retention groups, captives or anything other than surplus lines).

Sec. 451:

Pg 4, line 19 to pg 5, line 10: DELETE subsection (2); The new language here is duplicative with other sections of Chap. 19 that handle taxation of surplus lines insurance.

Sec. 1829:

pg 6 line 18: REPLACE "surplus lines" with "nonadmitted";  
pg 6 Line 21: DELETE "under chapter 19";  
pg 6 Line 25: DELETE "under chapter 19".

Sec. 1903:

pgs 7 through 10: In accordance with the above overarching advocacy goal, REPLACE definitions of "affiliated group", "control", "home state", "nonadmitted insurance", "nonadmitted insurer", "state" to adhere to the respective definition pursuant to the NRRA (see attached);  
pg 9 line 21: "surplus lines insurance" – REPLACE definition "means insurance that is procured from, placed with, or continued or renewed with a nonadmitted insurer eligible to accept the insurance as provided under this chapter.";  
pg 10 line 8: "unauthorized insurer" – DELETE " but does not include a risk retention group as defined in Section 1801".

Sec. 1910:

pg 13 lines 24 – 25: REPLACE with "insurance with a nonadmitted insurer if the insurer satisfies the requirements under Section 1920 (1).";  
pg 13 lines 25 beginning "Before..." – 27 to pg 14 lines 1 – 3 ending "insurer.": DELETE; this imposes a new requirement on the licensee and arguably raises the standard of duty to "certify to the director" on each insurance placement;  
pg 14 line 12: REPLACE "file" with "maintain on file", and delete remainder of sentence after "subdivision"; this imposes a new requirement on the licensee or arguably raises the standard of duty to "file notice" on each insurance placement;  
pg 17 – 18 regarding "qualified annual budget expenditures", "qualified annual revenues" and "qualified net worth" – for your information, this requires immediate promulgation of the CPI percentage change adjustment from the 5-year period beginning on Jan 1, 2010. (e.g. if a company's 'qualified net worth' in 2010 was \$20 million, today it would be \$22 million).

Sec. 1920:

pg 22 line 20: DELETE "all of" otherwise it appears to be an impossible hurdle for insurers to satisfy every single standard to simply procure or place surplus lines insurance;  
pg 24 line 17: INSERT after "documentation", "to satisfy the requirements under subsection (1)";  
pg 25 line 5: DELETE " or examine the affairs of";  
pg 26 lines 7 – 24: DELETE; this imposes a new requirement on the licensee and arguably raises the standard of duty to submit a report on each insurance placement;  
p 26 lines 25 – 27 and pg 27 lines 1 – 3: DELETE; not necessary as the allocation for purposes of taxation will be 100% allocated to Michigan when Michigan is the home state of the insured.

Sec. 1951:

p 30 line 8: DELETE "1905 or "; 1920 is the authorizing Section for the licensee; 1905 only outlines the licensing requirements and duties.

Additional statute sections with the term "unauthorized" that should be replaced with "nonadmitted" to in keeping with the goal of uniformity: 500.1904 Rates and forms used by

unauthorized insurers; 500.1917 Liability if risk assumed and premium received by licensee;  
500.1940 Reports and recommendations regarding financial condition of eligible  
unauthorized insurer; reports and recommendations not considered public documents;  
liability for statements.

PCI respectfully requests you amend the bill based on the above comments and then quickly  
move to bring Michigan in line with the 49 other states.

Please contact me directly at 847-553-3678 or via email at [jeffrey.junkas@pciaa.net](mailto:jeffrey.junkas@pciaa.net) with any  
questions or George Carr, PCI's Michigan counsel, at [gmcarr@carrlawfirm.com](mailto:gmcarr@carrlawfirm.com) or 517-371-  
2577.

Sincerely,



Jeffrey Junkas

cc: George Carr  
Rep. Lyons  
Teri Morante, DIFS

Attachments