

Legislative Analysis



INSURANCE COMPANY GOVERNANCE

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bills 6194 and 6196 (Substitutes H-1)
Sponsor: Rep. Leslie Mortimer

House Bill 6195 (Substitute H-1)
Sponsor: Rep. Dave Hildenbrand
Committee: Insurance

Complete to 6-19-06

A SUMMARY OF HOUSE BILLS 6194-6196 AS REPORTED FROM COMMITTEE

Each of the bills would amend the Insurance Code to address provisions related to the governance of insurance companies. The bills are tie-barred to one another, meaning that for any to take effect, all must be enacted.

House Bill 6194 (MCL 500.5238) would:

- 1) Require the board of directors of a domestic (in-state) insurance company to meet at least four times per fiscal year in person or via electronic communication devices that allow all participants to communicate with one another.
- 2) Require each director to take and subscribe an oath when elected or appointed that he or she will diligently and honestly perform the duties of the office and not knowingly violate (or permit to be violated) any provisions of the Insurance Code. The oath would have to be transmitted to the Commissioner of the Office of Financial and Insurance Services (OFIS).

House Bill 6195 (MCL 500.5245) would allow action required or permitted to be taken under authorization voted at a meeting of an insurance company board, or a committee of the board, to be taken *without a meeting* under certain circumstances and unless prohibited by the articles of incorporation or bylaws. This would apply if, before or after the action, all members of the board or of the committee consent to the action in writing or by electronic transmission. The written consents would have to be filed with the minutes of the proceedings. The consent would have the same effect as a vote of the board or committee for all purposes.

House Bill 6196 (MCL 500.5248) would remove provisions from the code that do the following:

- 1) Prohibit a domestic insurer from making an agreement with any officers, directors, and salaried employees regarding salary, compensation, or emolument extending beyond a 12-month period.

2) Prohibit a domestic insurer from granting a pension to any officer or director, with certain exceptions as approved by the OFIS commissioner.

3) Require approval of the OFIS commissioner for retiree health care benefits for salaried officers and employees (with such plans to provide equal benefits to all officers, employees and dependents).

House Bill 5196 maintains the following requirements: 1) A domestic insurer cannot pay any salary, compensation, or emolument to any officer or director unless the payment is authorized by the board of directors; 2) a director, officer, or employee of a domestic insurer cannot be compensated unreasonably; and 3) compensation cannot be calculated as a percentage of premiums or insurance written without approval of the OFIS commissioner.

BACKGROUND INFORMATION:

According to OFIS, the bills would remove unnecessary and outdated provisions from the Insurance Code; add appropriate modernizing provisions; and bring the Insurance Code into conformity with officer compensation provisions in the Banking Code. OFIS approves of eliminating provisions that require OFIS approval of pension and retirement plans since these plans must be approved by company boards of directors and, in some cases, by the federal Internal Revenue Service.

FISCAL IMPACT:

There is no fiscal impact on the State of Michigan or its local units of government.

POSITIONS:

The Office of Financial and Insurance Services (OFIS) supports the bills. (6-14-06)

The Michigan Insurance Coalition supports the bills. (6-15-06)

Jackson National Life supports the bills as reported from committee. (6-15-06)

Legislative Analyst: Chris Couch
Fiscal Analyst: Richard Child

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.