

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.1341a Domestic insurer investments; limitations.

Sec. 1341a.

(1) In addition to investments in common stock, preferred stock, debt obligations, and other securities permitted under this chapter, and except as otherwise provided in this section, a domestic insurer may invest in common stock, preferred stock, debt obligations, and other securities of 1 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 will be reasonable in relation to the insurer's outstanding liabilities and adequate to meet its financial needs.

(2) In calculating the amount described in subsection (1), any investment in domestic or foreign insurance subsidiaries, licensed third-party administrators, and domestic health maintenance organizations must be excluded from the calculation and both of the following must be included in the calculation:

(a) Total net monies or other consideration expended and obligations assumed in the acquisition or formation of a subsidiary, including all organizational expenses and contributions to capital and surplus of the subsidiary whether or not represented by the purchase of capital stock or issuance of other securities.

(b) All amounts expended in acquiring additional common stock, preferred stock, debt obligations, and other securities, and all contributions to the capital or surplus of a subsidiary subsequent to its acquisition or formation.

(3) With the approval of the director, an insurer may invest a greater amount than prescribed by subsection (1) in common stock, preferred stock, debt obligations, or other securities of 1 or more subsidiaries, if after the investment the insurer's surplus with regard to policyholders will be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

(4) All existing investments held on or before the effective date of the amendatory act that added this section comply with this section and do not count toward the limits prescribed by subsection (1) if held by an insurer that writes only premium in this state or that is a nonprofit insurer statutorily prohibited from converting to a mutual holding company under chapter 60. Any additional amounts expended in the investments are subject to the requirements of this section except for any additional amounts expended by or in existing investments held by any nonprofit insurer that is statutorily prohibited from converting to a mutual holding company under chapter 60. An investment in new subsidiaries after the effective date of the amendatory act that added this section by a nonprofit insurer statutorily prohibited from converting to a mutual holding company that exceeds the thresholds prescribed by subsection (1) is subject to the approval of the director.

History: Add. 2022, Act 264, Eff. Mar. 29, 2023

Popular Name: Act 218