

**Department of Insurance and Financial Services  
Office of Research, Rules, and Appeals**

1. Rule(s) to be **processed** between July 1, 2023 and June 30, 2024. [Give brief description.]

**MOAHR # 2023-21 IF. Holding Companies.** (Authority: MCL 500.1361, MCL 500.210.) Requirements for insurance holding company systems are in Chapter 13 of the Insurance Code of 1956, MCL 500.1301 to 500.1379, and are implemented by the Director of the Department of Insurance and Financial Services (Department), in part, through filings on forms and instructions. These requirements are based on the model *Insurance Holding Company System Regulatory Act and Regulation* promulgated by the National Association of Insurance Commissioners (NAIC). The proposed new rule set ensures that Michigan's oversight of insurance holding company systems is aligned with the NAIC model to strengthen and clarify existing regulatory requirements, including implementation of the group capital calculation and liquidity stress test, as adopted under the NAIC model, and enacted in Michigan under a series of public acts amending Chapter 13. See 2022 PA 258 to 263.

**MOAHR # 2023-10 IF. Pharmacy Benefit Manager Licensure and Regulation Act.** (Authority: MCL 550.821, MCL 550.823.) The Pharmacy Benefit Manager Licensure and Regulation Act, 2022 PA 11, MCL 550.811 to 550.845 (PBMLRA), effective January 1, 2024, requires the Director to promulgate rules to implement the act, including establishing license application and renewal fees and licensure sanctions. Consistent with the PBMLRA, the proposed rules establish the application contents and fee; the license renewal schedule and fee; and standards regarding fines, suspension of licensure, restriction of licensure, and revocation of licensure. The proposed rules are pending following the public hearing on June 9, 2023.

**MOAHR # not assigned. Surplus Lines Insurance Fees.** (Authority: MCL 500.1955, MCL 500.210.) This rule set includes a single rule, R 500.1251, which implements MCL 500.1915 of the Surplus Lines Insurance Act, Chapter 19 of the Insurance Code of 1956. Section 1915 regulates the fee a surplus lines licensee may charge apart from the premium. Section 1915 was amended by 2020 PA 62. Before the amendment, the statute capped the fee for costs incurred in placing the insurance at \$50.00, adjusted annually, unless the fee was filed with the Director and only exceeded \$50.00 by actual additional costs incurred for services unrelated to the licensee. Rule 500.1251 establishes a) categories of costs considered "unrelated to the licensee" and b) disclosure and reporting requirements for fees exceeding the cap. Public Act 62 eliminated the \$50.00 fee cap, established new fee standards depending on the type of insurance policy issued, and established new disclosure requirements for permissible fees. The amendments to MCL 500.1915 enacted under 2020 PA 62 necessitate amendments to R 500.1251.

**MOAHR # not assigned. Term Life and Universal Life Insurance Reserve Financing.** (Authority: MCL 500.210.) The NAIC administers a state accreditation program. For states to retain their accreditation status, the NAIC is requiring that states adopt the *Term and Universal Life Insurance Reserve Financing Model Regulation* (#787). The model regulation is intended to establish uniform national standards for reserve financing arrangements with respect to life insurance policies containing guaranteed nonlevel gross premiums, guaranteed nonlevel benefits and universal life insurance policies with secondary guarantees, such as ensuring security is held by or on behalf of the ceding insurer in the amount and type deemed adequate under the model regulation. Currently, the Department implements these standards under the Director's annual order that requires insurers to comply with the NAIC Accounting Practices & Procedures Manual. The proposed rule set would adopt Model Regulation #787.

**MOAHR # not assigned. Captive Insurance Company Rules.** (Authority: MCL 500.4651, MCL 500.4747, MCL 500.4813, MCL 500.210.) This existing rule set, R 500.101 to 500.111, supplements the captive insurance laws under Chapters 46, 47, and 48 of the Insurance Code of 1956, MCL 500.4601 to 500.4813. The existing rules have the following components: 1) a requirement for audited financial statements; 2) record retention standards; 3) authorization of captive managers; and (4) requirements relating to limited certificates of authority. The proposed rules would provide further guidance to captive insurance companies on standards and requirements in order to assist the Director in implementing existing captive insurance law.

**MOAHR # not assigned. Debt Management.** (Authority: MCL 451.432.) This existing rule set, R 451.1221 to R 451.1246, implements and enforces the Debt Management Act (DMA), MCL 451.411 to 451.437. The proposed rules would add clarity to firms regulated under the DMA and existing rules by 1) requiring books and records to be kept current on a monthly basis, 2) updating references to a firm’s “manual” under R 451.1237, and 3) making other clarifying changes to the regulatory requirements under the DMA.

**MOAHR # not assigned. Deferred Presentment Service Transactions.** (Authority MCL 487.2140, 487.2171.) The Deferred Presentment Service Transactions Act (DPSTA), MCL 487.2121 to 487.2173, assigns to the Director regulatory oversight of licensees entering into deferred presentment service transactions with customers. The existing rule set promulgated under the authority of the DPSTA relates only to administering the Deferred Presentment Statewide Database. See R 487.2121 to 487.2123. The proposed rules would provide clarity to licensees regarding the requirements that apply when a licensee extends the “maturity date” of a deferred presentment service transaction.

2. Rules that are obsolete or superseded and can be **rescinded** between July 1, 2023 and June 30, 2024. Also, please identify the rules or rule sets that are least important to the mission and function of the agency, or are otherwise strong candidates for rescission.

The Department has not identified any such rules.

3. Has the agency failed to promulgate any statutorily required rules **or** failed to utilize any statutorily required rules? Please explain.

MCL 500.836a mandates promulgation of rules containing the minimum standards applicable to the valuation of disability plans and contracts issued before the date of the NAIC valuation manual.

MCL 487.2068 mandates promulgation of rules necessary for the enforcement of the Consumer Financial Services Act, MCL 487.2051 et seq.

MCL 500.415 mandates promulgation of rules to carry out the purposes of Sections 412 to 414 of the Insurance Code, MCL 500.412 to 500.414, which establish procedures for the transfer of an insurer’s corporate domicile.

MCL 500.2080 mandates promulgation of rules to regulate life insurance solicitations to fund preneed funeral and cemetery contracts.

4. Please indicate the rules that are most problematic to industry and could be reviewed to determine the most business-friendly method of regulation.

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The Department has not identified such rules.

A. Describe whether there is a continued need for the rules.

N/A

B. Provide a summary of any complaints or comments received from the public concerning the rules.

N/A

C. Describe the complexity of complying with the rules.

N/A

D. Describe whether the rules conflict with or duplicate similar rules or regulations adopted by the federal government or local units of government.

N/A

E. Provide the date of the last evaluation of the rules and the degree, if any, to which technology, economic conditions, or other factors have changed regulatory activity covered by the rules.

N/A

5. Please provide the URL link the department or bureau is currently using to display their administrative rules.

<https://www.michigan.gov/difs/Legal/statutes-rules-regs>

6. Please provide a list of the items identified for action in the 2023 ARP that have been completed and those that remain outstanding.

**Completed**

MOAHR # 2022-38 IF (Good Moral Character): promulgated effective March 20, 2023.

**Outstanding**

MOAHR # 2023-10-IF (Pharmacy Benefit Manager Licensure and Regulation Act): see description above under Question #1.

MOAHR # not assigned (Surplus Lines Insurance Fees): see description above under Question #1.