

**Michigan Office of Administrative Hearings and Rules
Administrative Rules Division (ARD)**

MOAHR-Rules@michigan.gov

REQUEST FOR RULEMAKING (RFR)

1. Department:

Insurance and Financial Services

2. Bureau:

Insurance

3. Promulgation type:

Full Process

4. Title of proposed rule set:

Term and Universal Life Insurance Reserve Financing

5. Rule numbers or rule set range of numbers:

R 500.121 - R 500.128

6. Estimated time frame:

6 months

Name of person filling out RFR:

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7. Describe the general purpose of these rules, including any problems the changes are intended to address.

The proposed rules govern reserve financing arrangements used by certain life insurers in reinsurance transactions to secure the reinsurance treaty or capitalize the reinsurer in order to meet statutory reserve requirements. The proposed rules ensure that funds backing these transactions are held in the appropriate form and level of security. The proposed rules would adopt Model Regulation #787 of the National Association of Insurance Commissioners (NAIC). The Department currently implements substantially similar requirements through review of financial statements filed with the Department pursuant to the Director's order issued under MCL 500.438 of the Insurance Code of 1956. The NAIC has adopted the Model Regulation as a state insurance department accreditation standard. Accordingly, the proposed rules would also assist in establishing uniform, national standards for the reserve financing arrangements subject to the rules and ensure that the Department maintains its accreditation status.

8. Please cite the specific promulgation authority for the rules (i.e. department director, commission, board, etc.).

By authority conferred on the Director of the Department.

A. Please list all applicable statutory references (MCLs, Executive Orders, etc.).

Sections 210 and 1106 of the Insurance Code of 1956, 1956 PA 218, MCL 500.210 and 500.1106, and Executive Reorganization Order No. 2013-1, MCL 550.991.

B. Are the rules mandated by any applicable constitutional or statutory provision? If so, please explain.

No. The proposed rules are not mandated under applicable statutory authority.

9. Please describe the extent to which the rules conflict with or duplicate similar rules, compliance requirements, or other standards adopted at the state, regional, or federal level.

The proposed rules do not conflict with or duplicate any similar rules, compliance requirements, or other standards adopted at the state, regional, or federal level, apart from their implementation of the NAIC Model Regulation.

10. Is the subject matter of the rules currently contained in any guideline, handbook, manual, instructional bulletin, form with instructions, or operational memoranda?

Yes. The Director's order issued pursuant to MCL 500.438 prescribes accounting practices and procedures that include an actuarial guideline deemed substantially similar to the NAIC Model Regulation adopted by the proposed rules.

11. Are the rules listed on the department's annual regulatory plan as rules to be processed for the current year?

Yes. The proposed rules are listed on the Department's 2023 to 2024 Annual Regulatory Plan.

12. Will the proposed rules be promulgated under Section 44 of the Administrative Procedures Act, 1969 PA 306, MCL 24.244, or under the full rulemaking process?

Full Process

13. Please describe the extent to which the rules exceed similar regulations, compliance requirements, or other standards adopted at the state, regional, or federal level.

The proposed rules do not exceed similar regulations, compliance requirements, or other standards adopted at the state, regional, or federal level.

14. Do the rules incorporate the recommendations received from the public regarding any complaints or comments regarding the rules? If yes, please explain.

No. The proposed rules do not incorporate any recommendations received from the public regarding any complaints or comments.

15. If amending an existing rule set, please 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 the regulatory activity covered by the rules since the last evaluation.

The proposed rules would establish a new rule set.

16. Are there any changes or developments since implementation that demonstrate there is no continued need for the rules, or any portion of the rules?

No. The proposed rules would establish a new rule set.

17. Is there an applicable decision record (as defined in MCL 24.203(6) and required by MCL 24.239(2))? If so, please attach the decision record.

No

Based on the information provided in this RFR, MOAHR concludes that there are sufficient policy and legal bases for approving the RFR. The RFR satisfies the requirements of the Administrative Procedures Act of 1969, 1969 PA 306, MCL 24.201 to 24.328, and Executive Order No. 2019-6.