

DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

INSURANCE BUREAU

DISCLOSURE OF MATERIAL TRANSACTIONS

(By authority conferred on the commissioner of insurance by section 210 of Act No. 218 of the Public Acts of 1956, as amended, being S500.210 of the Michigan Compiled Laws)

R 500.51 Report of acquisitions and dispositions of assets or material nonrenewals, cancellations, or revisions of ceded reinsurance agreements.

Rule 1. (1) Every insurer domiciled in Michigan shall file a report with the commissioner disclosing material acquisitions and dispositions of assets or material nonrenewals, cancellations, or revisions of ceded reinsurance agreements, unless the acquisitions and dispositions of assets or material nonrenewals, cancellations, or revisions of ceded reinsurance agreements have been submitted to the commissioner for review, approval, or information purposes pursuant to other statutory or regulatory requirements.

(2) The report required in subrule (1) of this rule is due within 15 days after the end of the calendar month in which the transactions specified in subrule (1) of this rule occur.

(3) A complete copy of the report, including any exhibits or other attachments, shall also be filed with the national association of insurance commissioners.

(4) All reports obtained by, or disclosed to, the commissioner pursuant to this rule shall be confidential, shall not be subject to subpoena, and shall not be made public by the commissioner, the national association of insurance commissioners, or any other person without the prior written consent of the insurer to which it pertains, unless the commissioner, after giving the insurer that would be affected notice and an opportunity to be heard, determines that the interest of the policyholders, shareholders, or the public will be served by publication, in which event the commissioner may publish all or part of the report in the manner the commissioner deems appropriate. Notwithstanding the provisions of this subrule, if assurances are provided that the information contained in the report will be kept confidential, the commissioner may disclose the information to the insurance regulatory agencies of other states.

(5) Insurers are required to report material acquisitions and dispositions of assets and material nonrenewals, cancellations, or revisions of ceded reinsurance arrangements on a nonconsolidated basis, unless the insurer is part of a consolidated group of insurers that utilizes a pooling arrangement or 100% reinsurance agreement that affects the solvency and integrity of the insurer's reserves and the insurer ceded substantially all of its direct and assumed business to the pool. An insurer is deemed to have ceded substantially all of its direct and assumed business to a pool if the insurer has less than \$1,000,000.00 total direct and assumed premiums during a calendar year that are not subject to a pooling arrangement and the net income of the business not subject to the pooling arrangement represents less than 5% of the insurer's capital surplus.

History: 1996 AACS.

R 500.52 acquisitions and disposition of assets explained.

Rule 2. (1) As used in R 500.51, a material acquisition or disposition of assets is one which is nonrecurring and not in the ordinary course of business and which involves more than 5% of the reporting insurer's total admitted assets, as reported in its most recent statutory statement filed with the commissioner. A material acquisition or disposition includes the aggregate of any series of related acquisitions or dispositions during any 30-day period.

(2) Asset acquisitions subject to this rule include every purchase, lease, exchange, merger, consolidation, succession, or other acquisition other than the construction or development of real property by or for the reporting insurer or the acquisition of materials for such purpose.

(3) Asset dispositions subject to this rule include every assignment, whether for the benefit of creditors or otherwise, sale, lease, exchange, merger, consolidation, mortgage, hypothecation, abandonment, destruction, or other disposition.

(4) All of the following information is required to be disclosed in any report of a material acquisition or disposition of assets:

- (a) The date of the transaction.
- (b) The manner of acquisition or disposition.
- (c) A description of the asset involved.
- (d) The nature and amount of the consideration given or received.
- (e) The purpose of, or reason for, the transaction.
- (f) The manner by which the amount of consideration was determined.
- (g) The gain or loss recognized or realized as a result of the transaction.
- (h) The name or names of the person or persons from whom the assets were acquired or to whom they were disposed.

History: 1996 AACCS.

R 500.53 Nonrenewals, cancellations, or revisions of ceded reinsurance agreements explained.

Rule 3. (1) As used in R 500.51, a material nonrenewal, cancellation, or revision of ceded reinsurance is one that, for property and casualty business, including accident and health business written by a property and casualty insurer, affects more than 50% of the health insurer's total ceded written premium or more than 50% of the insurer's total ceded indemnity and loss adjustment reserves as indicated in the insurer's most recent annual statement or, for life, annuity, and accident and health business, affects more than 50% of the total reserve credit taken for business ceded, on an annualized basis, as indicated in the insurer's most recent annual statement.

(2) For either property and casualty business or life, annuity, and accident and health business, either of the following events shall constitute a material revision that shall be reported:

(a) An authorized reinsurer reinsuring more than 10% of the insurer's total ceded written premium is replaced by 1 or more unauthorized reinsurers.

(b) Previously established collateral requirements have been reduced or waived for 1 or more unauthorized reinsurers reinsuring collectively more than 10% of the insurer's total ceded written premium.

(3) Notwithstanding the provisions of subrules (1) and (2) of this rule, a report under R 500.51 shall not be required of either of the following provisions is complied with, as applicable:

(a) For property and casualty business, including accident and health business written by a property and casualty insurer, the insurer's total ceded written premium represents, on an annualized basis, less than 10% of its total written premium for direct and assumed business.

(b) For life, annuity, and accident and health business, the total reserve credit taken for business ceded represents, on an annualized basis, less than 10% of the statutory reserve requirement before any cession.

(4) All of the following information is required to be disclosed in any report of a material nonrenewal, cancellation, or revision of ceded reinsurance agreements:

(a) The effective date of the nonrenewal, cancellation, or revision.

(b) A description of the transaction, including identification of the initiator of the transaction.

(c) Purpose of, or reason for, the transaction.

(d) If applicable, the entity of the replacement reinsurers.

History: 1996 AACCS.

R 500.54 Effective date of rules

Rule 4. These rules shall take effect on July 1, 1996.

History: 1996 AACCS.