

**STATE OF MICHIGAN
101ST LEGISLATURE
REGULAR SESSION OF 2022**

Introduced by Senator LaSata

ENROLLED SENATE BILL No. 1085

AN ACT to amend 1956 PA 218, entitled “An act to revise, consolidate, and classify the laws relating to the insurance and surety business; to regulate the incorporation or formation of domestic insurance and surety companies and associations and the admission of foreign and alien companies and associations; to provide their rights, powers, and immunities and to prescribe the conditions on which companies and associations organized, existing, or authorized under this act may exercise their powers; to provide the rights, powers, and immunities and to prescribe the conditions on which other persons, firms, corporations, associations, risk retention groups, and purchasing groups engaged in an insurance or surety business may exercise their powers; to provide for the imposition of a privilege fee on domestic insurance companies and associations and the state accident fund; to provide for the imposition of a tax on the business of foreign and alien companies and associations; to provide for the imposition of a tax on risk retention groups and purchasing groups; to provide for the imposition of a tax on the business of surplus line agents; to provide for the imposition of regulatory fees on certain insurers; to provide for assessment fees on certain health maintenance organizations; to modify tort liability arising out of certain accidents; to provide for limited actions with respect to that modified tort liability and to prescribe certain procedures for maintaining those actions; to require security for losses arising out of certain accidents; to provide for the continued availability and affordability of automobile insurance and homeowners insurance in this state and to facilitate the purchase of that insurance by all residents of this state at fair and reasonable rates; to provide for certain reporting with respect to insurance and with respect to certain claims against uninsured or self-insured persons; to prescribe duties for certain state departments and officers with respect to that reporting; to provide for certain assessments; to establish and continue certain state insurance funds; to modify and clarify the status, rights, powers, duties, and operations of the nonprofit malpractice insurance fund; to provide for the departmental supervision and regulation of the insurance and surety business within this state; to provide for regulation over worker’s compensation self-insurers; to provide for the conservation, rehabilitation, or liquidation of unsound or insolvent insurers; to provide for the protection of policyholders, claimants, and creditors of unsound or insolvent insurers; to provide for associations of insurers to protect policyholders and claimants in the event of insurer insolvencies; to prescribe educational requirements for insurance agents and solicitors; to provide for the regulation of multiple employer welfare arrangements; to create an automobile theft prevention authority to reduce the number of automobile thefts in this state; to prescribe the powers and duties of the automobile theft prevention authority; to provide certain powers and duties upon certain officials, departments, and authorities of this state; to provide for an appropriation; to repeal acts and parts of acts; and to provide penalties for the violation of this act,” by amending section 7040 (MCL 500.7040), as added by 1986 PA 121.

The People of the State of Michigan enact:

Sec. 7040. (1) Each MEWA transacting business in this state shall file all of the following with the director:

(a) Within 180 days after the end of each fiscal year, financial statements audited by a certified public accountant. An actuarial opinion regarding reserves for known claims and associated expenses and incurred but

not reported claims and associated expenses, in accordance with subdivision (c), must be included in the audited financial statement. The opinion must be rendered by an actuary approved by the director or who has 5 or more years of experience in this field.

(b) Within 60 days after the end of each fiscal quarter, unaudited financial statements, affirmed by an appropriate officer or agent of the MEWA.

(c) Within 60 days after the end of each fiscal quarter, a report certifying that the MEWA maintains reserves that are sufficient to meet its contractual obligations, and that it maintains a policy for excess loss insurance issued by an insurer authorized to do business in this state. The director, after hearing, shall establish general standards for the manner and amount of the excess loss insurance required by this subdivision. A MEWA shall maintain minimum cash reserves of not less than 25% of the aggregate contributions in the current fiscal year or not less than 35% of the claims paid in the preceding fiscal year, whichever is greater. Reserves must be calculated with proper actuarial calculations of all of the following:

(i) Known claims, paid and outstanding.

(ii) A history of incurred but not reported claims.

(iii) Claims handling expenses.

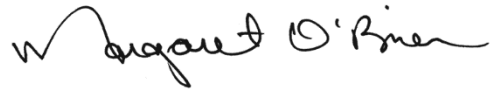
(iv) Unearned premiums.

(v) An estimate for bad debts.

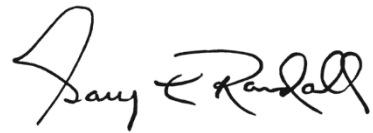
(vi) A trend factor.

(d) A schedule of premium contributions, rates, and renewal projections.

(2) Cash reserves established under this section must be maintained in a separate, identifiable account and must not be commingled with other funds of the MEWA.



Secretary of the Senate



Clerk of the House of Representatives

Approved _____

Governor