

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

**500.2932 Annual rate of assessment; establishment; purpose; basis; notice; payment of assessments; estimating assessable premiums; adjustment of premium rates; annual statement; assessments as income; deficit or surplus; advance assessments; exempting or deferring assessment; duration of certain rate adjustments; certain deficits carried forward; sharing assets, liabilities, income, and disbursements.**

Sec. 2932. (1) At least once each calendar year, before October 1 for the succeeding calendar year, or at such other times as may be requested by the board of governors and approved by the commissioner, the board shall establish the annual rate of assessment needed to cover any anticipated deficit from the operation of the pool. There shall be separate assessments for anticipated deficits with respect to basic property insurance and with respect to home insurance. The rate of assessment established by the board shall be based upon a reasonable estimate of the deficit which will probably occur, taking into consideration the probable amount of premiums which will be written by the pool for basic property insurance and for home insurance during the year, the past experience of the pool, the premium rates to be used by the pool, and other relevant information. Upon determination of the rate of assessment by the board of governors, the board shall notify each participating member of its assessment before October 1 of each calendar year, and shall file the notice with the commissioner.

(2) Participating members shall pay assessments to the pool after the end of each calendar quarter at the rate established upon the assessable premiums for basic property insurance and for home insurance written by participating members during the most recently completed calendar quarter. Assessable premiums written during the first 3 calendar quarters of each year may be estimated, with a reasonable degree of accuracy, subject to adjustment at the end of the calendar year.

(3) Each participating member may adjust its premium rates, in accordance with appropriate provisions of this chapter relating to rates for all insurance included in the corresponding definitions of assessable premiums in section 2901, to provide for the amount of the assessment established by the board.

(4) At the end of each calendar year the pool shall prepare an annual statement on forms prescribed by the commissioner. The assessments paid to the pool on assessable premiums written during a calendar year shall be included as income in the annual statement of the pool for that calendar year. If the pool has a deficit or surplus at the end of the calendar year, the deficit or surplus shall be carried forward to the next year and shall be considered in determining the rate of assessment established for the next year.

(5) For purposes of paying claims and expenses at any time, the board may levy appropriate advance assessments on all participating members, which shall be credited against assessments payable subsequently.

(6) The board may exempt or defer, in whole or in part, the assessment of a participating member if the assessment would cause the participating member's financial statement to reflect amounts of capital or surplus less than the minimum amounts required for a certificate of authority by any jurisdiction in which the participating member is authorized to transact insurance.

(7) Rate adjustments which have been approved prior to August 1, 1971 shall continue in effect until the end of the period for which they were approved. A deficit existing on August 1, 1971 shall be carried forward and assessed under the provisions of this section.

(8) Upon dissolution, the participating members of the pool shall share in the assets, liabilities, income, and disbursements of the pool, as shown in the most recent annual statement of the pool, in proportion to their assessable premiums for basic property insurance and for home insurance, respectively, for the same calendar year.

**History:** Add. 1971, Act 74, Eff. Aug. 1, 1971;—Am. 1979, Act 145, Eff. Mar. 1, 1980;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance