

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

**500.7040 Financial statements and reports required to be filed; commingling of cash reserves prohibited.**

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.

**History:** Add. 1986, Act 121, Eff. July 1, 1986 ;-- Am. 2022, Act 278, Eff. Mar. 29, 2023

**Popular Name:** Act 218