SENATE BILL NO. 1085

June 16, 2022, Introduced by Senator LASATA and referred to the Committee on Health Policy and Human Services.

A bill to amend 1956 PA 218, entitled "The insurance code of 1956,"

by amending section 7040 (MCL 500.7040), as added by 1986 PA 121.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 7040. (1) Each MEWA transacting business in this state 2 shall file all of the following with the commissioner:director:
- 3 (a) Within 90-180 days after the end of each fiscal year,
- 4 financial statements audited by a certified public accountant. An
- 5 actuarial opinion regarding reserves for known claims and
- 6 associated expenses and incurred but not reported claims and

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- 1 associated expenses, in accordance with subdivision (c), should
- 2 must be included in the audited financial statement. The opinion
- 3 shall must be rendered by an actuary approved by the commissioner
- 4 director or who has 5 or more years of experience in this field.
- 5 (b) Within 60 days after the end of each fiscal guarter,
- 6 unaudited financial statements, affirmed by an appropriate officer
- 7 or agent of the MEWA.
- 8 (c) Within 60 days after the end of each fiscal quarter, a
- 9 report certifying that the MEWA maintains reserves that are
- 10 sufficient to meet its contractual obligations, and that it
- 11 maintains a policy for excess loss insurance issued by an insurer
- 12 authorized to do business in this state. The commissioner,
- 13 director, after hearing, shall establish general standards for the
- 14 manner and amount of the excess loss insurance required by this
- 15 subdivision. A MEWA shall maintain minimum cash reserves of not
- 16 less than 25% of the aggregate contributions in the current fiscal
- 17 year or not less than 35% of the claims paid in the preceding
- 18 fiscal year, whichever is greater. Reserves shall must be
- 19 calculated with proper actuarial calculations of all of the
- 20 following:
- 21 (i) Known claims, paid and outstanding.
- 22 (ii) A history of incurred but not reported claims.
- 23 (iii) Claims handling expenses.
- 24 (iv) Unearned premiums.
- (v) An estimate for bad debts.
- 26 (vi) A trend factor.
- 27 (d) A schedule of premium contributions, rates, and renewal
- 28 projections.
- 29 (2) Cash reserves established pursuant to under this section

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- 1 shall must be maintained in a separate, identifiable account and
- 2 shall must not be commingled with other funds of the MEWA.