

HOUSE BILL No. 5198

October 18, 1989, Introduced by Reps. Brown, Hoekman, DeMars,
Palamara and Wartner and referred to the Committee on Insurance.

A bill to amend section 6534 of Act No. 218 of the Public
Acts of 1956, entitled as amended

"The insurance code of 1956,"

as added by Act No. 173 of the Public Acts of 1986, being section
500.6534 of the Michigan Compiled Laws; and to add sections 6512,
6514, 6516, and 6517.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 6534 of Act No. 218 of the Public Acts
2 of 1956, as added by Act No. 173 of the Public Acts of 1986,
3 being section 500.6534 of the Michigan Compiled Laws, is amended
4 and sections 6512, 6514, 6516, and 6517 are added to read as
5 follows:

6 SEC. 6512. THE COMMISSIONER SHALL REQUIRE A LIMITED
7 LIABILITY POOL FORMED UNDER THIS CHAPTER TO CERTIFY ANNUALLY THE

1 LOSS RESERVES OF THE POOL BY AN ACTUARY APPROVED BY THE
2 COMMISSIONER.

3 SEC. 6514. THE RATES CHARGED BY A LIMITED LIABILITY POOL
4 FORMED UNDER THIS CHAPTER SHALL BE FILED IN ACCORDANCE WITH SEC-
5 TION 2408 AND SHALL BE SUBJECT TO THE PRIOR APPROVAL OF THE
6 COMMISSIONER.

7 SEC. 6516. (1) A LIMITED LIABILITY POOL FORMED UNDER THIS
8 CHAPTER SHALL PUT IN WRITING ALL UNDERWRITING RULES USED BY THE
9 INSURER AND SHALL FILE ITS UNDERWRITING RULES WITH THE COMMIS-
10 SIONER PRIOR TO THEIR USE IN THIS STATE.

11 (2) AS USED IN THIS SECTION, "UNDERWRITING RULES" MEANS THE
12 WRITTEN STATEMENTS, GUIDELINES, OR CRITERIA OF A LIMITED LIABIL-
13 ITY POOL, THAT DESCRIBE THE STANDARDS UNDER WHICH THE LIMITED
14 LIABILITY POOL ISSUES, REFUSES TO ISSUE, RENEWS, REFUSES TO
15 RENEW, OR LIMITS COVERAGE FOR LIABILITY INSURANCE UNDER THIS
16 CHAPTER.

17 SEC. 6517. A LIMITED LIABILITY POOL FORMED UNDER THIS CHAP-
18 TER MAY REINSURE ALL OR ANY PORTION OF ITS POTENTIAL LIABILITY
19 WITH REINSURERS LICENSED TO TRANSACT INSURANCE IN THIS STATE OR
20 APPROVED BY THE COMMISSIONER. A LIMITED LIABILITY POOL SHALL NOT
21 DIRECTLY OR INDIRECTLY REINSURE ALL OR ANY PORTION OF ITS POTEN-
22 TIAL LIABILITY WITH AN INSURER NOT AUTHORIZED TO TRANSACT INSUR-
23 ANCE IN THIS STATE WITHOUT APPROVAL BY THE COMMISSIONER.

24 Sec. 6534. Every pool subject to this chapter shall main-
25 tain a contingency reserve at all times at least equal to ~~1/10~~
26 2/7 of the total premium income for the preceding calendar year
27 but not less than \$300,000.00 and shall maintain a deposit with

1 the state treasurer ~~—~~ of the kind and amount and for the
2 purposes specified in section 411. The deposit with the state
3 treasurer may be used by the pool for purposes of calculating the
4 contingency reserve. This contingency reserve shall be in addi-
5 tion to the ordinary reserves maintained for unpaid losses and
6 loss adjustment expenses, including those claims which have been
7 incurred but not reported and the reserve required under
8 section 6532.