

HOUSE BILL No. 5782

May 17, 1990, Introduced by Reps. Brown, Mathieu, Hoekman and Sikkema and referred to the Committee on Insurance.

A bill to amend sections 7001 and 7020 of Act No. 218 of the Public Acts of 1956, entitled as amended
"The insurance code of 1956,"
as added by Act No. 121 of the Public Acts of 1986, being sections 500.7001 and 500.7020 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 7001 and 7020 of Act No. 218 of the
2 Public Acts of 1956, as added by Act No. 121 of the Public Acts
3 of 1986, being sections 500.7001 and 500.7020 of the Michigan
4 Compiled Laws, are amended to read as follows:

5 Sec. 7001. As used in this chapter:

6 (a) "Board" means the board of trustees of the multiple
7 employer welfare arrangement security fund.

1 (B) "CASH RESERVES" MEANS FEDERALLY GUARANTEED OBLIGATIONS
2 THAT HAVE A FIXED RECOVERABLE PRINCIPAL AMOUNT OR AN IRREVOCABLE
3 AND UNCONDITIONAL LETTER OF CREDIT.

4 (C) ~~(b)~~ "Covered claim" means an obligation of an insol-
5 vent MEWA to pay a claim that is covered by the MEWA to a covered
6 employee or dependent who is a resident of this state.

7 (D) ~~(c)~~ "Employee welfare benefit plan" means that term as
8 defined in section 3 of the employee retirement income security
9 act of 1974, Public Law 93-406, 88 Stat. 829, 29 U.S.C. 1002.

10 (E) ~~(d)~~ "Fund" means the multiple employer welfare
11 arrangement security fund.

12 (F) ~~(e)~~ "Insolvent MEWA" means a MEWA authorized to do
13 business in this state for which a domiciliary or ancillary
14 receiver has been appointed in this state.

15 (G) "LETTER OF CREDIT" MEANS A LETTER OF CREDIT THAT MEETS
16 ALL OF THE FOLLOWING REQUIREMENTS:

17 (i) IS ISSUED BY A FEDERALLY INSURED FINANCIAL INSTITUTION.

18 (ii) IS ISSUED UPON SUCH TERMS AND IN A FORM APPROVED BY THE
19 COMMISSIONER.

20 (iii) IS SUBJECT TO DRAW BY THE COMMISSIONER, UPON GIVING 5
21 BUSINESS DAYS' WRITTEN NOTICE TO THE MEWA, OR BY THE MEWA FOR THE
22 SUBSCRIBER'S BENEFIT IF THE MEWA IS UNABLE TO PAY CLAIMS AS THEY
23 COME DUE.

24 (H) ~~(f)~~ "Multiple employer welfare arrangement" or "MEWA"
25 means that term as defined in section 3 of the employee retire-
26 ment income security act of 1974, Public Law 93-406, 88

1 Stat. 829, 29 U.S.C. 1002, which meets either or both of the
2 following criteria:

3 (i) One or more of the employer members in the MEWA is
4 either domiciled in this state or has its principal headquarters
5 or principal administrative office in this state.

6 (ii) The MEWA solicits an employer that is domiciled in this
7 state or has its principal headquarters or principal administra-
8 tive office in this state.

9 Sec. 7020. (1) The policies issued by the MEWA shall pro-
10 vide for a premium or premium deposit payable in cash and, except
11 as herein provided, for a contingent premium at least equal to 1
12 month's premium or premium deposit, which may be prefunded, and
13 in no event shall a member be liable for a greater amount than
14 the premium or premium deposit expressed in the policy.

15 (2) The MEWA may issue its policy without a contingent pre-
16 mium when it has cash reserves as provided in section 7040.

17 (3) If at any time the cash reserves are less than the
18 requirement of section 7040, the MEWA shall immediately collect
19 upon policies with a contingent premium a sufficient proportion-
20 ate part thereof to restore ~~such~~ THE cash reserves, provided no
21 member shall be liable for any part of ~~such~~ THE contingent pre-
22 mium in excess of the amount demanded within 1 year after the
23 termination of the policy. The commissioner may by written order
24 direct that proceedings to restore ~~such~~ THE reserves be
25 deferred during the time fixed in ~~such~~ THE order. ~~As used in~~
26 ~~this chapter, "cash reserves" means federally guaranteed~~
27 ~~obligations which have a fixed recoverable principal amount.~~