

# SENATE BILL No. 724

December 13, 1989, Introduced by Senator DINGELL and referred to the Committee on Commerce and Technology.

A bill to amend section 7925 of Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

as amended by Act No. 41 of the Public Acts of 1980, being section 500.7925 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Section 7925 of Act No. 218 of the Public Acts  
2 of 1956, as amended by Act No. 41 of the Public Acts of 1980,  
3 being section 500.7925 of the Michigan Compiled Laws, is amended  
4 to read as follows:

5       Sec. 7925. (1) "Covered claims" means obligations of an  
6 insolvent insurer which meet all of the following requirements:

7       (a) Arise out of the insurance policy contracts of the  
8 insolvent insurer issued to residents of this state or are

1 payable to residents of this state on behalf of insureds of the  
2 insolvent insurer.

3 (b) Were unpaid by the insolvent insurer.

4 (c) Are presented as a claim to the receiver in this state  
5 or the ~~association~~ ASSOCIATION on or before the last date fixed  
6 for the filing of claims in the domiciliary delinquency  
7 proceedings.

8 (d) Were incurred or existed before, at the time of, or  
9 within 30 days after the date the receiver was appointed.

10 (e) Arise out of policy contracts of the insolvent insurer  
11 issued for all kinds of insurance except life and disability  
12 insurance.

13 (f) Arise out of insurance policy contracts issued on or  
14 before the last date on which the insolvent insurer was a member  
15 insurer.

16 (2) Covered claims shall not include any of the following:

17 (a) Obligations to refund unearned premiums above the first  
18 \$500.00 of unearned premiums from each person from any 1 insol-  
19 vent insurer. The maximum amount of unearned premiums which  
20 shall constitute a covered claim shall be adjusted annually to  
21 reflect changes in the cost of living under rules prescribed by  
22 the commissioner.

23 (b) Obligations incurred after the expiration date of the  
24 insurance policy, after the insurance policy has been replaced by  
25 the insured, or after the insurance policy has been canceled by  
26 the association as provided in this chapter.

1 (c) Obligations which arise out of sections 2001 to 2050, or  
2 similar provisions of law in another jurisdiction.

3 (3) Covered claims shall not include obligations to an  
4 insurer, insurance pool, underwriting association, or to a person  
5 who has a net worth greater than 1/10 of 1% of the aggregate pre-  
6 miums written by member insurers in this state in the preceding  
7 calendar year. THIS SUBSECTION DOES NOT APPLY TO A SELF-INSURER  
8 GROUP APPROVED AS A SELF-INSURER GROUP UNDER SECTION 611 OF THE  
9 WORKER'S DISABILITY COMPENSATION ACT, ACT NO. 317 OF THE PUBLIC  
10 ACTS OF 1969, BEING SECTION 418.611 OF THE MICHIGAN COMPILED  
11 LAWS.

12 (4) Covered claims shall not include any portion of a claim  
13 which is in excess of an applicable limit provided in the insur-  
14 ance policy.

15 (5) Covered claims shall not include that portion of a  
16 claim, other than a worker's compensation claim, which is in  
17 excess of 1/20 of 1% of the aggregate premiums written by member  
18 insurers in this state in the preceding calendar year.

19 (6) Covered claims shall not include adjustment fees and  
20 expenses, attorneys' fees and expenses, court costs, interest, or  
21 bond premiums if the fees, expenses, costs, interest, or premiums  
22 were incurred by the insolvent insurer before the receiver was  
23 appointed.

24 Section 2. This amendatory act is curative and clarifies  
25 the original intent of the legislature.