

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

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 quarter,
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.

25 (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

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