

SENATE BILL No. 327

May 28, 1987, Introduced by Senators O'BRIEN, FAUST and POSTHUMUS
and referred to the Committee on Commerce and Technology.

A bill to amend section 7941 of Act No. 218 of the Public
Acts of 1956, entitled as amended

"The insurance code of 1956,"

as amended by Act No. 502 of the Public Acts of 1982, being section 500.7941 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 7941 of Act No. 218 of the Public Acts
2 of 1956, as amended by Act No. 502 of the Public Acts of 1982,
3 being section 500.7941 of the Michigan Compiled Laws, is amended,
4 to read as follows:

5 Sec. 7941. (1) To the extent necessary to secure funds for
6 the association for payment of covered claims and for payment of
7 reasonable costs of administering the association, including the
8 cost of indemnifying members of the board of governors, other
9 member insurers, officers, employees, and other persons acting on

1 behalf of the association to the extent permitted by law and the
2 plan of the operation, the association shall levy assessments
3 upon all member insurers. The association shall allocate its
4 claim payments and costs to the following 5 categories:

5 (a) Worker's compensation insurance.

6 (b) Automobile insurance.

7 (c) Title insurance.

8 (d) Fire, allied lines, farm owner's multiple peril,
9 homeowner's multiple peril, inland marine, earthquake, and credit
10 insurance.

11 (e) All other kinds of insurance except life and disability
12 insurance.

13 (2) Separate assessments shall be made for each category
14 prescribed in subsection (1). The assessment for each category
15 shall be used to pay the claim payments and costs allocated to
16 that category. The assessment for each category shall be in pro-
17 portion to the net direct premiums written, after deducting divi-
18 dends paid or credited to policyholders, by each member insurer
19 in this state for kinds of insurance included within each catego-
20 ry, as reported in the most recent annual statement available at
21 the time of assessment. The rate of assessment shall be a uni-
22 form percentage of the premiums for all member insurers. The
23 assessments shall be remitted to and administered by the associa-
24 tion in accordance with the plan of operation. Each member
25 insurer assessed shall have not less than 30 days' advance writ-
26 ten notice of the date the assessment is due and payable.

1 (3) A member insurer shall not be assessed during a calendar
2 year for more than ~~1%~~ 2% of its net direct premiums written in
3 this state during the previous calendar year. The commissioner
4 may exempt a member insurer from all or part of an assessment or
5 may defer, in whole or in part, the assessment of a member insur-
6 er, if the assessment would cause the member insurer's financial
7 statement to reflect amounts of capital or surplus less than the
8 minimum amounts required for a certificate of authority by any
9 jurisdiction in which the member insurer is authorized to trans-
10 act insurance. However, during the period of exemption or defer-
11 ment, dividends shall not be declared or paid to shareholders or
12 policyholders. If a member insurer is exempted from all or part
13 of an assessment, or if an assessment against a member insurer is
14 deferred in whole or in part, the amount of the exemption or
15 deferred assessment may be assessed against the other member
16 insurers in a manner consistent with the basis for assessments
17 prescribed in this section. The commissioner may impose condi-
18 tions on an exemption or deferral which he or she considers rea-
19 sonable and necessary.

20 (4) The assessments shall be recognized in the rate-making
21 procedures for insurance rates in the same manner that expenses
22 and premium taxes are recognized. Unused assessments and reim-
23 bursements from the receiver remaining in a category in excess of
24 covered claims and expenses allocated to that category shall be
25 refunded by the association to each member insurer who paid the
26 assessments for that category in proportion to its assessments
27 paid. An insurer which ceases to be a member of the association

1 shall not have a right to a refund of an assessment previously
2 remitted to the association. The commissioner may revoke the
3 certificate of authority to transact business in this state of a
4 member insurer which fails to pay an assessment when due as pro-
5 vided in this act and after a demand has been made.