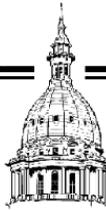




Senate Fiscal Agency  
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## BILL ANALYSIS



Telephone: (517) 373-5383  
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Senate Bill 1164 (as introduced 9-18-96)  
Sponsor: Senator Joel D. Gougeon  
Committee: Financial Services

Date Completed: 9-24-96

### **CONTENT**

**The bill would amend Public Act 35 of 1951, which authorizes contracts between municipal corporations to form group self-insurance pools, to make revisions regarding excess insurance, members' equity, loss funds, members' liability to a group self-insurance pool, reporting requirements, and civil fines.**

#### **Excess Insurance**

The Act allows a group self-insurance pool to assume, cede, and sell risk for casualty insurance, including general and professional liability coverage; property insurance, including marine insurance and inland navigation and transportation insurance coverage; automobile insurance, including motor vehicle liability insurance coverage and security for motor vehicles owned or operated, as required by the Insurance Code, and protection against other liability and loss associated with motor vehicle ownership; surety and fidelity insurance coverage; and umbrella and excess insurance coverages.

The Act provides that, if a group self-insurance pool obtains reinsurance, the reinsurance contract must be made available to the Insurance Commissioner upon request and that, if the reinsurance contract is not available to the group self-insurance pool, the pool must provide to the Commissioner written documentation of coverage as requested by the Commissioner. The bill would replace "reinsurance" in those provisions with "excess insurance", and specifies that excess insurance obtained by a group self-insurance pool would have to be from an insurer authorized in Michigan, an eligible unauthorized insurer, or a group self-insurance pool organized under the Act.

#### **Members' Equity, Loss Fund, and Members' Liability**

**Members' Equity.** The bill would require that each group self-insurance pool maintain "members' equity", at a minimum, in an amount of \$50,000. "Members' equity" would mean assets of the group self-insurance pool invested in securities and investments permitted for insurers in Michigan under the Insurance Code.

**Loss Fund.** The bill would require that a loss fund established by a group self-insurance pool for the payment of the pool's per loss and aggregate obligations be fully funded.

**Members' Liability.** The bill specifies that members of a group self-insurance pool would be liable to the pool for any shortfall in the assets available to pay claims, until the attachment point of any applicable excess insurance or reinsurance was reached.

## Reporting Requirements and Civil Fines

The Act requires each self-insurance pool created in Michigan to file with the pool members, within 120 days after the end of the pool's fiscal year, audited financial statements certified by an independent certified public accountant. The bill would require, instead, that each self-insurance pool file with the pool members and the Insurance Commissioner, within 90 days after the end of the pool's fiscal year or at another time as required by the Commissioner, a financial report, in a format prescribed by the Commissioner, that included audited financial statements certified by an independent certified public accountant. The bill would delete a requirement that two additional copies of the audited financial statements be filed with the Insurance Commissioner and that the Commissioner forward one copy to the State Treasurer.

Under the Act, each self-insurance group also must file with the Insurance Commissioner, within 120 days after the end of the pool's fiscal year, a certification by an independent actuary that the pool's reserves are adequate for the payment of claims. The bill would require that the certification be filed with the Commissioner within 90 days of the end of the fiscal year.

The bill provides that each self-insurance pool failing to file a financial report or an actuarial certification, or failing to reply within 30 days to an inquiry of the Insurance Commissioner concerning that failure, would be subject to a civil fine of \$25 for every day that the pool failed to file the report or certification or respond to the inquiry.

If a group self-insurance pool fails to maintain compliance with the Act's financial requirements, the Insurance Commissioner must notify the pool and the State Treasurer that the pool has failed to comply with those requirements. The bill would delete the requirement that the State Treasurer be notified.

MCL 124.5 et al.

Legislative Analyst: P. Affholter

## **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: M. Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.