

# HOUSE BILL No. 6230

June 20, 2006, Introduced by Rep. Mortimer and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending section 7931 (MCL 500.7931), as amended by 1980 PA 41.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 7931. (1) ~~The association shall pay and discharge~~  
2 ~~covered claims for the amount by which each covered claim exceeds~~  
3 ~~\$10.00.~~ The association may pay or discharge ~~the~~ **COVERED** claims  
4 directly, through a servicing facility, or through a contract for  
5 reinsurance or transfer of liabilities with a member insurer, in  
6 accordance with the plan of operation.

7           (2) The association shall be a party in interest in all  
8 proceedings involving a covered claim and shall have the same  
9 rights as the insolvent insurer would have had if not in

1 receivership, including the right to appear, defend, and appeal a  
2 claim in a court of competent jurisdiction; to receive notice of,  
3 investigate, adjust, compromise, settle, and pay a covered claim;  
4 and to investigate, handle, and deny a noncovered claim. The  
5 association shall not have a cause of action against the insureds  
6 of the insolvent insurer for any sums it has paid out, except those  
7 causes of action ~~which~~ **THAT** the insolvent insurer would have had  
8 if the sums had been paid by the insolvent insurer, or except as  
9 otherwise provided by this chapter.

10 (3) If damages or benefits are recoverable by a claimant **OTHER**  
11 **THAN FROM ANY DISABILITY POLICY OR LIFE INSURANCE POLICY OWNED OR**  
12 **PAID FOR BY THE CLAIMANT OR BY A CLAIMANT OR** insured under an  
13 insurance policy other than a policy of the insolvent insurer, or  
14 ~~from the motor vehicle accident claims fund, or a similar fund~~  
15 **UNDER A SELF-INSURED PROGRAM OF A SELF-INSURED ENTITY,** the damages  
16 or benefits recoverable shall be a credit against a covered claim  
17 payable under this chapter. **THE CLAIMANT, INSURED, OR SELF-INSURED**  
18 **ENTITY SHALL FIRST EXHAUST ALL COVERAGE PROVIDED BY ANY POLICY OR**  
19 **THE SELF-INSURED RETENTION OF AN EXCESS INSURANCE POLICY.** If  
20 damages against an insured who is not a resident of this state are  
21 recoverable by a claimant who is a resident of this state, in whole  
22 or in part, from any ~~insolvency~~ **INSURANCE GUARANTY ASSOCIATION OR**  
23 fund or its equivalent in the state where the insured is a  
24 resident, the damages recoverable shall be a credit against a  
25 covered claim payable under this chapter. **TO THE EXTENT THAT THE**  
26 **ASSOCIATION'S OBLIGATION IS REDUCED BY THIS SECTION, THE LIABILITY**  
27 **OF THE PERSON INSURED BY THE INSOLVENT INSURER'S POLICY SHALL BE**

1 **REDUCED IN THE SAME AMOUNT.** An insurer, ~~or a fund may~~ **SELF-**  
2 **INSURED ENTITY, OR ANY OTHER PERSON SHALL** not maintain an action  
3 against an insured of the insolvent insurer to recover an amount  
4 ~~which~~ **THAT** constitutes a credit against a covered claim under this  
5 section. An amount paid to a claimant in excess of the amount  
6 authorized by this section may be recovered by an action brought by  
7 the association. **IF THE CLAIMS MADE ARISE UNDER THE WORKER'S**  
8 **DISABILITY COMPENSATION ACT OF 1969, 1969 PA 317, MCL 418.101 TO**  
9 **418.941, THIS SUBSECTION DOES NOT PROVIDE CREDITS IN EXCESS OF**  
10 **THOSE SPECIFIED IN SECTION 354 OF THE WORKER'S DISABILITY**  
11 **COMPENSATION ACT OF 1969, 1969 PA 317, MCL 418.354, AND DOES NOT**  
12 **LIMIT THE LIABILITY OF THE GUARANTY ASSOCIATION OR THE INSURED**  
13 **UNDER A POLICY OF THE INSOLVENT INSURER FOR BENEFITS PROVIDED UNDER**  
14 **THE WORKER'S DISABILITY COMPENSATION ACT OF 1969, 1969 PA 317, MCL**  
15 **418.101 TO 418.941.**

16 (4) The association shall continue coverage for covered claims  
17 under each insurance policy of the insolvent insurer that was in  
18 force on the date the receiver was appointed until the insurance  
19 policy has expired in accordance with its terms, has been replaced  
20 by the insured, or has been canceled by the association as provided  
21 in this chapter, but in no event for more than 30 days after the  
22 date the receiver was appointed.

23 (5) The association may cancel insurance policies of the  
24 insolvent insurer by mailing or delivering to the insured at the  
25 last known address within this state a 10 days' written notice of  
26 cancellation, notwithstanding a statute or policy provision to the  
27 contrary.

1 (6) AS USED IN THIS SECTION:

2 (A) "SELF-INSURED ENTITY" MEANS A PERSON OR EMPLOYER THAT  
3 COVERS ITS LIABILITY THROUGH A QUALIFIED INDIVIDUAL OR GROUP SELF-  
4 INSURANCE PROGRAM.

5 (B) "SELF-INSURED PROGRAM" MEANS ANY FORMAL PROGRAM CREATED  
6 FOR THE SPECIFIC PURPOSE OF COVERING LIABILITIES TYPICALLY COVERED  
7 BY INSURANCE.

8 Enacting section 1. This amendatory act does not take effect  
9 unless all of the following bills of the 93rd Legislature are  
10 enacted into law:

11 (a) Senate Bill No.\_\_\_\_ or House Bill No. 6235(request no.  
12 07127'06).

13 (b) Senate Bill No.\_\_\_\_ or House Bill No. 6234(request no.  
14 07128'06).

15 (c) Senate Bill No.\_\_\_\_ or House Bill No. 6233(request no.  
16 07129'06).

17 (d) Senate Bill No.\_\_\_\_ or House Bill No. 6232(request no.  
18 07130'06).

19 (e) Senate Bill No.\_\_\_\_ or House Bill No. 6231(request no.  
20 07131'06).

21 (f) Senate Bill No.\_\_\_\_ or House Bill No. 6229(request no.  
22 07133'06).

23 (g) Senate Bill No.\_\_\_\_ or House Bill No. 6228(request no.  
24 07134'06).

25 (h) Senate Bill No.\_\_\_\_ or House Bill No. 6227(request no.  
26 07135'06).

27 (i) Senate Bill No.\_\_\_\_ or House Bill No. 6226(request no.

1 07136'06).

2 (j) Senate Bill No.\_\_\_\_ or House Bill No. 6225(request no.  
3 07137'06).

4 (k) Senate Bill No.\_\_\_\_ or House Bill No. 6224(request no.  
5 07138'06).

6 (l) Senate Bill No.\_\_\_\_ or House Bill No. 6223(request no.  
7 07139'06).