

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

CHAPTER 65
LIMITED LIABILITY POOLS

500.6500 Applicability of chapter.

Sec. 6500. This chapter applies only to pools formed to transact liability insurance as defined in section 6506, on the cooperative or assessment plan.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986.

Popular name: Act 218

500.6502 Formation of limited liability pool; purpose.

Sec. 6502. Subject to the requirements of chapters 50 and 52, any number of persons, not less than 7, who are residents of this state, may form a limited liability pool for the purpose of carrying on upon the assessment or cooperative plan, liability insurance as provided in section 6506.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986.

Popular name: Act 218

500.6506 Powers of limited liability pool; limitation.

Sec. 6506. The powers of a limited liability pool formed pursuant to this chapter shall be limited to the issuance of liability insurance policies for commercial, or other industrial, professional, or business liabilities as designated by the commissioner pursuant to this section. If, after holding a public hearing, the commissioner determines that liability insurance for a business or class of businesses, including, but not limited to, 4-year institutions of higher learning, child day care centers, nonprofit organizations, or a profession or class of professions is not readily available or is not available at a reasonable premium, the commissioner shall designate that business or class of businesses or profession or class of professions as eligible to be issued liability insurance policies by a limited liability pool formed pursuant to this chapter.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986.

Popular name: Act 218

500.6510 Commencement of business; pool not subject to MCL 500.410.

Sec. 6510. (1) A limited liability pool shall not commence business under this chapter until all of the following are met:

(a) The pool has procured bona fide applications for insurance together with the first premium in cash from at least 50 eligible persons for the business or class of businesses or profession or class of professions as defined in section 6506 which the pool undertakes to write.

(b) The secretary and treasurer have given good and sufficient bonds, approved by the commissioner, to the pool to be held by the president of the pool, for the faithful performance of their duties, which bonds shall each be in an amount at least twice the amount of money liable to come into the hands of such officer at any 1 time.

(c) The pool has accrued a contingency reserve deposit as defined and described in section 6534.

(d) The pool has met the insurer requirements provided in section 411.

(e) The commissioner, after receipt of satisfactory proof as to compliance with these and such other requirements as he or she considers essential, has issued a certificate of authority to the pool.

(2) A limited liability pool formed under this chapter shall not be subject to the requirement provided in section 410.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986.

Popular name: Act 218

500.6512 Limited liability pool; formation; purpose.

Sec. 6512. The commissioner shall require a limited liability pool formed under this chapter to certify annually the loss reserves of the pool by an actuary approved by the commissioner.

History: Add. 1990, Act 350, Imd. Eff. Dec. 26, 1990.

Popular name: Act 218

500.6514 Limited liability pool; rates.

Sec. 6514. The rates charged by a limited liability pool formed under this chapter shall be filed in accordance with section 2408 and shall be subject to the prior approval of the commissioner.

History: Add. 1990, Act 350, Imd. Eff. Dec. 26, 1990.

Popular name: Act 218

500.6516 Limited liability pool; underwriting rules.

Sec. 6516. (1) A limited liability pool formed under this chapter shall put in writing all underwriting rules used by the insurer and shall file its underwriting rules with the commissioner prior to their use in this state.

(2) As used in this section, "underwriting rules" means the written statements, guidelines, or criteria of a limited liability pool, that describe the standards under which the limited liability pool issues, refuses to issue, renews, refuses to renew, or limits coverage for liability insurance under this chapter.

History: Add. 1990, Act 350, Imd. Eff. Dec. 26, 1990.

Popular name: Act 218

500.6517 Limited liability pool; reinsurance.

Sec. 6517. A limited liability pool formed under this chapter may reinsure all or any portion of its potential liability with reinsurers licensed to transact insurance in this state or approved by the commissioner. A limited liability pool shall not directly or indirectly reinsure all or any portion of its potential liability with an insurer not authorized to transact insurance in this state without approval by the commissioner.

History: Add. 1990, Act 350, Imd. Eff. Dec. 26, 1990.

Popular name: Act 218

500.6518 Management of property, business, and affairs of pool by directors; selection and term of directors; first annual meeting; interim authority.

Sec. 6518. (1) The property, business, and affairs of a pool authorized under this chapter shall be managed by not less than 5 nor more than 20 directors to be chosen by the members at the annual meeting of members, to serve until the next annual meeting and until their successors be qualified.

(2) The first annual meeting of members shall take place within 12 months following the date of execution of the articles of incorporation. During the interim between the execution of the articles of incorporation and the first annual meeting of members, the affairs of the pool may be administered by such directors, officers, or trustees as shall be vested with such interim authority by the terms of the articles of incorporation.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986.

Popular name: Act 218

500.6522 Insured person as member of pool; voting rights; quorum; inspection of books.

Sec. 6522. Every person insured in any pool formed under this chapter shall be a member of the pool, and shall be entitled to 1 vote at all meetings of the members, and may vote in person or by proxy under such rules and regulations as may be provided in the bylaws of the pool. A minimum of 10 members shall be present in person to constitute a quorum. The books of the pool shall be open for inspection by any member of the insurer at any of its meetings.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986.

Popular name: Act 218

500.6532 Reserves for unearned premiums.

Sec. 6532. Every pool transacting insurance under this chapter shall maintain reserves for unearned premiums in accordance with the standards prescribed from time to time by the commissioner, which standards shall conform to those required of other insurers authorized to insure similar risks under the provisions of this code.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986.

Popular name: Act 218

500.6534 Contingency reserve; deposit with state treasurer; use of deposit.

Sec. 6534. Every pool subject to this chapter shall maintain a contingency reserve at all times at least equal to 2/7 of the total premium income for the preceding calendar year but not less than \$300,000.00 and shall maintain a deposit with the state treasurer of the kind and amount and for the purposes specified in section 411. The deposit with the state treasurer may be used by the pool for purposes of calculating the contingency reserve. This contingency reserve shall be in addition to the ordinary reserves maintained for unpaid losses and loss adjustment expenses, including those claims which have been incurred but not reported and the reserve required under section 6532.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986;—Am. 1990, Act 350, Imd. Eff. Dec. 26, 1990.

Popular name: Act 218

500.6540 Assessment of member.

Sec. 6540. Every policy issued or delivered in this state by any pool subject to this chapter shall set forth on the first page thereof, in addition to the regular specified premiums, the fact that the member is liable to be assessed to the extent needed to pay that member's proportional share of claims and expenses, and to maintain the reserves required by this chapter. However, in no event shall a member be liable for an assessment under this section which is greater than the annual premium expressed in the policy. An assessment shall not be levied against any member except upon due notice to the member. If any member shall fail to pay the assessment in cash within 30 days after notice, the assessment shall become a lien upon his or her policy. Whenever an assessment becomes a lien upon a policy, the policy shall become void without further action and no further liability shall attach to the pool. An assessment shall not be made until the method of determining and spreading the assessment has been approved by the commissioner. The commissioner may authorize the prosecution of suits to collect assessments when he or she deems that action equitable and practicable.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986.

Popular name: Act 218

500.6550 Loans.

Sec. 6550. Any pool organized under this chapter may secure its required funds for the deposit required under section 411, contingency reserve and other reserve purposes, and to defray the reasonable expenses of its organization by means of loans, upon an agreement that has first been submitted to and approved by the commissioner, that the funds shall be repaid with interest accrued in a manner and at a rate approved by the commissioner. The agreement under which the funds are obtained shall provide that any claim for their return shall be inferior and subordinate to all claims of and reserves for policyholders and creditors and shall not be liabilities or claims against the pool or any of its assets except as provided in this section. Interest shall be paid and principal shall be retired only out of surplus of the pool in excess of current obligations and of reserves required by this chapter. No part of principal shall be retired or interest paid unless the surplus remaining after repayment is determined adequate to comply with section 403 and the pool has received the written consent of the commissioner. The amount of funds obtained pursuant to this section and any portion retired during any year shall be reported in the pool's annual statement.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986;—Am. 1994, Act 226, Imd. Eff. June 27, 1994.

Popular name: Act 218