

**SUBSTITUTE FOR  
HOUSE BILL NO. 5792**

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending sections 102, 1301, 1311, 1312, 1315, 1325, 1333, 1341,  
1343, 1351, 1355, and 1371 (MCL 500.102, 500.1301, 500.1311,  
500.1312, 500.1315, 500.1325, 500.1333, 500.1341, 500.1343,  
500.1351, 500.1355, and 500.1371), section 102 as amended by 2000  
PA 252, sections 1301, 1312, 1315, 1351, and 1371 as amended by  
1992 PA 182, section 1311 as amended by 2010 PA 61, section 1325 as  
amended by 1994 PA 227, section 1341 as amended by 1994 PA 443, and  
section 1343 as amended by 1995 PA 219, and by adding sections  
1325a and 1357.

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

- 1       Sec. 102. ~~(1) "Commissioner" as~~ **AS** used in this act:
- 2       **(A) "COMMISSIONER"** means the ~~commissioner of the office of~~

1 ~~financial and insurance services.~~DIRECTOR.

2 (B) ~~(2)~~—"Department" as used in this act means the office of  
3 ~~financial and insurance services.~~DEPARTMENT OF INSURANCE AND  
4 FINANCIAL SERVICES.

5 (C) "DIRECTOR" MEANS, UNLESS THE CONTEXT CLEARLY IMPLIES A  
6 DIFFERENT MEANING, THE DIRECTOR OF THE DEPARTMENT.

7 Sec. 1301. As used in this chapter:

8 (A) "ENTERPRISE RISK" MEANS AN ACTIVITY, CIRCUMSTANCE, EVENT,  
9 OR SERIES OF EVENTS INVOLVING 1 OR MORE AFFILIATES OF AN INSURER  
10 THAT, IF NOT REMEDIED PROMPTLY, IS LIKELY TO HAVE A MATERIAL  
11 ADVERSE EFFECT UPON THE FINANCIAL CONDITION OR LIQUIDITY OF THE  
12 INSURER OR ITS INSURANCE HOLDING COMPANY SYSTEM AS A WHOLE,  
13 INCLUDING, BUT NOT LIMITED TO, ANYTHING THAT WOULD CAUSE THE  
14 INSURER TO BE HAZARDOUS TO POLICYHOLDERS, CREDITORS, AND THE  
15 PUBLIC.

16 (B) ~~(a)~~—"Insurer" means that term as defined in section 106,  
17 except that it does not include agencies, authorities, or  
18 instrumentalities of the United States, its possessions and  
19 territories, the commonwealth of Puerto Rico, the District of  
20 Columbia or a state or political subdivision of a state, fraternal  
21 benefit societies, or nonprofit health care corporations.

22 (C) "NAIC" MEANS THE NATIONAL ASSOCIATION OF INSURANCE  
23 COMMISSIONERS.

24 (D) ~~(b)~~—"Person" means that term as defined in section 114,  
25 except that it does not include ~~any~~—A securities broker performing  
26 no more than the usual and customary broker's function, so long as  
27 the securities broker holds less than 10% of the voting securities

1 of an insurer or of any person that controls an insurer.

2       Sec. 1311. (1) A person other than the issuer shall not make a  
3 tender offer for or a request or invitation for tenders of, or  
4 enter into ~~any~~**AN** agreement to exchange securities for, seek to  
5 acquire, or acquire, in the open market or otherwise, ~~any~~**A** voting  
6 security of a domestic insurer if, after the consummation thereof,  
7 the person directly or indirectly, or by conversion or by exercise  
8 of ~~any~~**A** right to acquire, would be in control of the insurer. A  
9 person shall not enter into an agreement to merge with or otherwise  
10 to acquire control of a domestic insurer or any person controlling  
11 a domestic insurer unless, at the time an offer, request, or  
12 invitation is made or an agreement is entered into, or ~~prior to~~  
13 **BEFORE** the acquisition of the securities if no offer or agreement  
14 is involved, the person has filed with the ~~commissioner~~**DIRECTOR**  
15 and has sent to the insurer, which has sent to its shareholders, a  
16 statement containing the information required by this chapter and  
17 the offer, request, invitation, agreement, or acquisition has been  
18 approved by the ~~commissioner~~**DIRECTOR** in the manner prescribed in  
19 this chapter.

20 ~~—— (2) Until May 1, 2012, if a domestic property and casualty~~  
21 ~~insurer has 200 employees or fewer, directly or indirectly through~~  
22 ~~an affiliate transacting the insurer's business, any proposal to~~  
23 ~~enter into an agreement to merge with or otherwise acquire control~~  
24 ~~of the domestic insurer or any person controlling the domestic~~  
25 ~~insurer, or, for the purpose of obtaining control, that seeks the~~  
26 ~~election of 2 or more members of the board of directors of the~~  
27 ~~domestic insurer or any person controlling the domestic insurer,~~

1 ~~shall, in addition to the requirements of subsection (1), require~~  
2 ~~the approval of 66.67% of the outstanding voting securities if the~~  
3 ~~proposal is not supported by a majority of the domestic insurer's~~  
4 ~~board of directors. This subsection only applies to a domestic~~  
5 ~~insurer that, on the effective date of the amendatory act that~~  
6 ~~added this sentence, generates 100% of its premiums from sales in~~  
7 ~~this state.~~

8           (2) IF A PERSON HAS NOT FILED A STATEMENT UNDER SUBSECTION  
9 (1), A CONTROLLING PERSON OF A DOMESTIC INSURER SEEKING TO DIVEST  
10 ITS CONTROLLING INTEREST IN THE DOMESTIC INSURER, IN ANY MANNER,  
11 SHALL FILE WITH THE DIRECTOR, WITH A COPY TO THE INSURER, A  
12 CONFIDENTIAL NOTICE OF ITS PROPOSED DIVESTITURE AT LEAST 30 DAYS  
13 BEFORE THE CESSATION OF CONTROL. THE DIRECTOR SHALL DETERMINE THOSE  
14 INSTANCES IN WHICH THE PERSON OR PERSONS SEEKING TO DIVEST OR TO  
15 ACQUIRE A CONTROLLING INTEREST IN AN INSURER ARE REQUIRED TO FILE  
16 TO OBTAIN APPROVAL OF THE TRANSACTION. THE INFORMATION MUST REMAIN  
17 CONFIDENTIAL UNTIL THE CONCLUSION OF THE TRANSACTION UNLESS THE  
18 DIRECTOR DETERMINES THAT CONFIDENTIAL TREATMENT WILL INTERFERE WITH  
19 ENFORCEMENT OF THIS SECTION.

20           (3) The person who proposes to enter into an agreement to  
21 merge with or otherwise acquire control of a domestic insurer shall  
22 file a ~~notification~~ NOTICE with the ~~commissioner~~, DIRECTOR, in such  
23 A form and containing the information prescribed by applicable rule  
24 promulgated or order issued by the ~~commissioner~~.DIRECTOR.

25           (4) For purposes of this section ~~through section~~ AND SECTIONS  
26 1312 TO 1319, a domestic insurer ~~shall include any~~ INCLUDES A  
27 person controlling a domestic insurer and any foreign insurer whose

1 written insurance premium in this state for each of the most recent  
2 3 years exceeds the premiums written in its state of domicile and  
3 whose written premium in this state was 20% or more of its total  
4 written premium in each of the most recent 3 years.

5 Sec. 1312. (1) The statement ~~to be~~ filed with the ~~commissioner~~  
6 **DIRECTOR UNDER SECTION 1311(1)** shall be made under oath or  
7 affirmation and ~~shall~~**MUST** contain **ALL OF** the following  
8 information:

9 (a) The name and address of each person by whom or on whose  
10 behalf the merger or other acquisition of control ~~referred to~~  
11 **DESCRIBED** in section 1311 ~~is to~~**WILL** be effected, hereinafter  
12 ~~called~~**REFERRED TO IN THIS SECTION AND SECTION 1315 AS** the  
13 acquiring party. If the person is an individual, his or her  
14 principal occupation, all offices and positions held during the  
15 past 5 years, any civil judgments against the person for \$25,000.00  
16 or more in civil fines or penalties or injunctive or other  
17 equitable relief, and any conviction of crimes other than minor  
18 traffic violations during the past 10 years. If the person is not  
19 an individual, a report of the nature of its business operations  
20 during the past 5 years or for ~~such a~~ lesser period ~~as~~**IN WHICH** the  
21 person and any predecessors of the person have been in existence,  
22 an informative description of the business intended to be done by  
23 the person and the person's subsidiaries, and a list of all  
24 individuals who are or who have been selected to become directors  
25 or executive officers of the person or who perform or will perform  
26 functions appropriate to those positions. The list ~~shall~~**MUST**  
27 include for each individual the individual's principal occupation,

1 all offices and positions held during the past 5 years, any civil  
2 judgments against the person for \$25,000.00 or more in civil fines  
3 or penalties or injunctive or other equitable relief, and any  
4 conviction of crimes other than minor traffic violations during the  
5 past 10 years.

6 (b) The source, nature, and amount of the consideration used  
7 or to be used in effecting the merger or other acquisition of  
8 control, a description of any transaction ~~where~~**IN WHICH** funds were  
9 or are to be obtained for ~~such purpose,~~**THE MERGER OR OTHER**  
10 **ACQUISITION**, including any pledge of the insurer's stock, or the  
11 stock of any of its subsidiaries or controlling affiliates, and the  
12 identity of persons furnishing the consideration. If a source of  
13 the consideration is a loan made in the lender's ordinary course of  
14 business, the identity of the lender ~~shall~~**MUST** be disclosed but  
15 remain confidential if the person filing the statement so requests.

16 (c) Fully audited financial information as to the earnings and  
17 financial condition of each acquiring party for the preceding 5  
18 fiscal years or for ~~such~~**A** lesser period ~~as~~**IN WHICH** the acquiring  
19 party and any predecessors of the acquiring party have been in  
20 existence and similar unaudited information as of a date not  
21 earlier than 90 days ~~prior to~~**BEFORE** the filing of the statement.

22 (d) Any plans or proposals that each acquiring party may have  
23 under consideration concerning the insurer's business operations,  
24 including, but not limited to, plans or proposals to liquidate the  
25 insurer, to sell its assets, to merge or consolidate it with any  
26 person, or to make any other material change in its business or  
27 corporate structure or management.

1 (e) The number of shares of any security ~~referred to~~ **DESCRIBED**  
2 in section 1311 that each acquiring party proposes to acquire, the  
3 terms of the offer, request, invitation, agreement, or acquisition  
4 ~~referred to~~ **DESCRIBED** in section 1311, and a statement as to how  
5 the proposal's fairness was arrived at.

6 (f) The amount of each class of ~~any~~ **A** security ~~referred to~~  
7 **DESCRIBED** in section 1311 that is beneficially owned or concerning  
8 which there is a right to acquire beneficial ownership by each  
9 acquiring party.

10 (g) A full description of ~~any contracts, arrangements,~~ **A**  
11 **CONTRACT, ARRANGEMENT**, or understanding concerning ~~any~~ **A** security  
12 ~~referred to~~ **DESCRIBED** in section 1311 in which ~~any~~ **AN** acquiring  
13 party is involved, including but not limited to transfer of any of  
14 the securities, joint ventures, loan or option arrangements, puts  
15 or calls, guarantees of loans, guarantees against loss or  
16 guarantees of profits, division of losses or profits, or the giving  
17 or withholding of proxies. The description ~~shall~~ **MUST** identify the  
18 persons with whom the contracts, arrangements, or ~~understanding~~  
19 **UNDERSTANDINGS** have been entered into.

20 (h) A description of the purchase of ~~any~~ **A** security ~~referred~~  
21 ~~to~~ **DESCRIBED** in section 1311 during the 12 calendar months  
22 preceding the filing of the statement, by ~~any~~ **AN** acquiring party,  
23 including the dates of purchase, names of the purchasers, and  
24 consideration paid or agreed to be paid for the security.

25 (i) A description of ~~any recommendations~~ **A RECOMMENDATION** to  
26 purchase ~~any~~ **A** security ~~referred to~~ **DESCRIBED** in section 1311 made  
27 during the 12 calendar months preceding the filing of the

1 statement, by ~~any~~**AN** acquiring party or by ~~anyone~~**ANOTHER PERSON**  
2 based upon interviews or at the suggestion of the acquiring party.

3 (j) Copies of all tender offers for, requests or invitations  
4 for tenders of, exchange offers for, and agreements to acquire or  
5 exchange ~~any securities referred to~~**A SECURITY DESCRIBED** in section  
6 1311 and additional related distributed soliciting material.

7 (k) The terms of ~~any~~**AN** agreement, contract, or understanding  
8 made with or proposed to be made with ~~any~~**A** broker-dealer as to  
9 solicitation of securities ~~referred to~~**DESCRIBED** in section 1311  
10 for tender, and the amount of ~~any fees, commissions,~~**A FEE,**  
11 **COMMISSION,** or other compensation to be paid to ~~broker-dealers.~~**A**  
12 **BROKER-DEALER.**

13 (l) ~~Such additional information as the commissioner prescribes~~  
14 ~~by order or rule as necessary or appropriate for the protection of~~  
15 ~~the insurer's policyholders and securityholders or in the public~~  
16 ~~interest.~~**ADDITIONAL INFORMATION THAT THE DIRECTOR PRESCRIBES BY**  
17 **ORDER OR RULE AS NECESSARY OR APPROPRIATE FOR THE PROTECTION OF THE**  
18 **INSURER'S POLICYHOLDERS AND SECURITYHOLDERS OR IN THE PUBLIC**  
19 **INTEREST.**

20 (2) **A PERSON REQUIRED TO FILE THE STATEMENT DESCRIBED IN**  
21 **SECTION 1311 SHALL DO ALL OF THE FOLLOWING:**

22 (A) **FILE THE ANNUAL ENTERPRISE RISK REPORT UNDER SECTION**  
23 **1325A, FOR AS LONG AS CONTROL EXISTS.**

24 (B) **PROVIDE, AND ENSURE THAT ALL SUBSIDIARIES WITHIN ITS**  
25 **CONTROL IN THE INSURANCE HOLDING COMPANY SYSTEM WILL PROVIDE,**  
26 **INFORMATION TO THE DIRECTOR UPON REQUEST AS NECESSARY TO EVALUATE**  
27 **ENTERPRISE RISK TO THE INSURER.**

1           Sec. 1315. (1) The ~~commissioner~~**DIRECTOR** shall approve any ~~A~~  
2 merger or other acquisition of control ~~referred to~~**DESCRIBED** in  
3 section 1311 of a domestic insurer unless the ~~commissioner~~**DIRECTOR**  
4 determines ~~on the basis of~~**FROM** information furnished to the  
5 ~~commissioner~~**DIRECTOR** on the merger or other acquisition of control  
6 1 or more of the following:

7           (a) After the change of control, the domestic insurer ~~referred~~  
8 ~~to~~**DESCRIBED** in section 1311 would not be able to satisfy the  
9 requirements for the issuance of a certificate of authority to  
10 write the types of insurance for which it is presently authorized.

11           (b) The ~~effect of the~~ merger or other acquisition of control  
12 would ~~be~~ substantially ~~to~~ lessen competition in insurance in this  
13 state or tend to create a monopoly in this state.

14           (c) The financial condition of any ~~AN~~ acquiring party ~~is such~~  
15 ~~as~~ might jeopardize the financial stability of the insurer, or  
16 prejudice the interest of its policyholders or the interests of any  
17 **A** remaining ~~securityholders~~**SECURITYHOLDER** who ~~are~~**IS** unaffiliated  
18 with the acquiring party.

19           (d) The terms of the offer, request, invitation, agreement, or  
20 acquisition ~~referred to~~**DESCRIBED** in section 1311 are unfair and  
21 unreasonable to the insurer's policyholders or securityholders.

22           (e) The ~~plans or proposals that the~~ acquiring party has  
23 **PARTY'S PLAN OR PROPOSAL** to liquidate the insurer, sell its assets,  
24 consolidate or merge ~~it~~**THE INSURER** with any ~~A~~ person, or to make  
25 any other material change in its business or corporate structure or  
26 management, ~~are~~**IS** unfair and unreasonable to the insurer's  
27 policyholders, and not in the public interest.

1 (f) The competence, experience, and integrity of ~~these~~ **THE**  
2 persons who would control the operation of the insurer are such  
3 that it would not be in the interest of the insurer's policyholders  
4 or the general public to permit the merger or other acquisition of  
5 control.

6 (G) **THE ACQUISITION IS LIKELY TO BE HAZARDOUS OR PREJUDICIAL**  
7 **TO THE INSURANCE-BUYING PUBLIC.**

8 (2) **THE DIRECTOR MAY HOLD A PUBLIC HEARING TO RECEIVE EVIDENCE**  
9 **AND TO HEAR PARTIES AFFECTED BY THE MERGER OR ACQUISITION. A**  
10 **HEARING UNDER THIS SUBSECTION MUST BE HELD WITHIN 30 DAYS AFTER THE**  
11 **FILING OF A STATEMENT UNDER SECTION 1311. THE DIRECTOR SHALL**  
12 **PROVIDE NOTICE OF THE HEARING TO THE PERSON FILING THE STATEMENT AT**  
13 **LEAST 20 DAYS BEFORE THE HEARING. NOT LESS THAN 7 DAYS' NOTICE OF**  
14 **THE PUBLIC HEARING SHALL BE GIVEN BY THE PERSON FILING THE**  
15 **STATEMENT TO THE INSURER AND TO ANY OTHER PERSONS DESIGNATED BY THE**  
16 **DIRECTOR. IF THE PROPOSED ACQUISITION OF CONTROL WILL REQUIRE THE**  
17 **APPROVAL OF MORE THAN 1 INSURANCE COMMISSIONER, THE PUBLIC HEARING**  
18 **MAY BE HELD ON A CONSOLIDATED BASIS UPON REQUEST OF THE PERSON**  
19 **FILING THE STATEMENT OR AS DETERMINED BY THE DIRECTOR. THE DIRECTOR**  
20 **MAY OPT OUT OF A CONSOLIDATED HEARING AND SHALL PROVIDE NOTICE TO**  
21 **THE PERSON WHO FILED THE STATEMENT UNDER SECTION 1311 OF THE OPT-**  
22 **OUT WITHIN 10 DAYS AFTER THE RECEIPT OF THE STATEMENT REQUIRED BY**  
23 **SECTION 1311. A HEARING CONDUCTED ON A CONSOLIDATED BASIS MUST BE**  
24 **HELD WITHIN THE UNITED STATES BEFORE THE COMMISSIONERS OF THE**  
25 **STATES IN WHICH THE INSURERS ARE DOMICILED.**

26 (3) **IN CONNECTION WITH A CHANGE OF CONTROL OF A DOMESTIC**  
27 **INSURER, A DETERMINATION BY THE DIRECTOR THAT THE PERSON ACQUIRING**

1 CONTROL OF THE INSURER SHALL BE REQUIRED TO MAINTAIN OR RESTORE THE  
2 CAPITAL OF THE INSURER TO THE LEVEL REQUIRED BY THIS ACT SHALL BE  
3 MADE NOT LATER THAN 60 DAYS AFTER THE DATE OF NOTIFICATION OF THE  
4 CHANGE OF CONTROL SUBMITTED UNDER SECTION 1311.

5 (4) ~~(2)~~ A person aggrieved by the ~~commissioner's~~ **DIRECTOR'S**  
6 order under this section shall be **IS** entitled to a contested case  
7 hearing before the ~~commissioner pursuant to~~ **DIRECTOR UNDER** the  
8 administrative procedures act of 1969, ~~Act No. 306 of the Public~~  
9 ~~Acts of 1969, being sections 24.201 to 24.328 of the Michigan~~  
10 ~~Compiled Laws. 1969 PA 306, MCL 24.201 TO 24.328.~~ The ~~commissioner~~  
11 **DIRECTOR** shall make a final decision within 30 days after the  
12 conclusion of the hearing.

13 Sec. 1325. (1) An insurer subject to registration **UNDER**  
14 **SECTION 1324** shall file a registration statement on a form provided  
15 by the ~~commissioner~~ **DIRECTOR** containing the following current  
16 information:

17 (a) The capital structure, comprehensive financial condition,  
18 ownership, and management of the insurer and ~~any~~ **A** person  
19 controlling the insurer.

20 (b) The identity and relationship of every member of the  
21 insurance holding company system.

22 (c) The following agreements in force, relationships  
23 subsisting, and transactions currently outstanding or that have  
24 occurred during the last calendar year between the insurer and its  
25 affiliates:

26 (i) Loans, other investments or purchases, sales, or exchanges  
27 of securities of the affiliates by the insurer or of the insurer by

1 its affiliates.

2 (ii) Purchases, sales, or exchanges of assets.

3 (iii) Transactions not in the ordinary course of business.

4 (iv) Guarantees or undertakings for the benefit of an affiliate  
5 that result in an actual contingent exposure of the insurer's  
6 assets to liability, other than insurance contracts entered into in  
7 the ordinary course of the insurer's business.

8 (v) All management and service contracts and all cost sharing  
9 arrangements.

10 (vi) Reinsurance agreements.

11 (vii) Dividends and other distributions to shareholders.

12 (viii) Consolidated tax allocation agreements.

13 (d) ~~Any-A~~ pledge of the insurer's stock, including stock of  
14 ~~any-A~~ subsidiary or controlling affiliate for a loan made to ~~any-A~~  
15 member of the insurance holding system.

16 (e) A summary outlining all items in the current registration  
17 statement representing changes from the prior registration  
18 statement.

19 (f) Other matters concerning transactions between registered  
20 insurers and any affiliates as ~~may be included from time to time in~~  
21 any registration forms adopted or approved by the  
22 ~~commissioner.~~ DIRECTOR.

23 (G) STATEMENTS THAT THE INSURER'S BOARD OF DIRECTORS OVERSEES  
24 CORPORATE GOVERNANCE AND INTERNAL CONTROLS AND THAT THE INSURER'S  
25 OFFICERS AND SENIOR MANAGEMENT HAVE APPROVED, IMPLEMENTED, AND  
26 CONTINUE TO MAINTAIN AND MONITOR CORPORATE GOVERNANCE AND INTERNAL  
27 CONTROL PROCEDURES.

1           (2) If a person ultimately controlling the insurer or  
2 intermediately controlling the insurer is registered on a national  
3 stock exchange or is otherwise required to make periodic reports to  
4 the United States securities and exchange commission or other  
5 instrumentality of a state or the government of the United States  
6 or of ~~any~~**A** foreign nation or jurisdiction regulating the financial  
7 conduct of that person, the insurer shall file ~~such~~**THE** reports  
8 with the ~~commissioner~~**DIRECTOR** in addition to other information  
9 required by the ~~commissioner~~**DIRECTOR**. **IF REQUESTED BY THE**  
10 **DIRECTOR, THE INSURER MUST INCLUDE FINANCIAL STATEMENTS OF OR**  
11 **WITHIN AN INSURANCE HOLDING COMPANY SYSTEM, INCLUDING ALL**  
12 **AFFILIATES. THE INSURER MAY SATISFY THE REQUEST BY PROVIDING THE**  
13 **DIRECTOR THE MOST RECENTLY FILED PARENT CORPORATION FINANCIAL**  
14 **STATEMENTS THAT HAVE BEEN FILED WITH THE UNITED STATES SECURITIES**  
15 **AND EXCHANGE COMMISSION.**

16 ~~—— (3) If the person or persons ultimately controlling the~~  
17 ~~insurer is an individual or group of individuals or is a person not~~  
18 ~~required to make reports described in subsection (2), that person~~  
19 ~~shall be required to file under oath with the commissioner on a~~  
20 ~~form provided by the commissioner information disclosing the~~  
21 ~~financial position of that person. A person who knowingly~~  
22 ~~misrepresents the financial information provided to the~~  
23 ~~commissioner shall be guilty of a felony and, upon conviction,~~  
24 ~~shall be punished by a fine not to exceed \$5,000.00 or by~~  
25 ~~imprisonment for a term not to exceed 5 years, or by both such fine~~  
26 ~~and imprisonment in the discretion of the court. The ultimate~~  
27 ~~controlling person or persons shall not be required to file a~~

1 ~~financial position form if either:~~

2 ~~—— (a) There has not been a change of control of the insurer for~~  
3 ~~a minimum of 5 years and the insurer maintains a minimum surplus~~  
4 ~~amount of \$25,000,000.00 if the insurer has achieved at least an~~  
5 ~~"A" rating by the A.M. Best company or maintains a minimum surplus~~  
6 ~~of \$75,000,000.00 if the insurer has achieved at least an "A"~~  
7 ~~rating by the A.M. Best company.~~

8 ~~—— (b) The commissioner accepts the filing made by the ultimate~~  
9 ~~controlling person of the periodic reports that are filed by a~~  
10 ~~person who is an intermediary member within the insurance holding~~  
11 ~~company system between the insurer and the individual or group of~~  
12 ~~individuals controlling the insurer, with the United States~~  
13 ~~securities and exchange commission or other instrumentality of a~~  
14 ~~state or the government of the United States or any foreign nation~~  
15 ~~or jurisdiction regulating the financial conduct of that person.~~

16 **SEC. 1325A. THE ULTIMATE CONTROLLING PERSON OF AN INSURER**  
17 **SUBJECT TO REGISTRATION UNDER SECTION 1324 SHALL FILE AN ANNUAL**  
18 **ENTERPRISE RISK REPORT WITH THE DIRECTOR OR A JURISDICTION**  
19 **DESIGNATED BY THE DIRECTOR. THE REPORT MUST BE APPROPRIATE TO THE**  
20 **NATURE, SCALE, AND COMPLEXITY OF THE OPERATIONS OF THE INSURANCE**  
21 **HOLDING COMPANY SYSTEM AND MUST, TO THE BEST OF THE ULTIMATE**  
22 **CONTROLLING PERSON'S KNOWLEDGE AND BELIEF, IDENTIFY THE MATERIAL**  
23 **RISKS WITHIN THE INSURANCE HOLDING COMPANY SYSTEM THAT COULD POSE**  
24 **ENTERPRISE RISK TO THE INSURER. THE REPORT IS NOT SUBJECT TO**  
25 **DISCOVERY OR ADMISSIBLE IN EVIDENCE IN A PRIVATE CIVIL ACTION AND**  
26 **IS NOT SUBJECT TO THE FREEDOM OF INFORMATION ACT, 1976 PA 442, MCL**  
27 **15.231 TO 15.246. THE ULTIMATE CONTROLLING PERSON OF AN INSURER**

1 SUBJECT TO REGISTRATION UNDER SECTION 1324 MAY REQUEST AN EXEMPTION  
 2 FROM THIS SECTION. THE ULTIMATE CONTROLLING PERSON OF THE INSURER  
 3 SHALL FILE WITH THE DIRECTOR A WRITTEN STATEMENT DISCUSSING THE  
 4 REASONS WHY THE ULTIMATE CONTROLLING PERSON OF THE INSURER SHOULD  
 5 BE EXEMPT. THE DIRECTOR MAY GRANT THE EXEMPTION IF AFTER REVIEW OF  
 6 THE STATEMENT THE DIRECTOR FINDS THAT COMPLIANCE WITH THIS SECTION  
 7 WOULD CREATE AN UNDUE FINANCIAL OR ORGANIZATIONAL HARDSHIP ON THE  
 8 ULTIMATE CONTROLLING PERSON.

9 Sec. 1333. The failure to file a registration statement, ~~or~~  
 10 ~~any~~ ~~AN~~ amendment thereto ~~TO~~ OR SUMMARY OF THE REGISTRATION  
 11 STATEMENT, OR AN ENTERPRISE RISK REPORT required by sections 1324  
 12 to ~~1333~~ 1332 within the time specified for ~~such~~ ~~THE~~ filing is a  
 13 violation of this chapter.

14 Sec. 1341. (1) Transactions within a holding company system to  
 15 which an insurer domiciled in this state or ~~any~~ ~~A~~ foreign insurer  
 16 whose written insurance premium in this state for each of the most  
 17 recent 3 years exceeds the premiums written in its state of  
 18 domicile and whose written premium in this state was 20% or more of  
 19 its total written premium in each of the most recent 3 years is a  
 20 party or with respect to which the assets or liabilities of these  
 21 insurers are affected are subject to all of the following  
 22 standards:

23 (a) The terms ~~shall~~ ~~MUST~~ be fair and reasonable.

24 (b) The charges or fees for services performed ~~shall~~ ~~MUST~~ be  
 25 reasonable.

26 (c) The expenses incurred and payment received ~~shall~~ ~~MUST~~ be  
 27 allocated to the insurer in conformity with customary insurance

1 accounting practices consistently applied.

2 (d) The books, accounts, and records of each party ~~shall~~**MUST**  
3 be ~~so~~ maintained ~~as~~ to clearly and accurately disclose the precise  
4 nature and details of the transactions including ~~such~~**NECESSARY**  
5 accounting information ~~as is necessary~~ to support the  
6 reasonableness of the charges or fees to the respective parties.

7 (e) The insurer's surplus as regards policyholders following  
8 any dividends or distributions to shareholder affiliates ~~shall~~**MUST**  
9 be reasonable in relation to the insurer's outstanding liabilities  
10 and adequate to its financial needs so that the insurer continues  
11 to comply with section 403.

12 (2) The ~~commissioner's~~**DIRECTOR'S** prior approval ~~shall be~~**IS**  
13 required for sales, purchases, exchanges, loans, extensions of  
14 credit, or investments, involving 5% or more of the insurer's  
15 assets at the immediately preceding year's end, between a domestic  
16 controlled insurer and ~~any~~**A** person in its holding company system.

17 (3) A domestic insurer and ~~any~~**A** person in its holding company  
18 system shall not enter into the following transactions with each  
19 other, **OR MODIFY AN EXISTING TRANSACTION**, unless the insurer ~~has~~  
20 ~~notified~~**NOTIFIES** the ~~commissioner~~**DIRECTOR** in writing of its  
21 intention to enter into the transaction, **OR ITS REASON TO MODIFY AN**  
22 **EXISTING TRANSACTION AND THE MODIFICATION'S FINANCIAL IMPACT ON THE**  
23 **INSURER**, at least 30 days, or a shorter period as the ~~commissioner~~  
24 **DIRECTOR** allows, ~~prior to~~**BEFORE** entering into **OR MODIFYING** the  
25 transaction and the ~~commissioner~~**DIRECTOR** has not disapproved it  
26 within that period:

27 (a) ~~Sales, purchases, exchanges, loans, extensions of credit,~~

1 ~~or investments, provided the~~ **A SALE, PURCHASE, EXCHANGE, LOAN,**  
2 **EXTENSION OF CREDIT, OR INVESTMENT, IF THE** transaction is equal to  
3 or greater than the lesser of 3% of the insurer's assets or 25% of  
4 capital and surplus as of December 31 of the immediately preceding  
5 year.

6 (b) ~~Loans or extensions~~ **A LOAN OR EXTENSION** of credit to ~~any~~ **A**  
7 person who is not an affiliate, ~~where~~ **IF** the insurer makes ~~loans~~  
8 **THE LOAN** or ~~extensions of~~ **EXTENDS THE** credit with the agreement or  
9 understanding that the proceeds of the ~~transactions,~~ **TRANSACTION,**  
10 in whole or in substantial part, ~~are to~~ **WILL** be used to make ~~loans~~  
11 **A LOAN** or ~~extensions of~~ **EXTEND** credit to, to purchase assets ~~an~~  
12 **ASSET** of, or to ~~make investments~~ **INVEST** in, ~~any~~ **AN** affiliate of the  
13 insurer making the ~~loans~~ **LOAN** or ~~extensions of~~ **EXTENDING** credit  
14 ~~provided~~ **IF** the transaction is equal to or greater than the lesser  
15 of 3% of the insurer's assets or 25% of capital and surplus as of  
16 December 31 of the immediately preceding year.

17 (C) **A GUARANTEE THAT IS QUANTIFIABLE AND EXCEEDS THE LESSER OF**  
18 **0.5% OF THE INSURER'S ADMITTED ASSETS OR 10% OF SURPLUS AS OF**  
19 **DECEMBER 31 OF THE IMMEDIATELY PRECEDING YEAR. A GUARANTEE THAT IS**  
20 **NOT QUANTIFIABLE UNDER THIS SUBDIVISION IS SUBJECT TO PRIOR**  
21 **APPROVAL OF THE DIRECTOR.**

22 (D) **A DIRECT OR INDIRECT ACQUISITION OF, OR INVESTMENT IN, A**  
23 **PERSON THAT CONTROLS THE INSURER OR THAT CONTROLS AN AFFILIATE OF**  
24 **THE INSURER, IF THE AMOUNT OF THE TRANSACTION PLUS THE INSURER'S**  
25 **PRESENT HOLDINGS IN INVESTMENT EXCEEDS 2.5% OF SURPLUS. THIS**  
26 **SUBDIVISION DOES NOT APPLY TO A DIRECT OR INDIRECT ACQUISITION OF,**  
27 **OR INVESTMENTS IN, A SUBSIDIARY ACQUIRED UNDER SECTION 1305 OR ANY**

1 OTHER SECTION OF THIS CHAPTER, OR A NONSUBSIDIARY INSURANCE  
2 AFFILIATE THAT IS SUBJECT TO THIS ACT.

3 (E) ~~(c) Reinsurance treaties~~ **A REINSURANCE TREATY** or  
4 ~~agreements~~ **AGREEMENT**.

5 (F) ~~(d)~~ Rendering of services on a regular systematic basis.

6 (G) **A TAX ALLOCATION AGREEMENT**.

7 (H) **A COST-SHARING AGREEMENT**.

8 (I) ~~(e) Any~~ **A material transactions, TRANSACTION**, specified by  
9 regulation, that the ~~commissioner~~ **DIRECTOR** determines may adversely  
10 affect the interests of the insurer's policyholders.

11 (4) **AN INSURER SHALL INFORMALLY NOTIFY THE DIRECTOR OF A**  
12 **TERMINATION OF TRANSACTION UNDER SUBSECTION (3) NO LATER THAN 30**  
13 **DAYS AFTER THE TRANSACTION TERMINATES.**

14 (5) ~~(4) Nothing contained in subsection~~ **SUBSECTION (3) shall**  
15 ~~be considered to~~ **DOES NOT** authorize or permit any ~~transactions~~ **A**  
16 **TRANSACTION** that, ~~in the case of~~ **FOR** an insurer **THAT IS** not a  
17 member of the same holding company system, would be otherwise  
18 contrary to law.

19 (6) ~~(5)~~ A domestic insurer shall not enter into transactions  
20 that are part of a plan or series of like transactions with persons  
21 within the holding company system if the purpose of those separate  
22 transactions is to avoid the ~~statutory~~ threshold amount **UNDER THIS**  
23 **CHAPTER** and thus avoid the review that would otherwise occur. If  
24 the ~~commissioner~~ **DIRECTOR** determines that the separate transactions  
25 were entered into over any relevant period for that purpose, he or  
26 she may exercise his or her authority under section 1371.

27 (7) ~~(6)~~ In reviewing a transaction ~~pursuant to~~ **UNDER**

1 subsection (2), the ~~commissioner~~**DIRECTOR** shall consider whether  
 2 the transaction complies with the standards ~~set forth~~**DESCRIBED** in  
 3 subsection (1) and whether it may otherwise adversely affect the  
 4 interests of policyholders, creditors, or the public.

5 (8) ~~(7) The commissioner~~**A DOMESTIC INSURER** shall ~~be notified~~  
 6 **NOTIFY THE DIRECTOR** within 30 days of ~~any investment of the~~  
 7 domestic ~~insurer~~**INSURER'S INVESTMENT** in any 1 corporation if the  
 8 **INSURANCE HOLDING COMPANY SYSTEM'S** total investment in the  
 9 corporation ~~by the insurance holding company system~~ exceeds 10% of  
 10 the corporation's voting securities.

11 Sec. 1343. (1) Each year the ~~commissioner~~**DIRECTOR** shall  
 12 review the ordinary shareholder dividends paid by domestic insurers  
 13 to determine whether each insurer's surplus following those  
 14 dividends is reasonable in relation to the insurer's outstanding  
 15 liabilities and adequate to its needs so that it continues to  
 16 comply with section 403. In conducting the review and making the  
 17 determination, the ~~commissioner~~**DIRECTOR** shall consider **ALL OF** the  
 18 following factors in addition to ~~the provisions of~~**FACTORS LISTED**  
 19 **IN** section 436a:

20 (a) The adequacy of the level of surplus as regards  
 21 policyholders remaining after the dividend payment or payments.

22 (b) The quality of the insurer's earnings and the extent to  
 23 which the reported earnings include extraordinary items, such as  
 24 surplus relief reinsurance transactions and reserve  
 25 destrengthening.

26 (c) The quality and liquidity of investments in subsidiaries.  
 27 The ~~commissioner~~**DIRECTOR** may discount any of those investments or

1 refuse to consider the investment as an asset for purposes of  
2 determining the adequacy of surplus as regards policyholders if the  
3 investment so warrants.

4 (2) If the ~~commissioner~~**DIRECTOR** determines that an insurer's  
5 surplus as regards policyholders is not reasonable in relation to  
6 the insurer's outstanding liabilities and is not adequate to its  
7 financial needs so that the insurer will not continue to comply  
8 with section 403, the ~~commissioner~~**DIRECTOR** shall limit or disallow  
9 the payment of shareholder dividends.

10 (3) Shareholder dividends shall be declared or paid only from  
11 earned surplus, unless the ~~commissioner~~**DIRECTOR** approves the  
12 dividend ~~prior to~~**BEFORE** payment. The ~~commissioner~~**DIRECTOR** shall  
13 consider whether the dividend will be paid from the insurer's net  
14 gain from operations if the insurer is a life insurer, or the  
15 insurer's net income if the insurer is not a life insurer, for the  
16 12-month period ending December 31 of the immediately preceding  
17 year. For purposes of this subsection, earned surplus excludes  
18 surplus arising from unrealized capital gains or a revaluation of  
19 assets.

20 (4) ~~Any~~**A** domestic insurer that is a member of an insurance  
21 holding company system and declares a shareholder dividend shall  
22 report the dividend to the ~~commissioner~~**DIRECTOR** within 5 business  
23 days after declaring the dividend. ~~and at least 10 business days~~  
24 ~~beginning from the date of receipt by the commissioner before the~~  
25 ~~payment.~~**THE INSURER SHALL NOT PAY THE DIVIDEND UNTIL 10 DAYS AFTER**  
26 **THE DIRECTOR RECEIVES A REPORT UNDER THIS SUBSECTION.**

27 (5) An insurer subject to registration under section 1324

1 shall not pay any extraordinary dividend or make any other  
2 extraordinary distribution to its shareholders until 30 days after  
3 the ~~commissioner~~**DIRECTOR** has received notice of the declaration  
4 and has not disapproved or has approved the payment within that  
5 period. If the ~~commissioner~~**DIRECTOR**, applying the criteria in  
6 subsection (1), determines that the insurer's surplus as regards  
7 policyholders is not reasonable in relation to the insurer's  
8 outstanding liabilities and is not adequate to its financial needs  
9 so that the insurer will not continue to comply with section 403,  
10 the ~~commissioner~~**DIRECTOR** may, ~~prior to~~**BEFORE** the expiration of  
11 the 30-day period described in this subsection, enter an order  
12 prohibiting the payment of the dividend.

13 (6) An extraordinary dividend or distribution includes ~~any~~**A**  
14 dividend or distribution of cash or other property, whose fair  
15 market value ~~together with that~~**PLUS THE FAIR MARKET VALUE** of other  
16 dividends or distributions made within the preceding 12 months  
17 exceeds the greater of 10% of the insurer's surplus as regards  
18 policyholders as of December 31 of the immediately preceding year,  
19 or the net gain from operations of the insurer, if the insurer is a  
20 life insurer, or the net income, if the insurer is not a life  
21 insurer, not including realized capital gains, for the 12-month  
22 period ending December 31 of the immediately preceding year, but  
23 shall not include pro rata distributions of any class of the  
24 insurer's own securities.

25 (7) Notwithstanding any other provision of law, an insurer may  
26 declare an extraordinary dividend or distribution that is  
27 conditional upon the ~~commissioner's~~**DIRECTOR'S** approval. The

1 declaration ~~shall~~ **DOES NOT** confer ~~no~~ rights upon shareholders until  
2 the ~~commissioner~~ **DIRECTOR** has approved or has not disapproved the  
3 payment of the dividend or distribution within the 30-day period  
4 **DESCRIBED IN SUBSECTION (5)**.

5 (8) Notwithstanding subsections (5) through (7), a dividend  
6 shall not be declared and paid by an insurer to an affiliate if  
7 after the payment the insurer could not satisfy the standards ~~set~~  
8 ~~forth~~ **DESCRIBED** in section 403.

9 (9) An insurer aggrieved by the ~~commissioner's~~ **DIRECTOR'S**  
10 determination or order under this section is entitled to a  
11 contested case hearing ~~pursuant to~~ **UNDER** the administrative  
12 procedures act of 1969, ~~Act No. 306 of the Public Acts of 1969,~~  
13 ~~being sections 24.201 to 24.328 of the Michigan Compiled Laws, to~~  
14 **1969 PA 306, MCL 24.201 TO 24.328. A HEARING UNDER THIS SUBSECTION**  
15 **MUST** be held no later than 10 days after receipt of the insurer's  
16 request. The ~~commissioner's~~ **DIRECTOR'S** determination or order shall  
17 remain in effect except as modified by the ~~commissioner~~ **DIRECTOR**  
18 during the pendency of the hearing and until a final decision by  
19 the ~~commissioner~~ **DIRECTOR**. The ~~commissioner~~ **DIRECTOR** shall render  
20 a final decision within 30 days after the conclusion of the  
21 hearing.

22 Sec. 1351. (1) Subject to the limitation ~~contained in this~~  
23 section and in addition to the powers that the ~~commissioner~~  
24 **DIRECTOR** has under chapters 2 and 4 relating to the examination of  
25 insurers, the ~~commissioner~~ **DIRECTOR** may order ~~any~~ **AN** insurer  
26 registered under section 1324 to produce records, books, or other  
27 information papers in the possession of the insurer or its

1 affiliates as are necessary to ascertain ~~DETERMINE~~ the insurer's  
2 financial condition, INCLUDING ENTERPRISE RISK TO THE INSURER BY  
3 THE ULTIMATE CONTROLLING PARTY, OR BY COMBINATION OF ENTITIES  
4 WITHIN THE INSURANCE HOLDING COMPANY SYSTEM, OR BY THE INSURANCE  
5 HOLDING COMPANY SYSTEM ON A CONSOLIDATED BASIS, or legality of  
6 conduct. If the insurer fails to comply with the order, the  
7 ~~commissioner~~ DIRECTOR may examine the affiliates to obtain the  
8 information. THE DIRECTOR MAY ORDER AN INSURER REGISTERED UNDER  
9 SECTION 1324 TO PRODUCE INFORMATION NOT IN THE POSSESSION OF THE  
10 INSURER IF THE INSURER CAN OBTAIN ACCESS TO THE INFORMATION UNDER A  
11 CONTRACTUAL RELATIONSHIP, STATUTORY OBLIGATION, OR OTHER METHOD. IF  
12 THE INSURER CANNOT OBTAIN THE INFORMATION REQUESTED BY THE  
13 DIRECTOR, THE INSURER SHALL PROVIDE THE DIRECTOR WITH A DETAILED  
14 EXPLANATION OF THE REASON THAT THE INSURER CANNOT OBTAIN THE  
15 INFORMATION AND THE IDENTITY OF THE HOLDER OF INFORMATION. IF THE  
16 DIRECTOR DETERMINES THE DETAILED EXPLANATION IS WITHOUT MERIT, THE  
17 DIRECTOR MAY REQUIRE, AFTER NOTICE AND HEARING, THE INSURER TO PAY  
18 A CIVIL FINE OF \$1,000.00 FOR EACH DAY'S DELAY OR MAY SUSPEND OR  
19 REVOKE THE INSURER'S LICENSE.

20 (2) The ~~commissioner~~ DIRECTOR may retain at the registered  
21 insurer's expense attorneys, actuaries, accountants, and other  
22 experts not otherwise a part of the ~~commissioner's~~ DIRECTOR'S staff  
23 as are reasonably necessary to assist in the conduct of the  
24 examination under subsection (1). The expense of the attorneys,  
25 actuaries, accountants, and other experts shall be certified by the  
26 ~~commissioner~~ DIRECTOR and paid as ~~prescribed~~ PROVIDED in sections  
27 216 and 224. The person retained ~~shall be~~ IS under the direction

1 and control of the ~~commissioner~~ **DIRECTOR** and shall act in a purely  
2 advisory capacity.

3 (3) Each registered insurer producing for examination records,  
4 books, and papers ~~pursuant to~~ **UNDER** subsection (1) ~~shall be~~ **IS**  
5 liable for and shall pay the expense of the examination ~~in~~  
6 ~~accordance with~~ **UNDER** sections 216 and 224.

7 **Sec. 1355. (1) All EXCEPT AS OTHERWISE PROVIDED IN THIS**  
8 **SUBSECTION, THE** information, documents, and copies ~~thereof~~ **OF**  
9 **DOCUMENTS** obtained by or disclosed to the ~~commissioner~~ **DIRECTOR** or  
10 any other person in the course of an examination or investigation  
11 made ~~pursuant to section~~ **UNDER SECTIONS** 1351 **AND** 1357 and ~~all~~ **THE**  
12 information reported ~~pursuant to~~ **UNDER** sections 1324 to 1333 ~~shall~~  
13 ~~be given~~ **IS** confidential, ~~treatment,~~ **IS NOT SUBJECT TO THE FREEDOM**  
14 **OF INFORMATION ACT, 1976 PA 442, MCL 15.231 TO 15.246,** is not  
15 subject to subpoena, **IS NOT SUBJECT TO DISCOVERY OR ADMISSIBLE IN**  
16 **EVIDENCE IN A PRIVATE CIVIL ACTION,** and shall not be made public by  
17 the ~~commissioner~~ **DIRECTOR** or any other person, ~~except to insurance~~  
18 ~~departments of other states,~~ without the prior written consent of  
19 the insurer to which it pertains. ~~, unless the commissioner,~~ **THE**  
20 **DIRECTOR MAY,** after giving the insurer and its affiliates who would  
21 be affected ~~thereby,~~ **BY THE DISCLOSURE** notice and opportunity to be  
22 heard, **DISCLOSE THE INFORMATION IF THE DIRECTOR** determines that the  
23 interests of policyholders, shareholders, or the public will be  
24 served by the publication ~~thereof, in which event he may publish~~  
25 ~~all or any part thereof in such manner as he deems appropriate.~~ **OF**  
26 **THE INFORMATION. THE DIRECTOR OR A PERSON WHO RECEIVED DOCUMENTS,**  
27 **MATERIALS, OR OTHER INFORMATION WHILE ACTING UNDER THE AUTHORITY OF**

1 THE DIRECTOR OR WITH WHOM THE DOCUMENTS, MATERIALS, OR OTHER  
2 INFORMATION IS SHARED UNDER THIS ACT SHALL NOT TESTIFY IN A PRIVATE  
3 CIVIL ACTION CONCERNING CONFIDENTIAL DOCUMENTS, MATERIALS, OR  
4 INFORMATION OBTAINED UNDER SECTIONS 1351 AND 1357 AND INFORMATION  
5 REPORTED UNDER SECTIONS 1324 TO 1333.

6 (2) THE DIRECTOR MAY SHARE DOCUMENTS, MATERIALS, OR OTHER  
7 INFORMATION, INCLUDING THE CONFIDENTIAL AND PRIVILEGED DOCUMENTS,  
8 MATERIALS, OR INFORMATION OBTAINED UNDER SECTIONS 1351 AND 1357 AND  
9 INFORMATION REPORTED UNDER SECTIONS 1324 TO 1333 WITH OTHER STATE,  
10 FEDERAL, AND INTERNATIONAL REGULATORY AGENCIES; THE NAIC; AND  
11 STATE, FEDERAL, AND INTERNATIONAL LAW ENFORCEMENT AUTHORITIES,  
12 INCLUDING MEMBERS OF A SUPERVISORY COLLEGE UNDER SECTION 1357, IF  
13 THE REGULATOR, THE NAIC, OR LAW ENFORCEMENT AUTHORITY AGREES IN  
14 WRITING TO MAINTAIN THE CONFIDENTIALITY AND PRIVILEGED STATUS OF  
15 THE DOCUMENT, MATERIAL, OR OTHER INFORMATION AND HAS VERIFIED IN  
16 WRITING THE LEGAL AUTHORITY TO MAINTAIN CONFIDENTIALITY. THE  
17 DIRECTOR MAY ONLY SHARE CONFIDENTIAL AND PRIVILEGED DOCUMENTS,  
18 MATERIAL, OR INFORMATION REPORTED UNDER SECTION 1325A WITH  
19 COMMISSIONERS OF STATES HAVING STATUTES OR REGULATIONS  
20 SUBSTANTIALLY SIMILAR TO SUBSECTION (1) AND WHO HAVE AGREED IN  
21 WRITING TO NOT DISCLOSE THE INFORMATION. THE DIRECTOR MAY RECEIVE  
22 DOCUMENTS, MATERIALS, OR INFORMATION, INCLUDING OTHERWISE  
23 CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIALS, OR INFORMATION  
24 FROM THE NAIC AND FROM REGULATORY AND LAW ENFORCEMENT OFFICIALS OF  
25 OTHER FOREIGN OR DOMESTIC JURISDICTIONS, AND SHALL MAINTAIN AS  
26 CONFIDENTIAL OR PRIVILEGED ANY DOCUMENT, MATERIAL, OR INFORMATION  
27 RECEIVED WITH NOTICE OR THE UNDERSTANDING THAT IT IS CONFIDENTIAL

1 OR PRIVILEGED UNDER THE LAWS OF THE JURISDICTION THAT IS THE SOURCE  
2 OF THE DOCUMENT, MATERIAL, OR INFORMATION. THE DISCLOSURE OR  
3 SHARING OF INFORMATION, A DOCUMENT, OR OTHER MATERIAL TO THE  
4 DIRECTOR OR OTHER PERSON UNDER THIS SECTION IS NOT A WAIVER OF AN  
5 APPLICABLE PRIVILEGE OR CLAIM OF CONFIDENTIALITY.

6 (3) DOCUMENTS, MATERIALS, OR OTHER INFORMATION IN THE  
7 POSSESSION OR CONTROL OF THE DEPARTMENT OR THE NAIC UNDER THIS  
8 CHAPTER ARE CONFIDENTIAL AND PRIVILEGED, ARE NOT SUBJECT TO THE  
9 FREEDOM OF INFORMATION ACT, 1976 PA 442, MCL 15.231 TO 15.246, ARE  
10 NOT SUBJECT TO SUBPOENA, AND ARE NOT SUBJECT TO DISCOVERY OR  
11 ADMISSIBLE AS EVIDENCE IN A PRIVATE CIVIL ACTION. THE DIRECTOR  
12 SHALL ENTER INTO WRITTEN AGREEMENTS WITH THE NAIC GOVERNING SHARING  
13 AND USE OF INFORMATION PROVIDED UNDER THIS CHAPTER. THE WRITTEN  
14 AGREEMENT MUST SPECIFY PROCEDURES AND PROTOCOLS REGARDING THE  
15 CONFIDENTIALITY AND SECURITY OF INFORMATION SHARED WITH THE NAIC  
16 AND ITS AFFILIATES AND SUBSIDIARIES, INCLUDING PROCEDURES AND  
17 PROTOCOLS FOR SHARING BY THE NAIC WITH OTHER STATE, FEDERAL, OR  
18 INTERNATIONAL REGULATORS. THE AGREEMENT MUST PROVIDE THAT THE  
19 DIRECTOR OWNS THE INFORMATION SHARED WITH THE NAIC AND ITS  
20 AFFILIATES AND SUBSIDIARIES AND THAT THE NAIC'S USE OF THE  
21 INFORMATION IS SUBJECT TO THE DIRECTION OF THE DIRECTOR. THE  
22 AGREEMENT MUST PROVIDE FOR PROMPT NOTICE TO BE GIVEN TO AN INSURER  
23 WHOSE CONFIDENTIAL INFORMATION IN POSSESSION OF THE NAIC UNDER THIS  
24 CHAPTER IS SUBJECT TO A REQUEST OR SUBPOENA TO THE NAIC FOR  
25 DISCLOSURE OR PRODUCTION, AND REQUIRE THE NAIC AND ITS AFFILIATES  
26 AND SUBSIDIARIES TO CONSENT TO INTERVENTION BY AN INSURER IN A  
27 JUDICIAL OR ADMINISTRATIVE ACTION.

1           (4) THE SHARING OF INFORMATION BY THE DIRECTOR UNDER THIS  
2 CHAPTER IS NOT A DELEGATION OF REGULATORY AUTHORITY OR RULE-MAKING,  
3 AND THE DIRECTOR IS SOLELY RESPONSIBLE FOR THE ADMINISTRATION,  
4 EXECUTION, AND ENFORCEMENT OF THE PROVISIONS OF THIS CHAPTER.

5           SEC. 1357. (1) THE DIRECTOR MAY PARTICIPATE IN A SUPERVISORY  
6 COLLEGE FOR A DOMESTIC INSURER THAT IS PART OF AN INSURANCE HOLDING  
7 COMPANY SYSTEM WITH INTERNATIONAL OPERATIONS TO DETERMINE THE  
8 INSURER'S FINANCIAL CONDITION, BUSINESS STRATEGY, RISK MANAGEMENT,  
9 RISK EXPOSURES, GOVERNANCE PROCESSES, REGULATORY POSITION, OR  
10 LEGALITY OF CONDUCT. THE DIRECTOR MAY PARTICIPATE IN A SUPERVISORY  
11 COLLEGE WITH OTHER REGULATORS INCLUDING STATE, FEDERAL, AND  
12 INTERNATIONAL REGULATORY AGENCIES, CHARGED WITH THE SUPERVISION OF  
13 THE INSURER OR ITS AFFILIATES. THE AUTHORITY OF THE DIRECTOR UNDER  
14 THIS SECTION INCLUDES, BUT IS NOT LIMITED TO, INITIATING A  
15 SUPERVISORY COLLEGE, CLARIFYING MEMBERSHIP AND PARTICIPATION OF  
16 OTHER SUPERVISORS IN THE SUPERVISORY COLLEGE, CLARIFYING THE  
17 FUNCTIONS OF THE SUPERVISORY COLLEGE AND ROLES OF OTHER REGULATORS  
18 INCLUDING ESTABLISHING A GROUPWIDE SUPERVISOR, COORDINATING ONGOING  
19 ACTIVITIES OF THE SUPERVISORY COLLEGE, AND ESTABLISHING A CRISIS  
20 MANAGEMENT PLAN.

21           (2) THE INSURER IS LIABLE FOR AND SHALL PAY THE REASONABLE  
22 EXPENSES FOR THE DIRECTOR TO PARTICIPATE IN THE SUPERVISORY  
23 COLLEGE, INCLUDING REASONABLE TRAVEL EXPENSES, IF THE DIRECTOR  
24 CONSIDERS IT APPROPRIATE TO REQUIRE THE INSURER TO PAY THESE COSTS.

25           (3) THE DIRECTOR MAY ENTER INTO AGREEMENTS UNDER SECTION 1355  
26 PROVIDING THE BASIS FOR COOPERATION AND SHARING OF CONFIDENTIAL  
27 INFORMATION WITH STATE, FEDERAL, AND INTERNATIONAL REGULATORY

1 AGENCIES THAT REGULATE THE DOMESTIC INSURER OR AFFILIATES WITHIN  
2 THE INSURANCE HOLDING COMPANY SYSTEM. THIS SECTION DOES NOT  
3 DELEGATE TO THE SUPERVISORY COLLEGE THE AUTHORITY OF THE DIRECTOR  
4 TO REGULATE OR SUPERVISE THE DOMESTIC INSURER OR ITS AFFILIATES  
5 WITHIN ITS JURISDICTION.

6 Sec. 1371. (1) An insurer ~~failing,~~ **THAT DOES NOT**, without just  
7 cause, ~~to~~ file a registration statement ~~as~~ required in ~~UNDER~~ this  
8 chapter shall, ~~be~~ required, after notice and hearing, ~~to~~ pay a  
9 ~~penalty~~ **CIVIL FINE** of \$1,000.00 for each day's delay, up to a  
10 maximum of \$50,000.00, to be recovered by the ~~commissioner~~ **DIRECTOR**  
11 and paid into the general fund. The ~~commissioner~~ **DIRECTOR** may  
12 reduce the penalty if the insurer demonstrates to the ~~commissioner~~  
13 **DIRECTOR** that the ~~imposition of the penalty~~ **CIVIL FINE** would  
14 ~~constitute a~~ **CAUSE** financial hardship to the insurer.

15 (2) Every director or officer of an insurance holding company  
16 system who knowingly violates, knowingly participates in or assents  
17 to, or with actual knowledge permits any of the officers or agents  
18 of the insurer to engage in material acts, omissions, or  
19 transactions or make investments that have not been properly  
20 reported or submitted ~~pursuant to~~ **UNDER** section 1324, 1341, or  
21 1343, that, with respect to material transactions, violate this  
22 chapter, or that result in material false or misleading statements  
23 to the ~~commissioner~~ **DIRECTOR** with respect to the financial  
24 condition of the insurer or any of its affiliates shall pay, in  
25 their individual capacity, a civil forfeiture of not more than  
26 \$10,000.00 per violation, after notice and hearing before the  
27 ~~commissioner.~~ **DIRECTOR**. In determining the amount of the civil

1 forfeiture, the ~~commissioner~~**DIRECTOR** shall take into account the  
2 appropriateness of the forfeiture with respect to the gravity of  
3 the violation, the history of previous violations, and other  
4 matters as justice requires. In addition, a violation of this  
5 subsection ~~shall constitute~~**IS** grounds for removal of ~~the~~**A**  
6 director or officer from ~~any~~**A** position of trust or responsibility  
7 in ~~any~~**AN** insurer domiciled in this state in accordance with the  
8 procedures established in section 250.

9 (3) If it appears to the ~~commissioner~~**DIRECTOR** that an insurer  
10 subject to this chapter or ~~any~~**AN** insurer's director, officer,  
11 employee, or agent has engaged in ~~any~~**A** transaction or entered into  
12 a contract that is subject to section 1341 or 1344 and that would  
13 not have been approved had approval been requested, the  
14 ~~commissioner~~**DIRECTOR** may order the insurer to cease and desist  
15 immediately any further activity under that transaction or  
16 contract. After notice and hearing, the ~~commissioner~~**DIRECTOR** may  
17 also order the insurer to void ~~any such~~**THE** contract, transaction,  
18 or distribution, and restore the status quo if that action is in  
19 the best interest of the policyholders, creditors, or the public.

20 (4) If it appears to the ~~commissioner~~**DIRECTOR** that an insurer  
21 or an insurer's director, officer, employee, or agent has committed  
22 a willful violation of this chapter, the ~~commissioner~~**DIRECTOR** may  
23 ~~cause~~**INSTITUTE** criminal proceedings ~~to be instituted~~ in the  
24 circuit court for the county in which the principal office of the  
25 insurer is located or, if the insurer ~~has no such~~**DOES NOT HAVE A**  
26 **PRINCIPAL** office in ~~the~~**THIS** state, ~~then~~ in the Ingham county  
27 circuit court against the insurer or the insurer's responsible

1 director, officer, employee, or agent. An insurer **THAT** willfully  
2 ~~violating~~**VIOLATES** this chapter may be fined not more than  
3 \$50,000.00. An individual **WHO** willfully ~~violating~~**VIOLATES** this  
4 chapter may be fined not more than \$10,000.00 or, if the willful  
5 violation involves the deliberate perpetration of a fraud upon the  
6 ~~commissioner~~,**DIRECTOR**, imprisoned not more than 2 years, or both.

7 (5) An officer, director, or employee of an insurance holding  
8 company system who willfully and knowingly subscribes to or makes  
9 or causes to be made ~~any~~**A** false statement, false report, or false  
10 filing with the intent to deceive the ~~commissioner~~**DIRECTOR** in the  
11 performance of his or her duties under this chapter, shall be  
12 imprisoned for not more than 2 years, or fined \$10,000.00, or both.  
13 ~~Any fines imposed shall be paid by the~~**THE** officer, director, or  
14 employee **SHALL PAY A FINE** in his or her individual capacity.

15 (6) **IF THE DIRECTOR DETERMINES THAT A PERSON VIOLATED SECTION**  
16 **1311 AND THE VIOLATION PREVENTS THE FULL UNDERSTANDING OF THE**  
17 **ENTERPRISE RISK OF THE INSURER BY AFFILIATES OR BY THE INSURANCE**  
18 **HOLDING COMPANY SYSTEM, THE VIOLATION MAY SERVE AS AN INDEPENDENT**  
19 **BASIS FOR DISAPPROVING DIVIDENDS OR DISTRIBUTIONS AND FOR PLACING**  
20 **THE INSURER UNDER AN ORDER OF SUPERVISION UNDER CHAPTER 81.**