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## WARREN FIREMEN'S ASSOCIATION

### House Bill 4637 as introduced First Analysis (11-8-95)

**Sponsor:** Rep. Dennis Olshove  
**Committee:** Insurance

#### ***THE APPARENT PROBLEM:***

The Nonprofit Corporation Act provides for the operation of associations or societies whose purpose is "the relief of distressed members, visitation of the sick, and the payment of a voluntary sick benefit to or for members . . . or the buying and selling of products for its members without direct pecuniary profit to the association or its members." Section 262 of the act sets a limit on sick benefits of \$2,000 per person for such an organization, unless another amount is specifically provided. The act then does allow for the paying of sick and/or death benefits at specified levels for a variety of organizations, which are named. (While these organizations do not operate under the supervision of the Michigan Insurance Bureau, entities that pay death benefits or sick benefits over \$1,000 to any single person must meet statutory requirements as regards their reserves, including how funds can be invested.) One organization specifically named is the Warren Firemen's Benevolent Association, which is allowed to pay out death and sick benefits in an amount not to exceed \$14,000. The organization has requested that the maximum benefit be raised to \$20,000.

#### ***THE CONTENT OF THE BILL:***

The bill would amend the Nonprofit Corporation Act to increase the maximum amount of death and sick benefits that the Warren Firemen's Benevolent Association can pay to any one person from \$14,000 to \$20,000.

MCL 450.2262

#### ***FISCAL IMPLICATIONS:***

There is no information at present.

#### ***ARGUMENTS:***

##### ***For:***

The bill would raise the maximum sick or death benefit for one organization at its request, the Warren Firemen's Benevolent Association. Supporters cite a recent instance involving a member with Lou Gehrig's disease as prompting the request so that more assistance

be provided. Representatives of that organization say it was incorporated in 1957 to benefit and assist in the welfare of the membership and their designated beneficiaries, as well as to contribute to the betterment of the community at large. In addition to its sick and death benefits, the organization reportedly maintains a loan closet to provide Warren residents the free use of wheelchairs, crutches, canes and walkers. It also supports other charitable causes. The organization raises its own money and maintains reserves to support the payment of benefits. (Unlike with insurance, the money does not come from premiums paid by policyholders.) Representatives of the organization have said the group issues a financial report every year and a report by an actuary every five years.

##### ***Response:***

While not expressing opposition to the bill, insurance regulators have suggested that as the amount of benefits under this section of law increases, it would be prudent to provide some accountability in statute. This could take the form, for example, of required reports by accountants or actuaries.

#### ***POSITIONS:***

The Insurance Bureau has no position on the bill. (11-7-95)

A representative of the Warren Firefighters Fund Association testified in support of the bill. (11-7-95)

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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