

REPRINT

HOUSE SUBSTITUTE FOR

SENATE BILL NO. 1007

(As amended by the Senate, December 10, 1998)

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A bill to amend 1956 PA 218, entitled

"An act to revise, consolidate, and classify the laws relating to the insurance and surety business; to regulate the incorporation or formation of domestic insurance and surety companies and associations and the admission of foreign and alien companies and associations; to provide their rights, powers, and immunities and to prescribe the conditions on which companies and associations organized, existing, or authorized under this act may exercise their powers; to provide the rights, powers, and immunities and to prescribe the conditions on which other persons, firms, corporations, associations, risk retention groups, and purchasing groups engaged in an insurance or surety business may exercise their powers; to provide for the imposition of a privilege fee on domestic insurance companies and associations and the state accident fund; to provide for the imposition of a tax on the business of foreign and alien companies and associations; to provide for the imposition of a tax on risk retention groups and purchasing groups; to provide for the imposition of a tax on the business of surplus line agents; to provide for the imposition of regulatory fees on certain insurers; to modify tort liability arising out of certain accidents; to provide for limited actions with respect to that modified tort liability and to prescribe certain procedures for maintaining those actions; to require security for losses arising out of certain accidents; to provide for the continued availability and affordability of automobile insurance and homeowners insurance in this state and to facilitate the purchase of that insurance by all residents of this state at fair and reasonable rates; to provide for certain reporting with respect to insurance and with respect to certain claims against uninsured or self-insured persons; to prescribe duties for certain state departments and officers with respect to that reporting; to provide for certain assessments; to establish and continue certain state insurance funds; to modify and clarify the status, rights, powers, duties, and operations of the nonprofit malpractice insurance fund; to provide for the departmental supervision and regulation of the insurance and surety business within this state; to provide for the conservation, rehabilitation, or liquidation of unsound or insolvent insurers; to provide for the protection of policyholders, claimants, and creditors of unsound or insolvent insurers; to provide for associations of insurers to protect policyholders and claimants in the event of insurer insolvencies; to prescribe educational requirements for insurance agents and solicitors; to provide for the regulation of multiple employer welfare arrangements; to create an automobile theft prevention authority to reduce the number of automobile thefts in this state; to prescribe the powers and duties of the automobile theft prevention authority; to provide certain powers and duties upon certain officials, departments, and authorities of this state; to repeal certain acts and parts of acts; to repeal certain acts and parts of acts on specific dates; to repeal certain parts of this act on specific dates; and to provide penalties for the violation of this act,". "The

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insurance code of 1956,"

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by amending the title and sections 405, 408, 410, 2016, 2213b, 4424, 5800, and 8199a (MCL 500.405, 500.408, 500.410, 500.2016, 500.2213b, 500.4424, 500.5800, and 500.8199a), the title and section 405 as amended by 1994 PA 228, sections 408 and 410 as amended by 1994 PA 443, section 2016 as added by 1982 PA 7, section 2213b as added by 1996 PA 517, section 4424 as amended by 1982 PA 27, section 5800 as amended by 1984 PA 386, and section 8199a as amended by 1994 PA 226, and by adding sections 839, 4419, and 5904.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

"TITLE

An act to revise, consolidate, and classify the laws relating to the insurance and surety business; to regulate the incorporation or formation of domestic insurance and surety companies and associations and the admission of foreign and alien companies and associations; to provide their rights, powers, and immunities and to prescribe the conditions on which companies and associations organized, existing, or authorized under this act may exercise their powers; to provide the rights, powers, and immunities and to prescribe the conditions on which other persons, firms, corporations, associations, risk retention groups, and purchasing groups engaged in an insurance or surety business may exercise their powers; to provide for the imposition of a privilege fee on domestic insurance companies and associations and the state accident fund; to provide for the imposition of a tax on the business of foreign and alien companies and associations; to provide for the imposition of a tax on risk retention groups and purchasing groups; to provide for the imposition of a tax on the business of surplus line agents; to provide for the imposition of regulatory fees on certain insurers; to modify tort liability arising out of certain accidents; to provide for limited actions with respect to that modified tort liability and to prescribe certain procedures for maintaining those actions; to require security for losses arising out of certain accidents; to provide for the continued availability and affordability of automobile insurance and homeowners insurance in this state and to facilitate the purchase of that insurance by all residents of this state at fair and reasonable rates; to provide for certain reporting with respect to insurance and with respect to certain claims against uninsured or self-insured persons; to prescribe duties for certain state departments and officers with respect to that reporting; to provide for certain assessments; to establish and continue certain state insurance funds; to modify and clarify the status, rights, powers, duties, and operations of the nonprofit malpractice insurance fund; to provide for the departmental supervision and regulation of the insurance and surety business within this state; TO PROVIDE FOR REGULATION OVER WORKER'S COMPENSATION SELF-INSURERS; to provide for the conservation, rehabilitation, or liquidation of unsound or insolvent insurers; to provide for the protection of policyholders, claimants, and creditors of unsound or insolvent insurers; to provide for associations of insurers to protect policyholders and claimants in the event of insurer insolvencies; to prescribe educational requirements for insurance agents and solicitors; to provide for the regulation of multiple employer welfare arrangements; to create an automobile theft prevention authority to reduce the number of automobile thefts in this state; to prescribe the powers and duties of the automobile theft prevention authority; to provide certain powers and duties upon certain officials, departments, and authorities of this state; to repeal ~~certain acts and parts of acts; to repeal certain acts and parts of acts on specific dates; to repeal certain parts of this act on specific dates;~~ and to provide penalties for the violation of this act."

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1 Sec. 405. (1) Except as provided in subsection (2), the
2 certificate of authority of a foreign insurer with respect to
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3 whom control as defined in section ~~115(b)~~ 115 changes after
4 October 1, 1992 without being subject to the commissioner's

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1 approval shall be automatically revoked 90 days after the change
2 in control without further action by the commissioner unless,
3 within 90 days of the change of control or a longer period if the
4 commissioner allows, the insurer requalifies for a certificate of
5 authority under the provisions of this act in force as of the
6 change of control. The certificate of authority shall be revoked
7 under such conditions for the protection of policyholders, credi-
8 tors, and the public as the commissioner may require. AN INSURER
9 DOES NOT HAVE TO REQUALIFY FOR A CERTIFICATE OF AUTHORITY UNDER
10 THIS SUBSECTION IF THE COMMISSIONER FINDS ALL OF THE FOLLOWING:

11 (A) THE INSURER'S MOST RECENT A.M. BEST FINANCIAL RATING IS
12 AT LEAST AN "A-" OR IS A COMPARABLE RATING AS ASSIGNED BY A
13 NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION APPROVED BY
14 THE COMMISSIONER.

15 (B) FOLLOWING THE CHANGE IN CONTROL, THE INSURER MEETS THE
16 MINIMUM CAPITAL AND SURPLUS REQUIREMENTS TO QUALIFY FOR AND MAIN-
17 TAIN AUTHORITY TO TRANSACT INSURANCE IN THIS STATE UNDER SECTION
18 410(2) AND (3). HOWEVER, THE COMMISSIONER MAY WAIVE THE REQUIRE-
19 MENT OF THIS SUBDIVISION IF BOTH OF THE FOLLOWING APPLY:

20 (i) THE INSURER POSSESSED A CERTIFICATE OF AUTHORITY TO
21 TRANSACT INSURANCE IN THIS STATE PRIOR TO THE EFFECTIVE DATE OF
22 THE AMENDATORY ACT THAT ADDED THIS SUBPARAGRAPH.

23 (ii) THE COMMISSIONER FINDS THAT THE INSURER IS OTHERWISE
24 SAFE, RELIABLE, AND ENTITLED TO PUBLIC CONFIDENCE.

25 (C) THE INSURER'S TOTAL CAPITAL EXCEEDS 2 TIMES THE
26 COMPANY'S AUTHORIZED CONTROL LEVEL.

(D) THE INSURER'S CERTIFICATE OF AUTHORITY HAS NOT BEEN
SUSPENDED, REVOKED, OR LIMITED UNDER SECTION 436 AT ANY TIME
DURING THE 5-YEAR PERIOD IMMEDIATELY PRECEDING THE CHANGE OF
CONTROL.

(E) THE INSURER IS NOT SUBJECT TO AN INSURANCE REGULATORY
INFORMATION SYSTEM PRIORITY 1 OR 2 DESIGNATION BY THE NATIONAL
ASSOCIATION OF INSURANCE COMMISSIONERS DURING THE YEAR IMMEDIATELY
PRECEDING THE CHANGE OF CONTROL.

(2) A person seeking to acquire control of a foreign insurer
may request the commissioner to determine whether or not the com-
missioner would requalify the insurer for a certificate of
authority if control is acquired. The commissioner shall deter-
mine within 90 days after the request is made whether or not the
insurer would requalify for a certificate of authority if control
is acquired. The commissioner's determination shall be in writ-
ing and shall state the commissioner's reasons as to why the com-
missioner would either grant or deny requalification for a cer-
tificate of authority if control is acquired. If the commis-
sioner does not issue his or her determination within this 90-day
period and the person seeking the request acquires control of the
foreign insurer within 180 days after the request for a determi-
nation was made, the insurer shall be automatically requalified
for a certificate of authority. If the commissioner issues an
affirmative requalification determination and the person request-
ing the determination acquires control of the foreign insurer
within 180 days after the request for a determination was made,
the commissioner is prohibited from proceeding under subsection
(1). ~~This subsection is effective July 1, 1994.~~

Sec. 408. (1) To qualify for authority to transact insur-
ance in this state a domestic, foreign, or alien insurer shall
possess and thereafter maintain paid-in capital or surplus or

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1 assets in amounts that are not less than those shown by the
2 applicable portion of the following schedule:

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| 1 | Kind of insurance | Domestic, foreign stock insurers CAPITAL | Domestic, foreign mutual life insurers SURPLUS | Domestic, foreign mutual insurers other than life ASSETS | Alien insurers United States ASSETS |
|----|----------------------------|--|--|---|---|
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | Life | \$200,000.00 | \$200,000.00 | not applicable | \$200,000.00 |
| 6 | Life and disability | 300,000.00 | 300,000.00 | not applicable | 300,000.00 |
| 7 | Disability, except as pro- | | | | |
| 8 | vided in subsection (2), | | | | |
| 9 | (3), or (4) | 200,000.00 | not applicable | \$ 50,000.00 | 200,000.00 |
| 10 | Property & marine | 200,000.00 | not applicable | 50,000.00 | 200,000.00 |
| 11 | Automobile | 200,000.00 | not applicable | 50,000.00 | 200,000.00 |
| 12 | Casualty | 200,000.00 | not applicable | 50,000.00 | 200,000.00 |
| 13 | Surety & fidelity | 250,000.00 | not applicable | 250,000.00 | 250,000.00 |
| 14 | Surety, fidelity, casualty | 450,000.00 | not applicable | 250,000.00 | 450,000.00 |
| 15 | | | | | |
| 16 | Kind of insurance | Reciprocal | | | |
| 17 | | insurers | | | |
| 18 | | ASSETS | | | |
| 19 | Disability, except as pro- | | | | |
| 20 | vided in subsection (2), | | | | |
| 21 | (3), or (4) | \$50,000.00 | | | |
| 22 | Property & marine | 50,000.00 | | | |
| 23 | Automobile | 50,000.00 | | | |
| 24 | Casualty | 50,000.00 | | | |
| 25 | Surety & fidelity | 50,000.00 | | | |
| 26 | Surety, fidelity, casualty | 50,000.00 | | | |

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1 Multiple lines: Any insurer may reinsure risks of every
2 kind or description and write any and all kinds of insurance
3 other than life insurance for which it is authorized while it
4 maintains paid-up capital and surplus of not less than
5 \$500,000.00.

6 (2) An insurer authorized to transact casualty insurance
7 shall also have authority to transact disability insurance with-
8 out additional capital, surplus, or assets, as the case may be.

9 (3) A domestic stock insurer organized to insure on the
10 monthly or weekly premium payment plan any person against bodily
11 injury or death by accident or against disability on account of
12 sickness, or to provide a cash funeral benefit not exceeding
13 \$500.00, shall have paid-in capital stock of not less than
14 \$25,000.00.

15 (4) As to a reciprocal insurer the authority to transact
16 disability insurance, either alone or in combination with other
17 insuring powers, does not include authority to transact health
18 insurance.

19 (5) Financial requirements as to cooperative assessment
20 life, disability, and loss of position insurers, as identified in
21 chapter 64, shall be as provided in that chapter. Financial
22 requirements as to domestic stock insurers formed to insure rail-
23 way employees against loss of position, to transact disability
24 and life insurance, and to make annuities as identified in sec-
25 tion 6604 shall be as provided in section 6608.

26 (6) This section applies to domestic insurers organized
27 prior to July 21, 1965 and to foreign and alien insurers not

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1 subject to the provisions of section 410. However, A domestic
2 ~~insurers~~ INSURER organized prior to July 21, 1965 and any for-
3 eign ~~and~~ OR alien ~~insurers~~ INSURER not subject to the provi-
4 sions of section 410 that ~~subsequently attain~~ ATTAINS the level
5 of capital ~~or~~ AND surplus required by section ~~410 are~~ 410(1),
6 (2), OR (3) IS required thereafter to maintain ~~compliance with~~
7 THAT LEVEL OF CAPITAL AND SURPLUS UNDER section 410 unless the
8 direct premiums written and any reinsurance assumed by the
9 insurer in an annual period are less than the insurer's surplus.

10 (7) AN INSURER AUTHORIZED TO TRANSACT INSURANCE ON OR AFTER
11 JULY 21, 1965 AND BEFORE JANUARY 1, 1999 THAT ATTAINS THE LEVEL
12 OF CAPITAL AND SURPLUS REQUIRED BY SECTION 410(2) IS REQUIRED
13 THEREAFTER TO MAINTAIN THAT LEVEL OF CAPITAL AND SURPLUS UNDER
14 SECTION 410 UNLESS THE DIRECT PREMIUMS WRITTEN AND ANY REINSUR-
15 ANCE ASSUMED BY THE INSURER IN AN ANNUAL PERIOD ARE LESS THAN THE
16 INSURER'S SURPLUS.

17 (8) ~~(7)~~ Notwithstanding the specific requirements of this
18 section, domestic, foreign, and alien insurers shall also comply
19 with the standard set forth in section 403.

20 Sec. 410. (1) To qualify for and maintain authority to
21 transact insurance in this state ON OR after July 21, 1965 AND
22 BEFORE JANUARY 1, 1999, a domestic, foreign, or alien insurer
23 shall possess and thereafter maintain unimpaired capital and sur-
24 plus in an amount determined adequate by the commissioner to con-
25 tinue to comply with section 403 but not less than
26 \$1,000,000.00. The commissioner shall take into account the risk
27 based capital requirements as developed by the national

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1 association of insurance commissioners in order to determine
2 adequate compliance with section 403.

3 (2) TO QUALIFY FOR AND MAINTAIN AUTHORITY TO TRANSACT INSUR-
4 ANCE IN THIS STATE ON OR AFTER JANUARY 1, 1999, A DOMESTIC, FOR-
5 EIGN, OR ALIEN INSURER SHALL POSSESS AND THEREAFTER MAINTAIN
6 UNIMPAIRED CAPITAL AND SURPLUS IN AN AMOUNT DETERMINED ADEQUATE
7 BY THE COMMISSIONER TO CONTINUE TO COMPLY WITH SECTION 403 BUT
8 NOT LESS THAN \$7,000,000.00. THE COMMISSIONER SHALL TAKE INTO
9 ACCOUNT THE RISK BASED CAPITAL REQUIREMENTS AS DEVELOPED BY THE
10 NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS IN ORDER TO
11 DETERMINE ADEQUATE COMPLIANCE WITH SECTION 403.

12 (3) ~~—(2)—~~ In addition to the minimum capital and surplus
13 specified in ~~—subsection (1)—~~ SUBSECTIONS (1) AND (2), an insurer
14 applying for an initial certificate of authority after July 21,
15 1965 in this state shall possess and maintain surplus or addi-
16 tional surplus in an amount determined by the commissioner ade-
17 quate to comply with section 403 for the kind or kinds of insur-
18 ance it writes or proposes to write, but in no event less than
19 \$500,000.00.

20 (4) ~~—(3)—~~ Except as provided by section 407, every insurer
21 authorized to transact insurance in this state may transact life
22 insurance or property insurance but not both, unless it was
23 authorized to transact such other kind or kinds of insurance in
24 this state immediately prior to January 1, 1965. For the purpose
25 of this section, life insurance includes any 1 or more of the
26 insurances described in sections 602 and 606; property insurance
27 includes any 1 or more of the insurances described in chapter 6,

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1 excepting only section 602 and those provisions of section 632
2 that apply to insurances described in section 602. Nothing in
3 this section shall be construed to broaden the authority of
4 reciprocal insurers.

5 (5) Except as provided in subsection ~~—(5)—~~ (7), an insurer
6 authorized to transact insurance prior to July 21, 1965 may con-
7 tinue to transact insurance so long as it maintains the minimum
8 financial requirements of section 408. However, an insurer
9 authorized to transact insurance prior to July 21, 1965, that
10 ~~—subsequently—~~ attains the level of minimum capital ~~—or—~~ AND sur-
11 plus required by subsection (1) shall maintain compliance with
12 this section unless the direct premiums written and any reinsur-
13 ance assumed by the insurer in an annual period are less than the
14 insurer's surplus.

15 (6) EXCEPT AS PROVIDED IN SUBSECTION (7), AN INSURER AUTHO-
16 RIZED TO TRANSACT INSURANCE ON OR AFTER JULY 21, 1965 AND BEFORE
17 JANUARY 1, 1999 THAT ATTAINS THE LEVEL OF MINIMUM CAPITAL AND
18 SURPLUS REQUIRED BY SUBSECTION (2) SHALL MAINTAIN COMPLIANCE WITH
19 THIS SECTION UNLESS THE DIRECT PREMIUMS WRITTEN AND ANY REINSUR-
20 ANCE ASSUMED BY THE INSURER IN AN ANNUAL PERIOD ARE LESS THAN THE
21 INSURER'S SURPLUS.

22 (7) ~~—(5)—~~ An insurer shall not be authorized to transact
23 legal expense insurance unless it meets the capital and surplus
24 requirements of subsections (1), ~~—and—~~ (2), AND (3).

25 (8) ~~—(6)—~~ Notwithstanding the specific requirements of this
26 section, domestic, foreign, and alien insurers shall also comply
27 with the standard set forth in section 403.

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1 SEC. 839. (1) A DOMESTIC INSURER MAY ISSUE CAPITAL NOTES
2 UNDER THIS SECTION.

3 (2) A CAPITAL NOTE ISSUED BY A DOMESTIC INSURER MAY PROVIDE
4 FOR INTEREST PAYMENTS AT FIXED OR ADJUSTABLE RATES, FOR SINKING
5 FUND PAYMENTS, AND FOR PAYMENTS AND REDEMPTIONS OF PRINCIPAL
6 UNDER THE TERMS OF THE CAPITAL NOTE.

7 (3) THE ISSUANCE OF A CAPITAL NOTE IS NOT SUBJECT TO THE
8 COMMISSIONER'S PRIOR APPROVAL.

9 (4) A CAPITAL NOTE SHALL BE TREATED AS A LIABILITY IN THE
10 COMPUTATION OF STATUTORY SURPLUS AND SHALL BE REPORTED AS A
11 LIABILITY ON THE DOMESTIC INSURER'S ANNUAL STATEMENT FILED WITH
12 THE COMMISSIONER UNDER SECTION 438.

13 (5) IN A LIQUIDATION PROCEEDING PURSUANT TO CHAPTER 81, A
14 CAPITAL NOTE IS A SIMILAR OBLIGATION UNDER SECTION 8142(1)(H).

15 (6) A CAPITAL NOTE MAY BE INCLUDED IN A DOMESTIC INSURER'S
16 TOTAL ADJUSTED CAPITAL. FOR A CAPITAL NOTE TO BE SO INCLUDED,
17 THE COMMISSIONER MAY REQUIRE THE CAPITAL NOTE TO CONTAIN OTHER
18 FEATURES AS THE COMMISSIONER DETERMINES ARE ADEQUATE AND APPRO-
19 PRIATE TO ENSURE THAT THE INSURER CONTINUES TO BE SAFE, RELIABLE,
20 AND ENTITLED TO PUBLIC CONFIDENCE.

21 (7) AS USED IN THIS SECTION:

22 (A) "CAPITAL NOTE" MEANS A DEBT INSTRUMENT THAT COMPLIES
23 WITH THIS SECTION.

24 (B) "TOTAL ADJUSTED CAPITAL" MEANS THE SUM OF AN INSURER'S
25 STATUTORY CAPITAL AND SURPLUS AS DETERMINED UNDER THE ANNUAL
26 STATEMENT FILED WITH THE COMMISSIONER UNDER SECTION 438.

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1 Sec. 2016. (1) In addition to other provisions of law, the
2 following practices as applied to worker's compensation insurance
3 INCLUDING WORKER'S COMPENSATION COVERAGE PROVIDED THROUGH A
4 SELF-INSURER'S GROUP are defined as unfair methods of competi-
5 tion and unfair and deceptive acts or practices in the business
6 of insurance:

7 (a) As a condition of receiving a dividend for the current
8 or a previous year, requiring an insured to renew or maintain
9 worker's compensation insurance with the insurer beyond
10 the current policy's expiration date. OR REQUIRING A MEMBER TO
CONTINUE PARTICIPATION WITH A WORKER'S COMPENSATION SELF-INSURER
GROUP.

11 (b) As a condition of obtaining worker's compensation insur-
12 ance, requiring a premium deposit greater than 25% of the total
13 projected annual premium or \$2,500.00, whichever is greater.

14 (c) As a condition of obtaining worker's compensation insur-
15 ance, requiring the purchase of any other form of insurance from
16 the same insurer.

17 (d) As the result of a payroll audit or examination, requir-
18 ing the payment of an increased premium increment within 30 days
19 of written notification of the increase in premium.

20 (2) This section ~~shall~~ DOES not apply if the insured was
21 guilty of misrepresentation, fraud, or other acts of bad faith.

(3) THIS SECTION ALSO APPLIES TO WORKER'S COMPENSATION SELF-
INSURERS' GROUPS.

22 Sec. 2213b. (1) Except as provided in this section, an
23 insurer that delivers, issues for delivery, or renews in this
24 state an expense-incurred hospital, medical, or surgical individ-
25 ual policy under chapter 34 shall renew or continue in force the
26 policy at the option of the individual.

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1 (2) Except as provided in this section, an insurer that
2 delivers, issues for delivery, or renews in this state an
3 expense-incurred hospital, medical, or surgical group policy or
4 certificate under chapter 36 shall renew or continue in force the
5 policy or certificate at the option of the sponsor of the plan.

6 (3) Guaranteed renewal is not required in cases of fraud,
7 intentional misrepresentation of material fact, lack of payment,
8 if the insurer no longer offers that particular type of coverage
9 in the market, or if the individual or group moves outside the
10 service area.

11 (4) SUBSECTIONS (1), (2), AND (3) DO NOT APPLY TO A
12 SHORT-TERM OR 1-TIME LIMITED DURATION POLICY OR CERTIFICATE OF NO
13 LONGER THAN 6 MONTHS.

14 (5) FOR THE PURPOSES OF THIS SECTION AND SECTION 3406F, A
15 SHORT-TERM OR 1-TIME LIMITED DURATION POLICY OR CERTIFICATE OF NO
16 LONGER THAN 6 MONTHS IS AN INDIVIDUAL HEALTH POLICY THAT MEETS
17 ALL OF THE FOLLOWING:

18 (A) IS ISSUED TO PROVIDE COVERAGE FOR A PERIOD OF 185 DAYS
19 OR LESS, EXCEPT THAT THE HEALTH POLICY MAY PERMIT A LIMITED
20 EXTENSION OF BENEFITS AFTER THE DATE THE POLICY ENDED SOLELY FOR
21 EXPENSES ATTRIBUTABLE TO A CONDITION FOR WHICH A COVERED PERSON
22 INCURRED EXPENSES DURING THE TERM OF THE POLICY.

23 (B) IS NONRENEWABLE, PROVIDED THAT THE HEALTH INSURER MAY
24 PROVIDE COVERAGE FOR 1 OR MORE SUBSEQUENT PERIODS THAT SATISFY
25 SUBDIVISION (A), IF THE TOTAL OF THE PERIODS OF COVERAGE DO NOT
26 EXCEED A TOTAL OF 185 DAYS OUT OF ANY 365-DAY PERIOD, PLUS ANY
27 ADDITIONAL DAYS PERMITTED BY THE POLICY FOR A CONDITION FOR WHICH

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1 A COVERED PERSON INCURRED EXPENSES DURING THE TERM OF THE
2 POLICY.

3 (C) DOES NOT COVER ANY PREEEXISTING CONDITIONS.

4 (D) IS AVAILABLE WITH AN IMMEDIATE EFFECTIVE DATE, WITHOUT
5 UNDERWRITING, UPON RECEIPT BY THE INSURER OF A COMPLETED APPLICA-
6 TION INDICATING ELIGIBILITY UNDER THE HEALTH INSURER'S ELIGIBIL-
7 ITY REQUIREMENTS, EXCEPT THAT COVERAGE THAT INCLUDES OPTIONAL
8 BENEFITS MAY BE OFFERED ON A BASIS THAT DOES NOT MEET THIS
9 REQUIREMENT.

10 (6) AN INSURER THAT DELIVERS, ISSUES FOR DELIVERY, OR RENEWS
11 IN THIS STATE A SHORT-TERM OR 1-TIME LIMITED DURATION POLICY OR
12 CERTIFICATE OF NO LONGER THAN 6 MONTHS SHALL PROVIDE THE FOLLOW-
13 ING TO THE COMMISSIONER:

14 (A) BY NO LATER THAN FEBRUARY 1, 1999, A WRITTEN REPORT THAT
15 DISCLOSES BOTH OF THE FOLLOWING:

16 (i) THE GROSS WRITTEN PREMIUM FOR SHORT-TERM OR 1-TIME
17 LIMITED DURATION POLICIES OR CERTIFICATES OF NO LONGER THAN 6
18 MONTHS ISSUED IN THIS STATE DURING THE 1996 CALENDAR YEAR.

19 (ii) THE GROSS WRITTEN PREMIUM FOR ALL INDIVIDUAL
20 EXPENSE-INCURRED HOSPITAL, MEDICAL, OR SURGICAL POLICIES OR CER-
21 TIFICATES ISSUED OR DELIVERED IN THIS STATE DURING THE 1996 CAL-
22 ENDAR YEAR OTHER THAN POLICIES OR CERTIFICATES DESCRIBED IN
23 SUBPARAGRAPH (i).

24 (B) BY NO LATER THAN MARCH 31, 1999 AND ANNUALLY THEREAFTER,
25 A WRITTEN ANNUAL REPORT THAT DISCLOSES BOTH OF THE FOLLOWING:

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1 (i) THE GROSS WRITTEN PREMIUM FOR SHORT-TERM OR 1-TIME
2 LIMITED DURATION POLICIES OR CERTIFICATES ISSUED IN THIS STATE
3 DURING THE PRECEDING CALENDAR YEAR.

4 (ii) THE GROSS WRITTEN PREMIUM FOR ALL INDIVIDUAL
5 EXPENSE-INCURRED HOSPITAL, MEDICAL, OR SURGICAL POLICIES OR CER-
6 TIFICATES ISSUED OR DELIVERED IN THIS STATE DURING THE PRECEDING
7 CALENDAR YEAR OTHER THAN POLICIES OR CERTIFICATES DESCRIBED IN
8 SUBPARAGRAPH (i).

9 (7) THE COMMISSIONER SHALL MAINTAIN COPIES OF REPORTS PRE-
10 PARED PURSUANT TO SUBSECTION (6) ON FILE WITH THE ANNUAL STATE-
11 MENT OF EACH REPORTING INSURER. THE COMMISSIONER SHALL ANNUALLY
12 COMPILE THE REPORTS RECEIVED UNDER SUBSECTION (6). THE COMMIS-
13 SIONER SHALL PROVIDE THIS ANNUAL COMPILATION TO THE SENATE AND
14 HOUSE OF REPRESENTATIVES STANDING COMMITTEES ON INSURANCE ISSUES
15 NO LATER THAN THE JUNE 1 IMMEDIATELY FOLLOWING THE FEBRUARY 1 OR
16 MARCH 31 DATE FOR WHICH THE REPORTS UNDER SUBSECTION (6) ARE
17 PROVIDED.

18 (8) IN EACH CALENDAR YEAR, A HEALTH INSURER SHALL NOT CON-
19 TINUE TO ISSUE SHORT-TERM OR 1-TIME LIMITED DURATION POLICIES OR
20 CERTIFICATES IF TO DO SO THE COLLECTIVE GROSS WRITTEN PREMIUMS ON
21 THOSE POLICIES OR CERTIFICATES WOULD TOTAL MORE THAN 10% OF THE
22 COLLECTIVE GROSS WRITTEN PREMIUMS FOR ALL INDIVIDUAL
23 EXPENSE-INCURRED HOSPITAL, MEDICAL, OR SURGICAL POLICIES OR CER-
24 TIFICATES ISSUED OR DELIVERED IN THIS STATE EITHER DIRECTLY BY
25 THAT INSURER OR THROUGH A CORPORATION THAT OWNS OR IS OWNED BY
26 THAT INSURER.

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1 SEC. 4419. GROUP LIFE INSURANCE MAY BE ISSUED IN CONNECTION
2 WITH PREPAID FUNERAL CONTRACTS ONLY IF IT MEETS ALL OF THE
3 FOLLOWING:

4 (A) IS ISSUED TO AN ASSOCIATION COVERING THE LIVES OF ITS
5 MEMBERS OR TO A TRUSTEE OF A GROUP.

6 (B) IS ISSUED AS AN ASSOCIATED LIFE INSURANCE POLICY OR
7 ANNUITY CONTRACT UNDER SECTION 2080.

8 (C) CONFORMS WITH SECTION 2080.

9 Sec. 4424. (1) The commissioner ~~is empowered to~~ MAY
10 authorize the insuring on a group insurance basis of groups other
11 than those specifically defined in sections 4404 to 4420 —
12 ~~where~~ IF conditions or circumstances indicate that granting per-
13 mission for discretionary group life insurance coverages is in
14 the interest of public policy. THIS SECTION DOES NOT LIMIT THE
15 COMMISSIONER TO ONLY AUTHORIZE THOSE GROUPS THAT ARE LOGICALLY
16 ANALAGOUS IN CHARACTER AND COMPOSITION TO THE GROUPS SPECIFICALLY
17 DEFINED IN SECTIONS 4404 TO 4420.

18 (2) The commissioner may refuse to grant permission in any
19 instance on the basis of a finding that the requested group
20 plan:

21 (a) Would not result in economies of acquisition and admin-
22 istration ~~which~~ THAT justify a group rate.

23 (b) Would present hazards of voluntary adverse selection to
24 a degree not usually present in group insurance.

25 (c) Would be actuarially unsound.

26 (d) Would fail to preclude individual selection among
27 persons to be insured under the proposed group plan.

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1 (3) The discretionary group shall consist of not less than
2 250 persons. The discretionary group may consist of only a por-
3 tion of the employees of an employer or of the members of an
4 organization, ~~where~~ IF segregation arises out of reasonable
5 grounds, geographical or otherwise, ~~which~~ THAT make it pres-
6 ently impossible or undesirable to include in a single group all
7 of the employees or members. The discretionary group may consist
8 of employees of more than 1 employer, or the members of more than
9 1 organization or association, ~~when the~~ IF evidence submitted
10 clearly indicates the desirability of embracing the proposed
11 assemblage of individuals under a single group. By way of par-
12 ticular, but not in limitation, the group may consist of the
13 employees of 1 or more governmental or quasigovernmental units,
14 federal, state, municipal, or local.

15 (4) If, for reasons ~~which~~ THAT the commissioner ~~shall~~
16 ~~determine~~ DETERMINES to be adequate, it appears to be impossible
17 or infeasible for the employer to be the policyholder in any
18 group authorized under this section, the commissioner may autho-
19 rize the designation of a trustee or trustees to be the policy-
20 holder, subject to rules ~~as~~ the commissioner ~~shall approve~~
21 APPROVES.

22 (5) The commissioner may authorize discretionary groups and
23 plans of group insurance ~~which~~ THAT qualify in all other
24 respects under this section although there be no contribution to
25 the premium payment from the employer or organization if the com-
26 missioner finds that circumstances render the contribution
27 inequitable, impossible, or impracticable.

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1 (6) The percentage of employees or members required to
2 participate in any group authorized under this section, the types
3 of insurance coverage to be offered to the members of the group,
4 and the amounts of insurance to be provided, shall be as the com-
5 missioner ~~shall determine~~ DETERMINES. The maximum insurance
6 available to any member of a group authorized under this section
7 shall not exceed \$80,000.00. The maximum shall be adjusted
8 beginning July 1, 1982, and annually thereafter, to reflect
9 changes in the cost of living under rules prescribed by the
10 commissioner. However, ~~where any group which~~ IF A GROUP THAT
11 previously operated under authority of any of the sections 4404
12 to 4420 ~~shall be~~ IS continued under the provisions of this sec-
13 tion, the types of insurance and amounts of coverage already
14 authorized in the group may be continued although in excess of
15 the limitations ~~which~~ THAT would otherwise be available under
16 this section.

17 (7) Before any application for permission to qualify under
18 this section ~~shall be~~ IS considered, the applicant shall
19 deposit with the commissioner a specific fee of \$100.00 to defray
20 the costs of examining into the circumstances and conditions
21 appertaining to the proposed group and group insurance ~~+~~ and
22 shall covenant to compensate the insurance bureau for any addi-
23 tional unusual expenses ~~which~~ THAT it may incur. The applicant
24 shall furnish such information, documents, and data pertaining to
25 the proposed group plan as the commissioner ~~shall require~~
26 REQUIRES to arrive at his or her determination. The commissioner

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1 shall, from time to time, promulgate rules for the enforcement of
2 this section.

3 (8) The applicant may appeal from the commissioner's refusal
4 to authorize the discretionary group to the circuit court for the
5 county of Ingham on the grounds that the refusal is arbitrary or
6 capricious and devoid of sound underwriting or actuarial grounds;
7 but any fees or costs paid to or incurred by the insurance bureau
8 under subsection (7) ~~shall~~ IS not ~~be~~ subject to recovery.

9 Sec. 5800. (1) This chapter applies only to domestic mutual
10 insurers transacting property, casualty, disability, and other
11 insurances.

12 (2) ~~The provisions of this~~ THIS chapter ~~shall~~ DOES not
13 apply to any domestic insurer doing business on August 10, 1917,
14 unless ~~such~~ THE insurer ~~shall be~~ fully ~~complying~~ COMPLIES
15 with ~~the requirements of~~ this chapter and ~~shall~~ by resolution
16 of its board of directors duly certified to by the president and
17 secretary and filed with and approved by the commissioner ~~having~~
18 ~~elected~~ ELECTS to adopt the provisions of this chapter, in which
19 case ~~such~~ THE insurer may thereafter effect such kind or kinds
20 of insurance as specified in its articles of incorporation as
21 then or thereafter amended or as may be specified in ~~such~~ THE
22 resolution.

23 (3) A person or persons incorporating under this chapter
24 after January 1, 1984, ~~shall be~~ IS subject to the minimum
25 financial requirements of sections 408 and ~~410(1)~~ 410. Any
26 corporation incorporated under this chapter on or before January

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1 1, 1984, shall continue to be subject to the provisions of
2 section 5810(3).

3 SEC. 5904. PRIOR TO THE COMPLETION OF A PLAN OF CONVERSION
4 FILED BY A MUTUAL COMPANY WITH THE COMMISSIONER, A PERSON SHALL
5 NOT KNOWINGLY ACQUIRE, MAKE AN OFFER FOR, OR MAKE ANY ANNOUNCE-
6 MENT OF AN OFFER FOR ANY SECURITY ISSUED OR TO BE ISSUED BY THE
7 CONVERTING MUTUAL COMPANY IN CONNECTION WITH ITS PLAN OF CONVER-
8 SION FILED UNDER THIS CHAPTER OR ANY SECURITY ISSUED OR TO BE
9 ISSUED BY ANY OTHER COMPANY AUTHORIZED IN SECTION 5905(1)(C)(i)
10 AND ORGANIZED FOR PURPOSES OF EFFECTING THE CONVERSION, EXCEPT IN
11 COMPLIANCE WITH THE MAXIMUM PURCHASE LIMITATIONS IMPOSED BY SEC-
12 TION 5909 OR THE TERMS OF THE PLAN OF CONVERSION AS APPROVED BY
13 THE COMMISSIONER.

14 Sec. 8199a. A fraternal benefit society transacting busi-
15 ness in this state and not exempt from the provisions of this
16 chapter under section 8199 is also subject to the following addi-
17 tional chapters and provisions of this act, as applicable:

18 (a) Chapter 1.

19 (b) Chapter 2. However, as to section 240, only subsection
20 (1)(c), (d), (h), and (j) ~~shall~~ apply, except as provided in
21 section 5222.

22 (c) Sections 403, 405a, 436, 436a, 437, 476a, 839, 5222, and
23 5256.

24 (d) Chapter 9.

25 (e) Chapter 11.

26 (f) Chapter 34.

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- 1 (g) Chapter 38.
- 2 (h) Chapter 39.
- 3 (i) Chapter 40 except as to section 4004.
- 4 (j) Chapter 81.