

**SUBSTITUTE FOR
SENATE BILL NO. 1174**

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending section 1311 (MCL 500.1311), as amended by 1994 PA 227.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1311. (1) A person other than the issuer shall not make a
2 tender offer for or a request or invitation for tenders of, or
3 enter into any agreement to exchange securities for, seek to
4 acquire or acquire, in the open market or otherwise, any voting
5 security of a domestic insurer if, after the consummation thereof,
6 the person directly or indirectly, or by conversion or by exercise
7 of any right to acquire, would be in control of the insurer. A
8 person shall not enter into an agreement to merge with or otherwise
9 to acquire control of a domestic insurer or any person controlling
10 a domestic insurer unless, at the time an offer, request, or
11 invitation is made or an agreement is entered into, or prior to the

1 acquisition of the securities if no offer or agreement is involved,
2 the person has filed with the commissioner and has sent to the
3 insurer which has sent to its shareholders, a statement containing
4 the information required by this chapter and the offer, request,
5 invitation, agreement, or acquisition has been approved by the
6 commissioner in the manner prescribed in this chapter.

7 (2) IF A DOMESTIC PROPERTY AND CASUALTY INSURER HAS 200
8 EMPLOYEES OR FEWER, DIRECTLY OR INDIRECTLY THROUGH AN AFFILIATE
9 TRANSACTING THE INSURER'S BUSINESS, ANY PROPOSAL TO ENTER INTO AN
10 AGREEMENT TO MERGE WITH OR OTHERWISE ACQUIRE CONTROL OF THE
11 DOMESTIC INSURER OR ANY PERSON CONTROLLING THE DOMESTIC INSURER,
12 OR, FOR THE PURPOSE OF OBTAINING CONTROL, THAT SEEKS THE ELECTION
13 OF 2 OR MORE MEMBERS OF THE BOARD OF DIRECTORS OF THE DOMESTIC
14 INSURER OR ANY PERSON CONTROLLING THE DOMESTIC INSURER, SHALL, IN
15 ADDITION TO THE REQUIREMENTS OF SUBSECTION (1), REQUIRE THE
16 APPROVAL OF 66.67% OF THE OUTSTANDING VOTING SECURITIES IF THE
17 PROPOSAL IS NOT SUPPORTED BY A MAJORITY OF THE DOMESTIC INSURER'S
18 BOARD OF DIRECTORS.

19 (3) ~~(2)~~—The person who proposes to enter into an agreement to
20 merge with or otherwise acquire control of a domestic insurer shall
21 file a notification with the commissioner, in such form and
22 containing the information prescribed by applicable rule
23 promulgated or order issued by the commissioner.

24 (4) ~~(3)~~—For purposes of this section through section 1319, a
25 domestic insurer shall include any person controlling a domestic
26 insurer and any foreign insurer whose written insurance premium in
27 this state for each of the most recent 3 years exceeds the premiums

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