

**THE INSURANCE CODE OF 1956 (EXCERPT)**

**Act 218 of 1956**

**CHAPTER 54**

**MUTUAL LIFE AND DISABILITY INSURERS (DOMESTIC)**

**500.5400 Scope of chapter.**

Sec. 5400. This chapter applies only to domestic mutual life and disability insurers other than cooperative insurers as identified in chapter 64 and to mutual holding companies resulting from the reorganization of those mutual insurers.

**History:** 1956, Act 218, Eff. Jan. 1, 1957;—Am. 2000, Act 8, Imd. Eff. Feb. 25, 2000.

**Popular name:** Act 218

**500.5402 Domestic mutual insurers; formation; reorganization.**

Sec. 5402. A domestic mutual insurer for the transaction of life insurance, or for the transaction of life and disability insurance, may be formed pursuant to chapter 50 and may be reorganized pursuant to chapters 59 and 60.

**History:** 1956, Act 218, Eff. Jan. 1, 1957;—Am. 2000, Act 8, Imd. Eff. Feb. 25, 2000.

**Popular name:** Act 218

**500.5403 Mutual holding company as domestic mutual insurance company.**

Sec. 5403. A mutual holding company resulting from a reorganization under chapter 60 shall be considered a domestic mutual insurance company under this act except that the mutual holding company shall not be issued a certificate of authority to issue policies or transact the business of insurance.

**History:** Add. 2000, Act 8, Imd. Eff. Feb. 25, 2000.

**Popular name:** Act 218

**500.5408 Prerequisites to granting certificate of authority.**

Sec. 5408. No certificate of authority shall be granted such insurer to issue policies until all of the following conditions have been met:

(a) At least 500 persons have subscribed in the aggregate for at least \$1,000,000.00 of insurance if organized for the purpose of transacting life insurance, or if organized for the purpose of transacting both life and disability insurances, until 500 persons have subscribed for \$1,000,000.00 of each kind of insurance as if corporations had been formed separately for each such purpose and shall each have paid in 1 full annual premium in cash upon the insurance subscribed for. No application shall exceed in amount \$5,000.00 of insurance on the life of any individual or individuals jointly.

(b) The insurer has deposited with the state treasurer securities as required under section 411.

(c) The requirements of this chapter have been complied with and certified under oath to the commissioner by at least 3 of the incorporators and then not until he is satisfied that the membership list and applications are genuine and the premiums paid in cash and the applicants have agreed to accept the policies within 30 days after such certificate shall have been issued. No policy of insurance shall be issued until the commissioner has issued a certificate of authority to transact insurance.

**History:** 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1972, Act 360, Imd. Eff. Jan. 9, 1973.

**Popular name:** Act 218

**500.5412 Deficiency in insurance or membership; procedure.**

Sec. 5412. If at any time it appears from an examination of the insurer or from any statement filed by the insurer that the number of risks insured, the number of policies in force, or the number of members or the amount of premiums on insurance in force are below the number and amounts required under section 5408, the commissioner shall issue an order directing the insurer within a period of 90 days to secure bona fide applications for insurance in the insurer, together with the necessary premiums, from persons who, together with the existing members, shall equal the number of members required under section 5408 and whose insurance policies, together with those in force, cover the number of risks and provide for the amount of insurance required upon organization. If the insurer does not within this period become entitled to issue policies, the commissioner may in his or her discretion take proceedings for the liquidation of the insurer as provided in chapter 81.

**History:** 1956, Act 218, Eff. Jan. 1, 1957;—Am. 2001, Act 182, Imd. Eff. Dec. 21, 2001.

**Popular name:** Act 218

**500.5416 Mutual life insurer; extension of powers; procedure.**

Sec. 5416. A mutual life insurer may extend its corporate powers to transact disability insurance by amending its articles of incorporation and bylaws in accordance with the provisions of section 5202: Provided, Such amendment is first approved by a vote of 2/3 of its members in person or by proxy at an annual or special meeting called for that purpose pursuant to notice given in accordance with the bylaws, which notice shall specify the additional kind of insurance which it is proposed to transact.

**History:** 1956, Act 218, Eff. Jan. 1, 1957.

**Popular name:** Act 218

**500.5420 Mutual life and disability insurers; amendment, adoption, and approval of bylaws.**

Sec. 5420. Bylaws not inconsistent with the articles of association may be adopted or amended at any meeting of the directors or members of the insurer held after the receipt from the commissioner of a certified copy of the certificate of incorporation. The bylaws or amendments shall not become effective until approved by and filed with the commissioner.

**History:** 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1961, Act 153, Eff. Sept. 8, 1961.

**Popular name:** Act 218

**500.5424 Directors and officers; number; election.**

Sec. 5424. The management of the business and affairs of such an insurer shall be vested in a board of directors. Every such insurer shall have not less than 5 nor more than 17 directors, and such officers as shall be provided for in the articles of incorporation or in the bylaws. The directors shall be elected at the annual meetings of the members but any time after the first annual meeting the directors may be divided into 3 groups as nearly equal as possible and thereafter 1 group only elected in a manner to be provided by the bylaws.

**History:** 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1959, Act 28, Eff. Mar. 19, 1960.

**Popular name:** Act 218

**500.5430 Capital funds; borrowing; repayment.**

Sec. 5430. A mutual insurer organized under this chapter may borrow or assume liability for the repayment of a sum of money sufficient to defray the reasonable expenses of its organization or to provide the securities to be deposited with the state treasurer as required under this act, or to enable it to comply with any requirement of law, upon an agreement that has first been submitted to and approved by the commissioner, that the sum shall be repaid with interest accrued in a manner and at a rate approved by the commissioner. The agreement under which the sum is obtained shall provide that any claim for its return shall be inferior and subordinate to all claims of and reserves for policyholders and creditors. Interest shall be paid and principal shall be retired only out of the surplus earnings of the insurer and with the approval of the commissioner whenever, in his or her judgment, the financial condition of the insurer warrants it, except that approval shall be withheld if repayment will reduce the surplus to an amount that is less than the amount determined adequate to comply with section 403. Any sum advanced shall not form a part of the legal liabilities of the insurer but until repaid all statements published by the insurer or filed with the commissioner shall show the amount remaining unpaid.

**History:** 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1994, Act 226, Imd. Eff. June 27, 1994.

**Popular name:** Act 218