

THE INSURANCE CODE OF 1956 (EXCERPT)

Act 218 of 1956

CHAPTER 64

COOPERATIVE PLAN INSURERS (DOMESTIC)

500.6400 Scope of chapter.

Sec. 6400. (1) This chapter applies only to domestic insurers transacting life, disability, or loss of position insurances, as defined in section 6406, on the cooperative or assessment plan.

(2) Corporations heretofore organized and/or doing business under the provisions of Act No. 339 of the Public Acts of 1937, as amended, shall hereafter be subject to the provisions of this chapter and shall hereafter be classified as insurers doing business under this chapter.

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

Compiler's note: Act 339 of 1937, referred to in this section, amended Act 256 of 1917 which was repealed by Act 218 of 1956.

Popular name: Act 218

500.6402 Domestic cooperative plan insurers; organization.

Sec. 6402. Subject to the requirements of chapter 50 (organization of domestic insurers) and 52 (corporate powers, procedures of domestic insurers), any number of persons, not less than 7, residents of this state, may incorporate for the purpose of carrying on upon the assessment or cooperative plan, the kind or kinds of insurance enumerated in any 1 or more subdivisions of section 6406.

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

Popular name: Act 218

500.6406 Domestic cooperative plan insurers; authorized kinds of insurance.

Sec. 6406. The kinds of insurance which may be carried on by insurers incorporated under this chapter shall be as follows:

(1) To insure persons against bodily injury or death by accident or against disability on account of sickness or accident and also to grant specific hospital benefits and medical, surgical and sick-care benefits to persons and their families, subject to such limitations as the commissioner may prescribe with respect thereto; and to provide reimbursement of funeral expenses, not exceeding \$200.00 to any person in conjunction therewith.

(2) To provide indemnity to conductors, engineers and motormen of steam and electric railways, and to persons engaged in other similar trades or occupations, for loss of position arising from discharge or suspension, which indemnity shall be payable in installments which do not exceed the average monthly wage of the member, and which, in the aggregate upon any 1 risk, shall not exceed 15% of the contingency reserve deposit provided in sections 6434 and 6446, and to provide indemnity for loss of position arising from retirement.

(3) To insure the lives of persons and to grant every insurance pertaining thereto. Such policies of life insurance may provide for total and permanent disability benefits and accidental death benefits.

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

Popular name: Act 218

500.6410 Domestic cooperative plan insurers; qualifications for certificate of authority; issuance of policies.

Sec. 6410. No insurer shall commence business under this chapter until it shall have procured bona fide applications for insurance therein together with the first premium in cash from at least 300 eligible persons for each class of risk as defined in section 6406 which the insurer undertakes to write; nor until the secretary and treasurer shall have given good and sufficient bonds to the insurer to be held by the president of the insurer, for the faithful performance of their duties, which bonds shall each be in amount at least twice the amount of money liable to come into the hands of such officer at any 1 time, said bonds to be approved by the commissioner; nor until the commissioner, after receipt of satisfactory proof as to compliance with these and such other requirements as he shall deem essential, shall have issued a certificate of authority to such insurer, then, and not before, the insurer may issue its policies of insurance.

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

Popular name: Act 218

500.6412 Domestic cooperative plan insurers; life insurer; qualifications to write annuity contracts.

Sec. 6412. No insurer subject to subdivision (3) of section 6406 (transaction of life insurance) shall write in Michigan any contract of annuity, or retain by virtue of supplemental agreement any proceeds of any policy or contract of insurance upon deposit with such insurer at interest or upon settlement option, until it shall have a contingency reserve deposit as defined and described in section 6434, in the amount of \$100,000.00, and shall have obtained from the commissioner a certificate of authority to write such contracts of annuity or supplemental agreements.

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

Popular name: Act 218

500.6414 Domestic cooperative plan insurers; qualifications to write group insurance.

Sec. 6414. No such insurer shall do a business of group insurance in Michigan until it shall have accrued a contingency reserve deposit as defined and described in section 6434 in the amount of \$100,000.00, and shall have obtained from the commissioner a certificate of authority to write group insurance.

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

Popular name: Act 218

500.6418 Domestic cooperative plan insurers; directors; selection at annual meetings; first annual meeting.

Sec. 6418. (1) The property, business and affairs of such insurer, shall be managed by not less than 5 nor more than 20 directors to be chosen by the members at the annual meeting of members, to serve until the next annual meeting and until their successors be qualified. The directors may be divided into 3 groups as nearly equal as possible and in such case only 1 group shall be elected at each annual meeting in a manner to be prescribed by the bylaws.

(2) The first annual meeting of members shall take place within 12 months following the date of execution of the articles of incorporation. During the interim between the execution of the articles of incorporation and the first annual meeting of members, the affairs of the insurer may be administered by such directors, officers or trustees as shall be vested with such interim authority by the terms of the articles of incorporation.

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

Popular name: Act 218

500.6422 Domestic cooperative plan insurers; members; voting; quorum; inspection of books.

Sec. 6422. Every person insured in any insurer organized under this chapter shall be a member of such insurer, and shall be entitled to 1 vote at all meetings of the members, and may vote in person or by proxy under such rules and regulations as may be provided in the bylaws of such insurer: Provided, however, That a minimum of 10 members shall be present in person to constitute a quorum. The books of such insurer shall be open for inspection by any member of such insurer at any of its meetings.

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

Popular name: Act 218

500.6428 Insurer transacting business under MCL 500.6406 subject to certain provisions.

Sec. 6428. (1) An insurer transacting business under section 6406(1) is subject to section 2260 and chapter 34.

(2) An insurer transacting business under section 6406(2) is subject to section 6616, and all policies must grant the nonforfeiture values under annuity contracts that are required of life insurers under this act.

(3) An insurer transacting business under section 6406(3) is subject to chapters 40 and 42.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 2016, Act 276, Imd. Eff. July 1, 2016.

Popular name: Act 218

500.6432 Domestic cooperative plan insurers; reserves; standards applicable.

Sec. 6432. (1) Every insurer transacting the kind or kinds of insurance described in subdivisions (1) and (2) of section 6406 (disability and loss of position insurances) shall maintain reserves for unearned premiums in accordance with the standards prescribed from time to time by the commissioner, which standards shall conform to those required of other insurers authorized to insure similar risks under the provisions of this code.

(2) Every insurer transacting the business of life insurance, endowment and/or annuity on or after January 1, 1948, shall maintain the reserves required by section 834 (standard valuation law); for all contracts issued between January 1, 1940, and December 31, 1947, inclusive, reserves not less than that determined by the national fraternal congress table of mortality as adopted by the national fraternal congress, August 23, 1899,

with interest assumption not more than 4% per annum, or such other reserve as shall be provided by the certificate or contract of insurance, whichever may be the greater; and for all contracts issued prior to January 1, 1940, premiums shall be segregated as a separate fund or funds to be held in trust solely for the benefit of such contract, for which fund a separate accounting shall be made, unless or until the insurer shall be able to and shall elect to transfer said contracts or policies, with the reserves herein required, into 1 of the preceding 2 classes.

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

Popular name: Act 218

500.6434 Contingency reserve; deposit.

Sec. 6434. Every domestic insurer subject to this chapter shall maintain a contingency reserve at all times at least equal to 1/10 of the total premium income for the preceding calendar year but not less than \$5,000.00 for each kind of insurance enumerated in section 6406 which the insurer undertakes to issue and shall maintain a deposit with the state treasurer, of the kind and amount and for the purposes specified in section 411.

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

Popular name: Act 218

500.6436 Domestic cooperative plan insurers; unlawful use of reserve funds; penalty.

Sec. 6436. (1) It shall be unlawful for any officer or agent of a cooperative mutual life insurance company doing business in this state to appropriate or use any portion of the reserve or mortality funds of such company for any other purpose than such as the articles of incorporation, bylaws and contracts with members prescribe.

(2) Any officer or agent guilty of any intentional violation of this section, or who shall aid or abet others in any such violation, shall be deemed guilty of a misdemeanor and upon conviction thereof shall be punished by a fine not exceeding \$1,000.00, or by imprisonment not exceeding 6 months, or by both such fine and imprisonment, in the discretion of the court.

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

Popular name: Act 218

500.6440 Domestic cooperative plan insurers; assessment of members; nonassessable policies.

Sec. 6440. On and after January 1, 1948, every policy issued or delivered in this state by any domestic insurer subject to this chapter, shall set forth on the first page thereof, in addition to the regular specified premiums, the fact that the member is liable to be assessed to the extent needed to pay said member's aliquot share of claims and expenses, and to maintain the reserves required by this chapter. No such assessment shall be levied against any policyholder except upon due notice to such policyholder. Every policyholder shall be entitled to elect that his or her policy reserves, or the required portion thereof, shall be applied against such assessment. If any member shall fail to pay such assessment in cash within 30 days after notice, said assessment shall become a lien upon his or her policy or policies. Whenever the amount of liens upon any policy shall equal its reserve, the policy shall become void without further action and no further liability shall attach to the insurer. No assessment shall be made until the method of determining and spreading the assessment shall have been approved by the commissioner. The commissioner may authorize the prosecution of suits to collect assessments when he shall deem such action equitable and practicable: Provided, That any insurer issuing the kinds of insurance in subdivisions (1) (disability) and/or (2) (loss of position) of section 6406 may issue a nonassessable policy, which may be so described on the face of the policy, while it has contingency reserves in the amount of at least \$200,000.00, and in no event shall the holder of any such policy, or any renewal thereof, be liable for a greater amount than the premiums expressed in the policy: Provided further, That no such nonassessable policy shall be issued until the commissioner shall, after examination of the insurer, determine that the insurer has contingency reserves of at least \$200,000.00, and authorizes the insurer, in writing, to issue such nonassessable policies.

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

Popular name: Act 218

500.6446 Domestic cooperative plan insurers; limits of risk; increased reserve; reinsurance.

Sec. 6446. No such insurer shall expose itself to loss from all causes, on any 1 risk, in a total principal sum exceeding 10% of its contingency reserve deposit as defined in section 6434: Provided, That insurers may establish, make and maintain a larger contingency reserve deposit than is required by said section 6434, and

thereafter the limits of exposure as herein defined shall be increased by 10% of any such excess deposit: Provided further, That insurers transacting business under this chapter may issue policies under which the amount insured exceeds the foregoing limitations, if the said insurers shall, at the time of issuance of said policy or policies, have in force, and shall maintain in force throughout the continuance of such policies, a good and enforceable contract or contracts of reinsurance ceding of said individual risks not less than the excess over the permissible retention as herein provided, which reinsurance shall be ceded only to insurers authorized under the provisions of this code to transact business of a similar class in this state, and to accept reinsurance: Provided, however, That no reinsurance shall be ceded to or accepted by any insurer operating under the cooperative or assessment plan: Provided further, That this section shall not reduce the limits of exposure to loss for insurers legally operating in this state under the cooperative or assessment plan on January 1, 1947.

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

Popular name: Act 218

500.6450 Guaranty fund; agreement; terms; repayment; other borrowed money.

Sec. 6450. Any insurer may secure its required funds for reserve purposes by means of contributions or loans, but subject to the limitations set forth in this section. Any fund so secured is hereinafter described as a guaranty fund. The agreement upon which a guaranty fund is secured shall provide that any claim for its return is inferior and subordinate to all claims of and reserves for policyholders and insured members and to the statutory required contingency reserve deposit and is subject to the approval of the commissioner. The guaranty fund and agreed interest on the guaranty fund accrued in a manner and at a rate approved by the commissioner shall not be liabilities or claims against the insurer or any of its assets except as provided in this section. Interest shall be paid and principal shall be retired only out of surplus of the insurer in excess of current obligations and of reserves required by this chapter. No part of principal shall be retired or interest paid unless the surplus remaining after repayment is determined adequate to comply with section 403 and the insurer has received the written consent of the commissioner. No commission or promotion expense of any kind shall be paid or allowed in connection with the raising of the guaranty fund, and the amount of the guaranty fund together with interest on the fund and any portion of the fund retired during any year shall be reported in the insurer's annual statement. This section does not bar any insurer subject to this section from borrowing money, but the amount borrowed with accrued interest shall be carried by the insurer as an immediate liability, as distinguished from the deferred or contingent liability status of the guaranty fund.

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

Popular name: Act 218

500.6456 Domestic cooperative plan insurers; conversion into mutual insurer; procedure.

Sec. 6456. (1) Any insurer transacting business under subdivisions (1) (disability) or (3) (life) of section 6406, or under both such subdivisions, may, at its option, convert itself without reincorporation into a mutual insurance company transacting the corresponding kind or kinds of business, and become subject to the provisions of sections 5408 through 5430 (provisions applicable to domestic mutual life and disability insurers) and the applicable portions of sections 408 (capital, surplus, assets required) and 412 (deposit requirement), upon meeting the surplus and other requirements of said sections. Any insurer transacting only the kinds of business specified in subdivisions (1) (disability) and/or (2) (loss of position) of section 6406, may, at its option, convert itself without reincorporation into a mutual company and continue to transact the said kind or kinds of business, and become subject in all other respects to the provisions of chapter 58 (domestic general mutual insurers) upon meeting the requirements of said chapter.

(2) The board of directors, trustees, or managers, shall adopt, in the manner provided by law, such amendments to the articles of incorporation and the bylaws of the insurer as shall be necessary to make the same conform to the articles of incorporation and bylaws of a mutual insurance company, as above limited. Upon approval by the commissioner of such amendments, and the filing of a certified copy of the amendments to the articles of incorporation with the county clerk of the county in which the principal office of the insurer is located, such insurer shall be subject to the provisions and entitled to the benefits of the sections or chapter above designated, as the case may be.

(3) Such conversion into a mutual insurance company shall not affect the rights or obligations of the insurer or its members on any contract theretofore made.

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

Popular name: Act 218

500.6460 New insurers organized after December 31, 1993.

Sec. 6460. No new insurer shall be organized under this chapter after December 31, 1993.

History: Add. 1994, Act 226, Imd. Eff. June 27, 1994.

Popular name: Act 218