

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.7604 Procedure for consolidation, merger, or reinsurance of risks; waiver for domestic stock insurers; dissolution of corporation; cessation of liability; reinsurance of individual risks; fraternal benefit societies; acquisition of general abstract business; notice of merger of farmers mutual insurer with other mutual insurer.

Sec. 7604. (1) An insurer organized under the laws of this state and transacting business under this act may consolidate or merge with or reinsure all or any part of its outstanding risks for the purpose of effecting a merger or consolidating with an insurer of generally like character authorized to transact business in this state under terms that are reasonable and just. "Consolidation" and "merger", as used in this chapter, include a transaction in which an authorized insurer that is a wholly-owned subsidiary of a controlling corporation, which need not be an insurer, distributes shares of the capital stock of the controlling corporation in merging another insurer into the subsidiary or in merging the subsidiary into another insurer. If an insurer proposes to consolidate or merge with, or reinsure all of its outstanding risk with, another insurer for the purpose of effecting a merger or consolidation, the following procedure must be followed:

(a) The insurers shall petition the director, setting forth the terms and conditions of the proposed consolidation, merger, or agreement of reinsurance, to which the director may grant preliminary, tentative, or conditional approval.

(b) After securing the approval from the director, the insurers shall give notice, either personally or through mailing at least 21 days before the time fixed for the meeting, to the last known postal address of each stockholder, subscriber, or member, that the question of the consolidation, merger, or reinsurance will be voted on at a regular or special meeting of the stockholders, subscribers, or members, which notice must fairly but briefly describe the proposed procedure.

(c) The consolidation, merger, or contract of reinsurance for the purpose of effecting a merger or consolidation must be approved at the regular or special meeting held in pursuance of the call and notice, by the affirmative vote of not less than a majority of the members or subscribers voting in person or by proxy if it is a mutual or a cooperative or assessment corporation or a reciprocal or interinsurance exchange, or not less than a majority of the outstanding capital stock, if it is a stock company.

(d) The consolidation or merger agreement or contract of reinsurance for the purpose of effecting a merger or consolidation, together with proper proof that it has been approved by the stockholders, subscribers, or members as provided in this section, must be submitted to the director for final approval. This contract is not effective until the director, in his or her discretion, issues a certificate of final approval to the petitioner. If the terms of the consolidation or merger or reinsurance contract for the purpose of effecting the merger or consolidation provide that securities must pass to an insurer assuming the liabilities for which the securities are held, a public official, or other person or company holding the securities, shall, on the written order of the director, deliver the securities to or credit the securities to the account of the corporation, corporations, person, or persons entitled to the securities by the terms of the contract and the order of the director.

(2) To facilitate the merger of any resulting insurer with and into another company simultaneously with the effectiveness of a division authorized by this act, a dividing insurer, including its officers, directors, and shareholders, may adopt and execute a plan of merger or consolidation on behalf of a resulting insurer and may execute and deliver documents, plans, certificates, and resolutions, and may make any filings, in each case, on behalf of the resulting insurer. If provided in a plan of merger or consolidation described in this subsection, the merger or consolidation is effective simultaneously with the effectiveness of a division authorized by this act. On request of the dividing insurer, the director may waive the other requirements of this section with respect to any merger or consolidation involving only domestic stock insurers and may issue its final approval of the merger or consolidation as part of its approval of a plan of division under this act.

(3) Consolidation, merger, or reinsurance for the purpose of effecting a merger or consolidation of all of the insurance risk of any membership corporation under this section, acts as a dissolution of the corporation except for a stock company, which must be dissolved in accordance with the business corporation act, 1972 PA 284, MCL 450.1101 to 450.2098. All liability on a stock company's certificates or contracts ceases on the expiration of 5 days after the consolidation, merger, or reinsurance for the purpose of effecting a merger or consolidation, but its officers may thereafter perform any act or acts necessary to close its affairs with the approval of the director.

(4) This section does not prohibit an insurer from reinsuring a fractional part or all of an individual risk in the usual or incidental conduct of its business.

(5) Consolidation, merger, or reinsurance for the purpose of effecting a merger or consolidation of all or a substantial portion of the risks of a fraternal benefit society is governed by this section insofar as not

otherwise regulated by chapter 81a, specifically governing fraternal benefit societies.

(6) This section does not prohibit a title insurance corporation from acquiring by merger, exchange of stock, or otherwise, if permitted by and under the business corporation act, 1972 PA 284, MCL 450.1101 to 450.2098, a corporation engaged in the general abstract business or the assets of a corporation engaged in the general abstract business.

(7) Notwithstanding subsection (1), if a farmers mutual insurer organized under chapter 68 proposes to merge with any other mutual insurer, the surviving insurer may give notice to its members by publication as provided in section 5214(2).

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1961, Act 104, Eff. Sept. 8, 1961;—Am. 1969, Act 194, Imd. Eff. Aug. 6, 1969;—Am. 1977, Act 46, Imd. Eff. July 5, 1977;—Am. 1981, Act 66, Imd. Eff. June 16, 1981;—Am. 1990, Act 1, Eff. Apr. 1, 1990;—Am. 1994, Act 226, Imd. Eff. June 27, 1994;—Am. 2018, Act 421, Imd. Eff. Dec. 20, 2018.

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