

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

500.8172 Formation of domestic fraternal society; requirements; filing documents; bond; certifying, retaining, and filing articles of incorporation; preliminary certificate of authority; solicitation of members; collection of premium; receipt; liability; issuance of certificate; paying or allowing benefit; examination; information; evidence of compliance; issuance of certificate of authority; certificate as evidence; record.

Sec. 8172. (1) To form a domestic fraternal society on or after April 1, 1990, 7 or more citizens of the United States, a majority of whom are citizens of this state, shall make, sign, and acknowledge before an officer competent to take acknowledgment of deeds, articles of incorporation in which shall be stated:

(a) The society's proposed corporate name. The society's proposed corporate name shall not so closely resemble the name of another society or insurance company as to be misleading or confusing.

(b) The purposes for which the society is being formed and the mode in which its corporate powers are to be exercised. The purposes shall not include more liberal powers than are granted by this chapter.

(c) The names and residences of the incorporators and the names, residences, and official titles of all the officers, trustees, directors, or other persons who are to have and exercise the general control of the management of the society's affairs and funds for the first year or until the ensuing election at which all such officers shall be elected by the supreme governing body and which shall be held not later than 1 year from the date of issuance of the permanent certificate of authority.

(2) The articles of incorporation, duly certified copies of the society's bylaws and rules, copies of all proposed forms of certificates, applications therefor, circulars to be issued by the society, and a bond conditioned upon the return to applicants of the advanced payments if the organization is not completed within 1 year, shall be filed with the commissioner, who may require further information as the commissioner considers necessary. The bond with sureties approved by the commissioner shall be in an amount of not less than \$300,000.00 or more than \$1,500,000.00 as required by the commissioner. All documents filed are to be in the English language. If the purposes of the society conform to the requirements of this chapter and all provisions of the law have been complied with, the commissioner shall so certify, retain, and file the articles of incorporation and furnish the incorporators a preliminary certificate of authority authorizing the society to solicit members as provided in this chapter.

(3) A preliminary certificate of authority granted under the provisions of this section shall not be valid after 1 year from its date or after such further period, not exceeding 1 year, as may be authorized by the commissioner upon cause shown, unless the 500 applicants required in this section have been secured and the organization has been completed as provided in this section. The articles of incorporation and all other proceedings thereunder shall become null and void after 1 year from the date of the preliminary certificate of authority, or at the expiration of the extended period, unless the society has completed its organization and received a certificate of authority to do business as provided in this section.

(4) Upon receipt of a preliminary certificate of authority from the commissioner, the society may solicit members for the purpose of completing its organization, shall collect from each applicant the amount of not less than 1 regular monthly premium in accordance with its table of rates, and shall issue to each applicant a receipt for the collected amount. A society shall not incur any liability other than for the return of the advance premium, issue any certificate, or pay, allow, or offer or promise to pay or allow, any benefit to any person until all of the following have been met:

(a) Actual bona fide applications for benefits have been secured on not less than 500 applicants, and any necessary evidence of insurability has been furnished to and approved by the society.

(b) At least 10 subordinate lodges have been established into which the 500 applicants have been admitted.

(c) There has been submitted to the commissioner, under oath of the president or secretary, or corresponding officer of the society, a list of the applicants, giving their names, addresses, date each was admitted, name and number of the subordinate lodge that each applicant is a member of, amount of benefits to be granted, and premiums for those benefits.

(d) It has been shown to the commissioner, by sworn statement of the society's treasurer or the society's corresponding officer, that at least 500 applicants have each paid in cash at least 1 regular monthly premium as provided in this section and the premiums in the aggregate amount to at least \$150,000.00. The advance premiums shall be held in trust during the period of organization, and if the society has not qualified for a certificate of authority under this section within 1 year, the premiums shall be returned to the applicants.

(5) The commissioner may make examination and require further information as the commissioner considers advisable. Upon presentation of satisfactory evidence that the society has complied with all the provisions of law, the commissioner shall issue to the society a certificate of authority to that effect

authorizing the society to transact business pursuant to the provisions of this chapter. The certificate of authority shall be prima facie evidence of the existence of the society at the date of the certificate. The commissioner shall cause a record of the certificate of authority to be made. A certified copy of the record may be given in evidence with like effect as the original certificate of authority.

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Popular name: Act 218