

# HOUSE BILL No. 4811

May 23, 2001, Introduced by Rep. Hager and referred to the Committee on Insurance and Financial Services.

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending sections 5028, 5412, and 7918 (MCL 500.5028,  
500.5412, and 500.7918), section 7918 as amended by 1980 PA 41.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 5028. (1) The incorporators shall, after the filing  
2 and approval of ~~such~~ THE REQUIRED articles, ~~as aforesaid,~~  
3 proceed to the completion of organization of the proposed  
4 insurer.

5       (2) A stock corporation shall at once open its books of sub-  
6 scription to the capital stock, and ~~no~~ A certificate of author-  
7 ity shall NOT be issued by the commissioner to ~~any such~~ THE  
8 corporation until it ~~shall have~~ HAS issued stock certificates  
9 representing the minimum capitalization ~~as set forth in~~ UNDER  
10 its articles of incorporation ~~,~~ and ~~shall have~~ HAS collected

1 in cash both its minimum capital  ~~,~~ and any premium  ~~thereon~~  
 2 for surplus requirements.  ~~; and if such~~ IF capital stock is not  
 3  ~~so~~ subscribed and paid for  ~~, as above provided,~~ AS PROVIDED  
 4 IN THIS SUBSECTION within  ~~the period of~~ 1 year from the opening  
 5 of  ~~such~~ THE books,  ~~such~~ THE corporation  ~~shall proceed fur-~~  
 6  ~~ther in such sale of stock only~~ MAY ONLY SELL STOCK on petition  
 7 to  ~~,~~ and consent by the commissioner.  ~~, who may~~ THE  
 8 COMMISSIONER, if public policy warrants, MAY extend  ~~such time~~  
 9 THIS 1-YEAR PERIOD for a period of 3 months  ~~; and upon like~~  
 10 AND, AFTER petition,  ~~again extend such time~~ for a second period  
 11 of 3 months.  ~~; and if~~ IF at the expiration of 18 months  ~~,~~ the  
 12 corporation  ~~shall not have~~ HAS NOT met the  ~~above~~ requirements  
 13 OF THIS SUBSECTION, the commissioner shall proceed to liquidate  
 14  ~~such~~ THE corporation through receivership proceedings as pre-  
 15 scribed by chapter  ~~78~~ 81.

16 (3) A mutual corporation shall at once open books to receive  
 17 propositions and enter into agreements as specified in the chap-  
 18 ter under which it intends to operate. The acquisition of mem-  
 19 bers shall proceed for  ~~such~~ THE length of time, and be subject  
 20 to  ~~such~~ periods of time extension  ~~,~~ and  ~~such~~ liquidation  
 21 proceedings, as  ~~is above provided for stock corporations~~  
 22 PROVIDED IN SUBSECTION (2).

23 Sec. 5412. If at any time it  ~~shall appear~~ APPEARS from an  
 24 examination of the insurer or from any statement filed by  ~~it~~  
 25 THE INSURER that the number of risks insured,  ~~or~~ the number of  
 26 policies in force, or the number of members or the amount of  
 27 premiums on insurance in force are below the number and amounts

1 required under section 5408, ~~on organization,~~ the commissioner  
2 shall issue an order directing the insurer ~~,~~ within a period of  
3 90 days ~~thereafter~~ to secure bona fide applications for insur-  
4 ance in ~~such~~ THE insurer, together with the NECESSARY premiums,  
5 ~~therefor,~~ from persons who, together with the existing members,  
6 shall equal the number of members required under section 5408 and  
7 whose insurance policies, together with those in force, cover the  
8 number of risks and provide for the amount of insurance ~~so~~  
9 required upon organization. ~~In the event that~~ IF the insurer  
10 does not within ~~such~~ THIS period become entitled to issue poli-  
11 cies, the commissioner may in his OR HER discretion take proceed-  
12 ings for the liquidation of ~~such~~ THE insurer ~~under the provi-~~  
13 ~~sions of chapter 78~~ AS PROVIDED IN CHAPTER 81.

14       Sec. 7918. (1) The association may borrow funds when neces-  
15 sary to implement this act.

16       (2) The association, either in its own name or through a  
17 servicing facility, may sue or be sued, and may use the courts to  
18 assert or defend any rights the association may have under this  
19 chapter, to the extent necessary to fully exercise its rights and  
20 perform its duties under, and to implement, this chapter.

21       (3) The association may retain and employ legal counsel in  
22 its discretion to represent the association in all respects.

23       (4) Upon request of the commissioner, consent of the associ-  
24 ation, and appointment by the court, the association may act as  
25 deputy receiver in delinquency proceedings under chapter ~~78~~  
26 81.