

**SUBSTITUTE FOR  
SENATE BILL NO. 1293**

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending sections 2213b, 2242, 3426, 3705, 3712, 5008, 5104,  
5209, 5800, and 5824 (MCL 500.2213b, 500.2242, 500.3426, 500.3705,  
500.3712, 500.5008, 500.5104, 500.5209, 500.5800, and 500.5824),  
section 2213b as amended by 1998 PA 457, section 2242 as amended by  
1990 PA 305, section 3426 as added by 2006 PA 412, sections 3705  
and 3712 as added by 2003 PA 88, section 5008 as amended by 1994 PA  
226, section 5104 as amended by 1999 PA 211, and section 5800 as  
amended by 2000 PA 8, and by adding sections 3405a, 3428, 3472,  
3474a, 3612a, 5801, 5805, 5825, and 5826.

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

1           Sec. 2213b. (1) Except as **OTHERWISE** provided in this section,  
2 an insurer that delivers, issues for delivery, or renews in this

1 state an expense-incurred hospital, medical, or surgical individual  
2 policy under chapter 34 shall renew or continue in force the policy  
3 at the option of the individual.

4 (2) Except as **OTHERWISE** provided in this section, an insurer  
5 that delivers, issues for delivery, or renews in this state an  
6 expense-incurred hospital, medical, or surgical group policy or  
7 certificate under chapter 36 shall renew or continue in force the  
8 policy or certificate at the option of the sponsor of the plan.

9 (3) Guaranteed renewal is not required in cases of fraud,  
10 intentional misrepresentation of material fact, lack of payment, if  
11 the insurer no longer offers that particular type of coverage in  
12 the market, or if the individual or group moves outside the service  
13 area.

14 (4) **AN INSURER OR HEALTH MAINTENANCE ORGANIZATION THAT OFFERS**  
15 **AN EXPENSE-INCURRED HOSPITAL, MEDICAL, OR SURGICAL POLICY UNDER**  
16 **CHAPTER 34 OR 36 SHALL NOT DISCONTINUE OFFERING A PARTICULAR PLAN**  
17 **OR PRODUCT IN THE NONGROUP OR GROUP MARKET UNLESS THE INSURER OR**  
18 **HEALTH MAINTENANCE ORGANIZATION DOES ALL OF THE FOLLOWING:**

19 (A) **PROVIDES NOTICE TO THE COMMISSIONER AND TO EACH COVERED**  
20 **INDIVIDUAL PROVIDED COVERAGE UNDER THE PLAN OR PRODUCT OF THE**  
21 **DISCONTINUATION AT LEAST 90 DAYS BEFORE THE DATE OF THE**  
22 **DISCONTINUATION.**

23 (B) **OFFERS TO EACH COVERED INDIVIDUAL PROVIDED COVERAGE UNDER**  
24 **THE PLAN OR PRODUCT THE OPTION TO PURCHASE ANY OTHER PLAN OR**  
25 **PRODUCT CURRENTLY BEING OFFERED IN THE NONGROUP MARKET BY THAT**  
26 **INSURER OR HEALTH MAINTENANCE ORGANIZATION WITHOUT EXCLUDING OR**  
27 **LIMITING COVERAGE FOR A PREEXISTING CONDITION OR PROVIDING A**

1 WAITING PERIOD.

2 (C) ACTS UNIFORMLY WITHOUT REGARD TO ANY HEALTH STATUS FACTOR  
3 OF ENROLLED INDIVIDUALS OR INDIVIDUALS WHO MAY BECOME ELIGIBLE FOR  
4 COVERAGE IN MAKING THE DETERMINATION TO DISCONTINUE COVERAGE AND IN  
5 OFFERING OTHER PLANS OR PRODUCTS.

6 (5) AN INSURER OR HEALTH MAINTENANCE ORGANIZATION SHALL NOT  
7 DISCONTINUE OFFERING ALL COVERAGE IN THE NONGROUP OR GROUP MARKET  
8 UNLESS THE INSURER OR HEALTH MAINTENANCE ORGANIZATION DOES ALL OF  
9 THE FOLLOWING:

10 (A) PROVIDES NOTICE TO THE COMMISSIONER AND TO EACH COVERED  
11 INDIVIDUAL OF THE DISCONTINUATION AT LEAST 180 DAYS BEFORE THE DATE  
12 OF THE EXPIRATION OF COVERAGE.

13 (B) DISCONTINUES ALL HEALTH BENEFIT PLANS ISSUED IN THE  
14 NONGROUP OR GROUP MARKET FROM WHICH THE INSURER OR HEALTH  
15 MAINTENANCE ORGANIZATION WITHDREW AND DOES NOT RENEW COVERAGE UNDER  
16 THOSE PLANS.

17 (6) IF AN INSURER OR HEALTH MAINTENANCE ORGANIZATION  
18 DISCONTINUES COVERAGE UNDER SUBSECTION (5), THE INSURER OR HEALTH  
19 MAINTENANCE ORGANIZATION SHALL NOT PROVIDE FOR THE ISSUANCE OF ANY  
20 HEALTH BENEFIT PLANS IN THE NONGROUP OR GROUP MARKET FROM WHICH THE  
21 INSURER OR HEALTH MAINTENANCE ORGANIZATION WITHDREW DURING THE 5-  
22 YEAR PERIOD BEGINNING ON THE DATE OF THE DISCONTINUATION OF THE  
23 LAST PLAN NOT RENEWED UNDER THAT SUBSECTION.

24 (7) ~~(4)~~ Subsections (1) ~~,~~ ~~(2)~~, ~~and~~ ~~(3)~~ ~~TO~~ (6) do not apply to  
25 a short-term or 1-time limited duration policy or certificate of no  
26 longer than 6 months.

27 (8) ~~(5)~~ For the purposes of this section and section 3406f, a

1 short-term or 1-time limited duration policy or certificate of no  
 2 longer than 6 months is an individual health policy that meets all  
 3 of the following:

4 (a) Is issued to provide coverage for a period of 185 days or  
 5 less, except that the health policy may permit a limited extension  
 6 of benefits after the date the policy ended solely for expenses  
 7 attributable to a condition for which a covered person incurred  
 8 expenses during the term of the policy.

9 (b) Is nonrenewable, provided that the health insurer may  
 10 provide coverage for 1 or more subsequent periods that satisfy  
 11 subdivision (a), if the total of the periods of coverage do not  
 12 exceed a total of 185 days out of any 365-day period, plus any  
 13 additional days permitted by the policy for a condition for which a  
 14 covered person incurred expenses during the term of the policy.

15 (c) Does not cover any preexisting conditions.

16 (d) Is available with an immediate effective date, without  
 17 underwriting, upon receipt by the insurer of a completed  
 18 application indicating eligibility under the health insurer's  
 19 eligibility requirements, except that coverage that includes  
 20 optional benefits may be offered on a basis that does not meet this  
 21 requirement.

22 (9) ~~(6) An~~ **BY MARCH 31 EACH YEAR, AN** insurer that delivers,  
 23 issues for delivery, or renews in this state a short-term or 1-time  
 24 limited duration policy or certificate of no longer than 6 months  
 25 shall provide ~~the following~~ to the commissioner +

26 ~~—— (a) By no later than February 1, 1999, a written report that~~  
 27 ~~discloses both of the following:~~

1 ~~—— (i) The gross written premium for short term or 1 time limited~~  
 2 ~~duration policies or certificates of no longer than 6 months issued~~  
 3 ~~in this state during the 1996 calendar year.~~

4 ~~—— (ii) The gross written premium for all individual expense~~  
 5 ~~incurred hospital, medical, or surgical policies or certificates~~  
 6 ~~issued or delivered in this state during the 1996 calendar year~~  
 7 ~~other than policies or certificates described in subparagraph (i).~~

8 ~~—— (b) By no later than March 31, 1999 and annually thereafter, a~~  
 9 written annual report that discloses both of the following:

10 (A) ~~(i)~~ The gross written premium for short-term or 1-time  
 11 limited duration policies or certificates issued in this state  
 12 during the preceding calendar year.

13 (B) ~~(ii)~~ The gross written premium for all individual expense-  
 14 incurred hospital, medical, or surgical policies or certificates  
 15 issued or delivered in this state during the preceding calendar  
 16 year other than policies or certificates described in ~~subparagraph~~  
 17 ~~(i)~~. **SUBDIVISION (A) .**

18 (10) ~~(7)~~ The commissioner shall maintain copies of reports  
 19 prepared pursuant to subsection ~~(6)~~ (9) on file with the annual  
 20 statement of each reporting insurer. The commissioner shall  
 21 annually compile the reports received under subsection ~~(6)~~ (9). The  
 22 commissioner shall provide this annual compilation to the senate  
 23 and house of representatives standing committees on insurance  
 24 issues no later than the June 1 immediately following the ~~February~~  
 25 ~~1 or~~ March 31 date for which the reports under subsection ~~(6)~~ (9)  
 26 are provided.

27 (11) ~~(8)~~ In each calendar year, a health insurer shall not

1 continue to issue short-term or 1-time limited duration policies or  
 2 certificates if to do so the collective gross written premiums on  
 3 those policies or certificates would total more than 10% of the  
 4 collective gross written premiums for all individual expense-  
 5 incurred hospital, medical, or surgical policies or certificates  
 6 issued or delivered in this state either directly by that insurer  
 7 or through a corporation that owns or is owned by that insurer.

8       Sec. 2242. (1) Except as otherwise provided in section  
 9 2236(8)(d), a group disability policy shall not be issued or  
 10 delivered in this state unless a copy of the form has been filed  
 11 with the commissioner and approved by him or her.

12       (2) ~~The~~**SUBJECT TO SUBSECTION (3), THE** commissioner may within  
 13 30 days after the filing of a disability insurance policy form  
 14 applicable to individual or family expense coverage, disapprove the  
 15 form for any of the following, subject to the requirements as to  
 16 notice, hearing, and appeal set forth in sections 244 and 2236:

17       (a) The benefits provided ~~therein~~**UNDER THE POLICY** are  
 18 unreasonable in relation to the premium charged.

19       (b) ~~It~~**THE POLICY** contains a provision ~~or provisions which are~~  
 20 **THAT IS** unjust, unfair, inequitable, misleading, **OR** deceptive ~~—or~~  
 21 ~~encourage~~**THAT ENCOURAGES** misrepresentation of the policy.

22       (c) ~~It~~**THE POLICY** does not comply with other provisions of  
 23 law.

24       (3) **THE COMMISSIONER MAY EXTEND THE TIME PERIOD IN**  
 25 **SUBSECTION (2) FOR AN ADDITIONAL PERIOD NOT TO EXCEED 30 DAYS IF**  
 26 **WRITTEN NOTICE TO THE INSURER IS PROVIDED WITHIN 30 DAYS AFTER**  
 27 **THE FILING UNDER SUBSECTION (2).**

1           (4) ~~(3)~~—The commissioner may at any time withdraw his or her  
2 approval of an individual or family expense policy form on any of  
3 the grounds stated in subsection (2), subject to the requirements  
4 as to notice, hearing, and appeal set forth in sections 244 and  
5 2236. An insurer shall not issue the form after the effective date  
6 of the withdrawal of approval.

7           SEC. 3405A. (1) NOTWITHSTANDING ANY PROVISION OF THIS ACT TO  
8 THE CONTRARY, THIS SECTION APPLIES TO THE USE OF A MOST FAVORED  
9 NATION CLAUSE IN A PROVIDER CONTRACT ON AND AFTER FEBRUARY 1, 2013.

10           (2) BEGINNING FEBRUARY 1, 2013, AN INSURER OR A HEALTH  
11 MAINTENANCE ORGANIZATION SHALL NOT USE A MOST FAVORED NATION CLAUSE  
12 IN ANY PROVIDER CONTRACT, INCLUDING A PROVIDER CONTRACT IN EFFECT  
13 ON FEBRUARY 1, 2013, UNLESS THE MOST FAVORED NATION CLAUSE HAS BEEN  
14 FILED WITH AND APPROVED BY THE COMMISSIONER. BEGINNING FEBRUARY 1,  
15 2013, AN INSURER OR A HEALTH MAINTENANCE ORGANIZATION SHALL NOT  
16 ENFORCE A MOST FAVORED NATION CLAUSE IN ANY PROVIDER CONTRACT  
17 WITHOUT THE PRIOR APPROVAL OF THE COMMISSIONER.

18           (3) AS USED IN THIS SECTION, "MOST FAVORED NATION CLAUSE"  
19 MEANS A CLAUSE THAT DOES ANY OF THE FOLLOWING:

20           (A) PROHIBITS, OR GRANTS A CONTRACTING INSURER OR HEALTH  
21 MAINTENANCE ORGANIZATION AN OPTION TO PROHIBIT, A PROVIDER FROM  
22 CONTRACTING WITH ANOTHER PARTY TO PROVIDE HEALTH CARE SERVICES AT A  
23 LOWER RATE THAN THE PAYMENT OR REIMBURSEMENT RATE SPECIFIED IN THE  
24 CONTRACT WITH THE INSURER OR HEALTH MAINTENANCE ORGANIZATION.

25           (B) REQUIRES, OR GRANTS A CONTRACTING INSURER OR HEALTH  
26 MAINTENANCE ORGANIZATION AN OPTION TO REQUIRE, A PROVIDER TO ACCEPT  
27 A LOWER PAYMENT OR REIMBURSEMENT RATE IF THE PROVIDER AGREES TO

1 PROVIDE HEALTH CARE SERVICES TO ANY OTHER PARTY AT A LOWER RATE  
2 THAN THE PAYMENT OR REIMBURSEMENT RATE SPECIFIED IN THE CONTRACT  
3 WITH THE INSURER OR HEALTH MAINTENANCE ORGANIZATION.

4 (C) REQUIRES, OR GRANTS A CONTRACTING INSURER OR HEALTH  
5 MAINTENANCE ORGANIZATION AN OPTION TO REQUIRE, TERMINATION OR  
6 RENEGOTIATION OF AN EXISTING PROVIDER CONTRACT IF A PROVIDER AGREES  
7 TO PROVIDE HEALTH CARE SERVICES TO ANY OTHER PARTY AT A LOWER RATE  
8 THAN THE PAYMENT OR REIMBURSEMENT RATE SPECIFIED IN THE CONTRACT  
9 WITH THE INSURER OR HEALTH MAINTENANCE ORGANIZATION.

10 (D) REQUIRES A PROVIDER TO DISCLOSE, TO THE INSURER OR HEALTH  
11 MAINTENANCE ORGANIZATION OR THE INSURER'S OR HEALTH MAINTENANCE  
12 ORGANIZATION'S DESIGNEE, THE PROVIDER'S CONTRACTUAL PAYMENT OR  
13 REIMBURSEMENT RATES WITH OTHER PARTIES.

14 Sec. 3426. (1) Each insurer providing a group expense-incurred  
15 hospital, medical, or surgical certificate delivered, issued for  
16 delivery, or renewed in this state and each health maintenance  
17 organization may offer group wellness coverage. Wellness coverage  
18 may provide for an appropriate rebate or reduction in premiums or  
19 for reduced copayments, coinsurance, or deductibles, or a  
20 combination of these incentives, for participation in any health  
21 behavior wellness, maintenance, or improvement program offered by  
22 the employer. The employer shall provide evidence of demonstrative  
23 maintenance or improvement of the insureds' or enrollees' health  
24 behaviors as determined by assessments of agreed-upon health status  
25 indicators between the employer and the ~~health~~-insurer or health  
26 maintenance organization. Any rebate of premium provided by the  
27 ~~health~~-insurer or health maintenance organization is presumed to be



1 appropriate unless credible data demonstrate otherwise, but shall  
2 not exceed ~~10%~~30% of paid premiums. Each insurer and each health  
3 maintenance organization shall make available to employers all  
4 wellness coverage plans that the insurer or health maintenance  
5 organization markets to employers in this state.

6 (2) Each insurer providing an individual or family expense-  
7 incurred hospital, medical, or surgical policy delivered, issued  
8 for delivery, or renewed in this state and each health maintenance  
9 organization may offer individual and family wellness coverage.  
10 Wellness coverage may provide for an appropriate rebate or  
11 reduction in premiums or for reduced copayments, coinsurance, or  
12 deductibles, or a combination of these incentives, for  
13 participation in any health behavior wellness, maintenance, or  
14 improvement program approved by the insurer or health maintenance  
15 organization. The insured or enrollee shall provide evidence of  
16 demonstrative maintenance or improvement of the individual's or  
17 family's health behaviors as determined by assessments of agreed-  
18 upon health status indicators between the insured or enrollee and  
19 the ~~health~~insurer or health maintenance organization. Any rebate  
20 of premium provided by the ~~health~~insurer or health maintenance  
21 organization is presumed to be appropriate unless credible data  
22 demonstrate otherwise, but shall not exceed ~~10%~~30% of paid  
23 premiums. Each insurer and each health maintenance organization  
24 shall make available to individuals and families all wellness  
25 coverage plans that the insurer or health maintenance organization  
26 markets to individuals and families in this state.

27 (3) An insurer and a health maintenance organization are not

1 required to continue any health behavior wellness, maintenance, or  
2 improvement program or to continue any incentive associated with a  
3 health behavior wellness, maintenance, or improvement program.

4       SEC. 3428. (1) BEGINNING JANUARY 1, 2014, AN INSURER PROVIDING  
5 AN EXPENSE-INCURRED HOSPITAL, MEDICAL, OR SURGICAL POLICY  
6 DELIVERED, ISSUED FOR DELIVERY, OR RENEWED IN THIS STATE SHALL  
7 ESTABLISH AND MAINTAIN A PROVIDER NETWORK IN A MANNER THAT IS  
8 SUFFICIENT IN NUMBERS AND TYPES OF PROVIDERS AND FACILITIES TO  
9 ENSURE THAT ALL HEALTH CARE SERVICES TO INSUREDS WILL BE ACCESSIBLE  
10 WITHOUT UNREASONABLE DELAY. INSUREDS SHALL HAVE ACCESS TO EMERGENCY  
11 SERVICES 24 HOURS PER DAY, 7 DAYS PER WEEK. THE INSURER'S SERVICE  
12 AREA SHALL NOT BE CREATED IN A MANNER DESIGNED TO DISCRIMINATE  
13 AGAINST INDIVIDUALS BECAUSE OF AGE, SEX, FAMILY STRUCTURE,  
14 ETHNICITY, RACE, HEALTH CONDITION, EMPLOYMENT STATUS, OR  
15 SOCIOECONOMIC STATUS. AN INSURER SHALL ENSURE THAT ITS NETWORKS  
16 MEET THESE REQUIREMENTS BY THE END OF THE FIRST YEAR OF INITIAL  
17 OPERATION OF THE NETWORK AND AT ALL TIMES AFTER THE FIRST YEAR OF  
18 INITIAL OPERATION.

19       (2) BEGINNING JANUARY 1, 2014, AN INSURER PROVIDING AN  
20 EXPENSE-INCURRED HOSPITAL, MEDICAL, OR SURGICAL POLICY DELIVERED,  
21 ISSUED FOR DELIVERY, OR RENEWED IN THIS STATE SHALL MAINTAIN  
22 CONTRACTS WITH THE NUMBER AND TYPES OF AFFILIATED PROVIDERS THAT  
23 ARE SUFFICIENT TO ENSURE THAT COVERED SERVICES ARE AVAILABLE TO ITS  
24 INSUREDS WITHOUT UNREASONABLE DELAY. THE COMMISSIONER SHALL  
25 DETERMINE WHAT IS SUFFICIENT UNDER THIS SUBSECTION AND AS MAY BE  
26 ESTABLISHED BY REFERENCE TO REASONABLE CRITERIA USED BY THE  
27 INSURER, INCLUDING, BUT NOT LIMITED TO, PROVIDER-INSURED RATIOS BY

1 SPECIALTY, PRIMARY CARE PROVIDER-INSURED RATIOS, GEOGRAPHIC  
2 ACCESSIBILITY, WAITING TIMES FOR APPOINTMENTS WITH PARTICIPATING  
3 PROVIDERS, HOURS OF OPERATION, AND THE VOLUME OF TECHNOLOGICAL AND  
4 SPECIALTY SERVICES AVAILABLE TO SERVE THE NEEDS OF INSUREDS  
5 REQUIRING TECHNOLOGICALLY ADVANCED OR SPECIALTY CARE.

6 (3) ON OR AFTER JANUARY 1, 2014, IF AN INSURER PROVIDING AN  
7 EXPENSE-INCURRED HOSPITAL, MEDICAL, OR SURGICAL POLICY DELIVERED,  
8 ISSUED FOR DELIVERY, OR RENEWED IN THIS STATE HAS AN INSUFFICIENT  
9 NUMBER OR TYPE OF PARTICIPATING PROVIDERS TO PROVIDE A COVERED  
10 BENEFIT, THE INSURER SHALL ENSURE THAT THE INSURED OBTAINS THE  
11 COVERED BENEFIT AT NO GREATER COST TO THE INSURED THAN IF THE  
12 BENEFIT WERE OBTAINED FROM A PARTICIPATING PROVIDER, OR SHALL MAKE  
13 OTHER ARRANGEMENTS ACCEPTABLE TO THE COMMISSIONER.

14 (4) BEGINNING JANUARY 1, 2014, AN INSURER PROVIDING AN  
15 EXPENSE-INCURRED HOSPITAL, MEDICAL, OR SURGICAL POLICY DELIVERED,  
16 ISSUED FOR DELIVERY, OR RENEWED IN THIS STATE SHALL ESTABLISH AND  
17 MAINTAIN ADEQUATE ARRANGEMENTS TO ENSURE REASONABLE PROXIMITY OF  
18 PARTICIPATING PROVIDERS TO THE BUSINESS OR PERSONAL RESIDENCE OF  
19 THE INSURED. IN DETERMINING WHETHER AN INSURER HAS COMPLIED WITH  
20 THIS SUBSECTION, THE COMMISSIONER SHALL GIVE DUE CONSIDERATION TO  
21 THE RELATIVE AVAILABILITY OF HEALTH CARE PROVIDERS IN THE SERVICE  
22 AREA.

23 SEC. 3472. (1) FOR POLICIES DELIVERED, ISSUED FOR DELIVERY, OR  
24 RENEWED IN THIS STATE ON OR AFTER JANUARY 1, 2014, SUBJECT TO THE  
25 PRIOR APPROVAL OF THE COMMISSIONER, AN INSURER MAY ESTABLISH  
26 REASONABLE OPEN ENROLLMENT PERIODS.

27 (2) THE COMMISSIONER SHALL ESTABLISH MINIMUM STANDARDS FOR THE

1 FREQUENCY AND DURATION OF OPEN ENROLLMENT PERIODS ESTABLISHED UNDER  
2 SUBSECTION (1). THE COMMISSIONER SHALL UNIFORMLY APPLY THE MINIMUM  
3 STANDARDS FOR THE FREQUENCY AND DURATION OF OPEN ENROLLMENT PERIODS  
4 ESTABLISHED UNDER THIS SUBSECTION TO ALL INSURERS.

5 (3) AN INSURER OFFERING COVERAGE DURING AN OPEN ENROLLMENT  
6 PERIOD ESTABLISHED UNDER SUBSECTION (1) SHALL NOT DENY OR CONDITION  
7 THE ISSUANCE OR EFFECTIVENESS OF A CERTIFICATE AND SHALL NOT  
8 DISCRIMINATE IN THE PRICING OF THE CERTIFICATE ON THE BASIS OF  
9 HEALTH STATUS, CLAIMS EXPERIENCE, RECEIPT OF HEALTH CARE, OR  
10 MEDICAL CONDITION.

11 SEC. 3474A. THE PREMIUM RATE CHARGED BY AN INSURER, HEALTH  
12 MAINTENANCE ORGANIZATION, OR NONPROFIT HEALTH CARE CORPORATION FOR  
13 HEALTH INSURANCE COVERAGE OFFERED THROUGH A POLICY OR CERTIFICATE  
14 DELIVERED, ISSUED FOR DELIVERY, OR RENEWED IN THIS STATE ON OR  
15 AFTER JANUARY 1, 2014 IN THE INDIVIDUAL OR SMALL GROUP MARKET SHALL  
16 VARY BASED ON THE FOLLOWING FACTORS ONLY:

17 (A) WHETHER THE POLICY OR CERTIFICATE COVERS AN INDIVIDUAL OR  
18 FAMILY.

19 (B) THE RATING AREA.

20 (C) AGE, EXCEPT THAT THE PREMIUM RATE SHALL NOT VARY BY MORE  
21 THAN 3 TO 1 FOR ADULTS FOR ALL PLANS OTHER THAN CHILD-ONLY PLANS.

22 (D) TOBACCO USE, EXCEPT THAT THE PREMIUM RATE SHALL NOT VARY  
23 BY MORE THAN 1.5 TO 1.

24 SEC. 3612A. NOTWITHSTANDING SECTION 3612(8), FOR A POLICY  
25 DELIVERED, ISSUED FOR DELIVERY, OR RENEWED IN THIS STATE ON OR  
26 AFTER JANUARY 1, 2014, THE PREMIUM FOR AN INDIVIDUAL CONVERSION  
27 POLICY UNDER SECTION 3612 SHALL BE DETERMINED ONLY BY USING THE

1 **RATING FACTORS SET FORTH IN SECTION 3474A.**

2           Sec. 3705. (1) For adjusting premiums for health benefit plans  
3 subject to this chapter, a carrier may establish up to 10  
4 geographic areas in this state. A nonprofit health care corporation  
5 shall establish geographic areas that cover all counties in this  
6 state.

7           (2) Premiums for a health benefit plan under this chapter are  
8 subject to the following:

9           (a) For a nonprofit health care corporation, only industry and  
10 age may be used for determining the premiums within a geographic  
11 area for a small employer or sole proprietor located in that  
12 geographic area. For a health maintenance organization, only  
13 industry, age, and group size may be used for determining the  
14 premiums within a geographic area for a small employer or sole  
15 proprietor located in that geographic area. For a commercial  
16 carrier, only industry, age, group size, and health status may be  
17 used for determining the premiums within a geographic area for a  
18 small employer or sole proprietor located in that geographic area.

19           ~~(b) The premiums charged during a rating period by a nonprofit~~  
20 ~~health care corporation or a health maintenance organization for a~~  
21 ~~health benefit plan in a geographic area to small employers or sole~~  
22 ~~proprietors located in that geographic area shall not vary from the~~  
23 ~~index rate for that health benefit plan by more than 35% of the~~  
24 ~~index rate. However, for a health benefit plan issued before the~~  
25 ~~effective date of this chapter by a nonprofit health care~~  
26 ~~corporation or health maintenance organization, the premiums for~~  
27 ~~the plan are subject to the following:~~

1 ~~—— (i) For a renewal occurring on or after the effective date of~~  
 2 ~~this chapter and through December 31, 2004, the premiums charged~~  
 3 ~~for a health benefit plan in a geographic area to small employers~~  
 4 ~~or sole proprietors located in that geographic area shall not be~~  
 5 ~~higher than 15% above the index rate or lower than 35% below the~~  
 6 ~~index rate.~~

7 ~~—— (ii) For a renewal occurring on or after January 1, 2005, the~~  
 8 ~~premiums charged for a health benefit plan in a geographic area to~~  
 9 ~~small employers or sole proprietors located in that geographic area~~  
 10 ~~shall not vary from the index rate for that health benefit plan by~~  
 11 ~~more than 35% of the index rate.~~ **FOR A POLICY DELIVERED, ISSUED FOR**  
 12 **DELIVERY, OR RENEWED IN THIS STATE ON OR AFTER JANUARY 1, 2014, THE**  
 13 **PREMIUMS CHARGED DURING A RATING PERIOD TO SMALL EMPLOYERS SHALL BE**  
 14 **DETERMINED ONLY BY USING THE RATING FACTORS SET FORTH IN SECTION**  
 15 **3474A.**

16 (c) The premiums charged during a rating period by a **NONPROFIT**  
 17 **HEALTH CARE CORPORATION, HEALTH MAINTENANCE ORGANIZATION, OR**  
 18 commercial carrier for a health benefit plan in a geographic area  
 19 to small employers or sole proprietors located in that geographic  
 20 area shall not vary from the index rate for that health benefit  
 21 plan by more than 45% of the index rate. ~~However, for a health~~  
 22 ~~benefit plan issued before the effective date of this chapter by a~~  
 23 ~~commercial carrier, the premiums for the plan are subject to the~~  
 24 ~~following:~~

25 ~~—— (i) For a renewal occurring on or after the effective date of~~  
 26 ~~this chapter and through December 31, 2004, the premiums charged~~  
 27 ~~for a health benefit plan in a geographic area to small employers~~

1 ~~or sole proprietors located in that geographic area shall not vary~~  
2 ~~from the index rate for that health benefit plan by more than 70%~~  
3 ~~of the index rate.~~

4 ~~—— (ii) For a renewal occurring on or after January 1, 2005 and~~  
5 ~~through December 31, 2005, the premiums charged for a health~~  
6 ~~benefit plan in a geographic area to small employers or sole~~  
7 ~~proprietors located in that geographic area shall not vary from the~~  
8 ~~index rate for that health benefit plan by more than 55% of the~~  
9 ~~index rate.~~

10 ~~—— (iii) For a renewal occurring on or after January 1, 2006, the~~  
11 ~~premiums charged for a health benefit plan in a geographic area to~~  
12 ~~small employers or sole proprietors located in that geographic area~~  
13 ~~shall not vary from the index rate for that health benefit plan by~~  
14 ~~more than 45% of the index rate.~~

15 (d) For a sole proprietor, a small employer carrier may charge  
16 an additional premium of up to 25% above the premiums in  
17 subdivision (b). ~~or (c).~~

18 (e) Except as otherwise provided in this section, the  
19 percentage increase in the premiums charged to a small employer or  
20 sole proprietor in a geographic area for a new rating period shall  
21 not exceed the sum of the annual percentage adjustment in the  
22 geographic area's index rate for the health benefit plan and an  
23 adjustment pursuant to subdivision (a). The adjustment pursuant to  
24 subdivision (a) shall not exceed 15% annually and shall be adjusted  
25 pro rata for rating periods of less than 1 year. This subdivision  
26 does not prohibit an adjustment due to change in coverage.

27 (3) ~~Beginning 1 year after the effective date of this chapter~~

1 **JANUARY 23, 2005**, if a small employer had been covered by a self-  
2 insured health benefit plan immediately preceding application for a  
3 health benefit plan subject to this chapter, a carrier may charge  
4 an additional premium of up to 33% above the premium in subsection  
5 (2) (b) ~~or (c)~~ for no more than 2 years.

6 (4) Health benefit plan options, number of family members  
7 covered, and medicare eligibility may be used in establishing a  
8 small employer's or sole proprietor's premium.

9 (5) A small employer carrier shall apply all rating factors  
10 consistently with respect to all small employers and sole  
11 proprietors in a geographic area. Except as **OTHERWISE** provided in  
12 subsection (4), a small employer carrier shall bill a small  
13 employer group only with a composite rate and shall not bill so  
14 that 1 or more employees in a small employer group are charged a  
15 higher premium than another employee in that small employer group.

16 Sec. 3712. (1) If a small employer carrier decides to  
17 discontinue offering all small employer health benefit plans in a  
18 geographic area, all of the following apply:

19 (a) The small employer carrier shall provide notice to the  
20 commissioner and to each small employer covered by the small  
21 employer carrier in the geographic area of the discontinuation at  
22 least 180 days prior to the date of the discontinuation of the  
23 coverage.

24 (b) All small employer health benefit plans issued or  
25 delivered for issuance in the geographic area are discontinued and  
26 all current health benefit plans in the geographic area are not  
27 renewed.



1 (c) The small employer carrier shall not issue or deliver for  
2 issuance any small employer health benefit plans in the geographic  
3 area for 5 years beginning on the date the last small employer  
4 health benefit plan in the geographic area is not renewed under  
5 subdivision (b).

6 (d) The small employer carrier shall not issue or deliver for  
7 issuance for 5 years any small employer health benefit plans in an  
8 area that was not a geographic area where the small employer  
9 carrier was issuing or delivering for issuance small employer  
10 health benefit plans on the date notice was given under subdivision  
11 (a). The 5-year period under this subdivision begins on the date  
12 notice was given under subdivision (a).

13 ~~(2) A nonprofit health care corporation shall not cease to~~  
14 ~~renew all health benefit plans in a geographic area.~~ **A SMALL**  
15 **EMPLOYER CARRIER SHALL NOT DISCONTINUE OFFERING A PARTICULAR PLAN**  
16 **OR PRODUCT IN THE SMALL EMPLOYER GROUP MARKET UNLESS THE SMALL**  
17 **EMPLOYER CARRIER DOES ALL OF THE FOLLOWING:**

18 (A) PROVIDES NOTICE TO THE COMMISSIONER AND TO EACH COVERED  
19 INDIVIDUAL PROVIDED COVERAGE UNDER THE PLAN OR PRODUCT OF THE  
20 DISCONTINUATION AT LEAST 90 DAYS BEFORE THE DATE OF THE  
21 DISCONTINUATION.

22 (B) OFFERS TO EACH COVERED INDIVIDUAL PROVIDED COVERAGE UNDER  
23 THE PLAN OR PRODUCT THE OPTION TO PURCHASE ANY OTHER PLAN OR  
24 PRODUCT CURRENTLY BEING OFFERED IN THE NONGROUP MARKET BY THAT  
25 SMALL EMPLOYER CARRIER WITHOUT EXCLUDING OR LIMITING COVERAGE FOR A  
26 PREEXISTING CONDITION OR PROVIDING A WAITING PERIOD.

27 (C) ACTS UNIFORMLY WITHOUT REGARD TO ANY HEALTH STATUS FACTOR

1 OF ENROLLED INDIVIDUALS OR INDIVIDUALS WHO MAY BECOME ELIGIBLE FOR  
2 COVERAGE IN MAKING THE DETERMINATION TO DISCONTINUE COVERAGE AND IN  
3 OFFERING OTHER PLANS OR PRODUCTS.

4 Sec. 5008. (1) The commissioner shall prepare and keep on hand  
5 blank forms of articles of incorporation for insurers desiring to  
6 incorporate under this act, which forms may be had on application.

7 (2) The incorporators shall subscribe articles of  
8 incorporation in duplicate, which articles shall contain all of the  
9 following:

10 (a) The names of the incorporators and their places of  
11 residence respectively.

12 (b) The location of the principal office for the transaction  
13 of business in this state.

14 (c) The name by which the incorporation shall be known, which  
15 if it be upon the mutual plan shall contain the word "mutual".

16 **HOWEVER, A NONPROFIT MUTUAL DISABILITY INSURER INTO WHICH A**  
17 **NONPROFIT HEALTH CARE CORPORATION THAT IS ORGANIZED UNDER THE**  
18 **NONPROFIT HEALTH CARE CORPORATION REFORM ACT, 1980 PA 350, MCL**  
19 **550.1101 TO 550.1704, IS MERGED OR CONSOLIDATED MAY RETAIN AND USE**  
20 **TRADE NAMES IN USE BY THE NONPROFIT HEALTH CARE CORPORATION BEFORE**  
21 **THE MERGER OR CONSOLIDATION.**

22 (d) The purposes of the incorporation and the reference to the  
23 chapter of this act under which the purposes are enumerated and  
24 under which the company intends to operate.

25 (e) The manner in which the corporate powers are to be  
26 exercised; the number of directors and other officers; the manner  
27 of electing the directors and other officers, and how many of the

1 directors ~~shall~~ constitute a quorum, and the manner of filling all  
2 vacancies; and, in the case of mutual life or life and disability  
3 insurers, the names and mailing addresses of the directors who  
4 shall serve until the first annual meeting of the corporation.

5 (f) The amount of capital stock, if any, what proportion is to  
6 be paid in before the corporation commences business, and the value  
7 of the stock, as provided in section 5014.

8 (g) The term of existence of the corporation, subject to  
9 section 5010.

10 (h) The time for the holding of the annual meetings of the  
11 corporation.

12 (i) Any terms and conditions of membership that the  
13 incorporators have agreed upon and which they consider important to  
14 have set forth in the articles.

15 (j) Any other terms and conditions prescribed by law for that  
16 class of insurer.

17 (k) If a mutual company operating on the assessment plan, the  
18 number of classes or divisions of members and the object or purpose  
19 of the classification or division, all of which shall be definitely  
20 and correctly stated; and in what manner assessments, premiums, or  
21 payments are to be required from the members, the purpose and  
22 objects for which the money so realized are to be appropriated, and  
23 the names and objects of each fund into which any the money shall  
24 be paid.

25 (3) The articles of any stock insurer formed or existing under  
26 this act may contain, or may be amended to contain, a provision  
27 that the shareholders shall have no preemptive rights to subscribe

1 for any additional shares of capital stock and authorizing the  
2 board of directors to prescribe the terms and conditions upon which  
3 additional shares of capital stock shall be offered for  
4 subscription including the price of the stock, which shall not be  
5 less than the par value of the stock; and to offer shares that have  
6 not been subscribed by stockholders within the time duly fixed by  
7 the board of directors for subscription to any other person or  
8 persons at a price and upon terms not less favorable than those  
9 offered to the stockholders.

10 (4) The articles of incorporation may contain a provision  
11 providing that a director is not personally liable to the  
12 corporation or its shareholders or policyholders for monetary  
13 damages for a breach of the director's fiduciary duty. However, the  
14 provision does not eliminate or limit the liability of a director  
15 for any of the following:

16 (a) A breach of the director's duty of loyalty to the  
17 corporation or its shareholders or policyholders.

18 (b) Acts or omissions not in good faith or that involve  
19 intentional misconduct or knowing violation of law.

20 (c) A violation of section 5036, 5276, or 5280.

21 (d) A transaction from which the director derived an improper  
22 personal benefit.

23 (e) An act or omission occurring before January 1, 1989.

24 (5) The articles shall be acknowledged by the person signing  
25 the articles before some officer of this state authorized to take  
26 acknowledgments of deeds, who shall attach his or her certificate  
27 of acknowledgment.

1           Sec. 5104. (1) Subject to the requirements of this act  
2 applicable to domestic stock insurers, domestic mutual insurers,  
3 reciprocals, or inter-insurance exchanges, and the further  
4 requirements of this chapter, 13 or more persons may organize a  
5 stock insurer or 20 or more persons may organize a mutual insurer  
6 for the purpose of transacting any or all of the following kinds of  
7 insurance: property, marine, inland navigation and transportation,  
8 casualty, or fidelity and surety, all as defined in chapter 6. Once  
9 organized and authorized, the acquiring insurer is subject to all  
10 applicable provisions of this act.

11           (2) ~~If DURING THE PERIOD THAT~~ the acquiring insurer is a  
12 domestic stock insurer owned by a nonprofit health care corporation  
13 formed pursuant to the nonprofit health care corporation reform  
14 act, 1980 PA 350, MCL 550.1101 to 550.1704, then for insurance  
15 products and services the acquiring insurer under this chapter  
16 whether directly or indirectly shall only transact worker's  
17 compensation insurance and employer's liability insurance, transact  
18 disability insurance limited to replacement of loss of earnings,  
19 and act as an administrative services organization for an approved  
20 self-insured worker's compensation plan or a disability insurance  
21 plan limited to replacement of loss of earnings. This subsection  
22 does not preclude the acquiring insurer from providing either  
23 directly or indirectly noninsurance products and services as  
24 otherwise provided by law.

25           Sec. 5209. ~~An EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, AN~~  
26 insurer shall transact its business under its own name ~~and shall~~  
27 not adopt any assumed name. ~~excepting that an AN~~ insurer, by

1 amending its articles of incorporation, may change its name or take  
2 a new name. **A NONPROFIT MUTUAL DISABILITY INSURER INTO WHICH A**  
3 **NONPROFIT HEALTH CARE CORPORATION THAT IS ORGANIZED UNDER THE**  
4 **NONPROFIT HEALTH CARE CORPORATION REFORM ACT, 1980 PA 350, MCL**  
5 **550.1101 TO 550.1704, IS MERGED OR CONSOLIDATED MAY RETAIN AND USE**  
6 **TRADE NAMES IN USE BY THE NONPROFIT HEALTH CARE CORPORATION BEFORE**  
7 **THE MERGER OR CONSOLIDATION.**

8       Sec. 5800. (1) This chapter applies only to domestic mutual  
9 insurers transacting property, casualty, disability, and other  
10 insurances, ~~and~~ to mutual holding companies resulting from the  
11 reorganization of those mutual insurers, **AND TO NONPROFIT MUTUAL**  
12 **DISABILITY INSURERS.**

13       (2) This chapter does not apply to any domestic insurer doing  
14 business on August 10, 1917, unless the insurer fully complies with  
15 this chapter and by resolution of its board of directors duly  
16 certified to by the president and secretary and filed with and  
17 approved by the commissioner elects to adopt the provisions of this  
18 chapter, in which case the insurer may thereafter effect such kind  
19 or kinds of insurance as specified in its articles of incorporation  
20 as then or thereafter amended or as may be specified in the  
21 resolution.

22       (3) A person incorporating under this chapter after January 1,  
23 1984, is subject to the minimum financial requirements of sections  
24 408 and 410. Any corporation incorporated under this chapter on or  
25 before January 1, 1984, ~~shall continue~~ **CONTINUES** to be subject to  
26 the provisions of section 5810(3).

27       (4) ~~A~~ **EXCEPT AS OTHERWISE PROVIDED IN SECTION 5801(2), A**

1 domestic mutual insurer transacting property, casualty, disability,  
2 and other insurances may be reorganized pursuant to chapters 59 and  
3 60.

4 SEC. 5801. (1) A DOMESTIC MUTUAL INSURER MAY BE FORMED WITH  
5 NONPROFIT STATUS.

6 (2) A NONPROFIT MUTUAL DISABILITY INSURER HAS ALL POWERS OF A  
7 MUTUAL INSURER ORGANIZED UNDER THIS CHAPTER UNLESS EXPRESSLY  
8 RESERVED. A NONPROFIT MUTUAL DISABILITY INSURER THAT HAS MERGED  
9 WITH A NONPROFIT HEALTH CARE CORPORATION AS PROVIDED IN SECTION  
10 5805(1) SHALL NOT CONVERT ITS STATUS TO A STOCK INSURER UNDER  
11 CHAPTER 59 OR REORGANIZE UNDER CHAPTER 60.

12 SEC. 5805. (1) AS SET FORTH IN SECTION 220 OF THE NONPROFIT  
13 HEALTH CARE CORPORATION REFORM ACT, 1980 PA 350, MCL 550.1220, A  
14 NONPROFIT HEALTH CARE CORPORATION MAY MERGE WITH A NONPROFIT MUTUAL  
15 DISABILITY INSURER WHERE THE SURVIVING ENTITY IS GOVERNED BY THIS  
16 CHAPTER. A MERGER DESCRIBED IN THIS SECTION IS EXEMPT FROM THE  
17 APPLICATION OF SECTIONS 1311 TO 1319. THE RESULTING NONPROFIT  
18 MUTUAL DISABILITY INSURER SHALL CONTINUE AS A NONPROFIT ENTITY AND  
19 SHALL CONTINUE TO PROVIDE COVERAGE TO THE INDIVIDUAL AND SMALL  
20 GROUP HEALTH MARKETS IN THIS STATE.

21 (2) A NONPROFIT MUTUAL DISABILITY INSURER THAT HAS MERGED WITH  
22 A NONPROFIT HEALTH CARE CORPORATION AS DESCRIBED IN SUBSECTION (1)  
23 MAY, AT ITS OPTION, CONTINUE TO OFFER ANY PRODUCT THAT WAS OFFERED  
24 TO THE SUBSCRIBERS OF THE NONPROFIT HEALTH CARE CORPORATION.

25 (3) A NONPROFIT MUTUAL DISABILITY INSURER THAT HAS MERGED WITH  
26 A NONPROFIT HEALTH CARE CORPORATION AS DESCRIBED IN SUBSECTION (1)  
27 MAY OFFER SUPPLEMENTAL COVERAGE TO MEDICARE ENROLLEES AS PROVIDED

Senate Bill No. 1293 as amended October 17, 2012

1 IN CHAPTER 38. NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT TO  
2 THE CONTRARY AND UNTIL JULY 31, 2016, BOTH OF THE FOLLOWING APPLY  
3 TO AN INSURER DESCRIBED IN THIS SUBSECTION:

4 (A) THE INSURER SHALL CONTINUE TO OFFER TO CURRENT OR NEW  
5 ELIGIBLE POLICYHOLDERS WHO ARE RESIDENTS OF THIS STATE, AT THE SAME  
6 RATES AS OFFERED TO SUBSCRIBERS BY THE NONPROFIT HEALTH CARE  
7 CORPORATION ON THE EFFECTIVE DATE OF THIS SECTION, THE SUPPLEMENTAL  
8 COVERAGE TO MEDICARE ENROLLEES.

9 (B) THE INSURER OFFERING SUPPLEMENTAL COVERAGE UNDER  
10 SUBDIVISION (A) SHALL CONTINUE ALL COST TRANSFERS AS AUTHORIZED  
11 UNDER SECTION 609(5) OF THE NONPROFIT HEALTH CARE CORPORATION  
12 REFORM ACT, 1980 PA 350, MCL 550.1609, ON THE EFFECTIVE DATE OF  
13 THIS SECTION.

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26 (4) >> BENEFITS PAID BY A NONPROFIT MUTUAL DISABILITY INSURER  
27 THAT HAS MERGED WITH A NONPROFIT HEALTH CARE CORPORATION AS



1 DESCRIBED IN SUBSECTION (1) TO AN INSURED OR PROVIDER BY WAY OF A  
2 CHECK OR OTHER SIMILAR WRITTEN INSTRUMENT FOR THE TRANSMISSION OR  
3 PAYMENT OF MONEY, THAT IS NOT CASHED WITHIN THE PERIOD PRESCRIBED  
4 IN THE UNIFORM UNCLAIMED PROPERTY ACT, 1995 PA 29, MCL 567.221 TO  
5 567.265, SHALL ESCHEAT TO THIS STATE PURSUANT TO THE UNIFORM  
6 UNCLAIMED PROPERTY ACT, 1995 PA 29, MCL 567.221 TO 567.265.

7       Sec. 5824. Every member of the company ~~shall be~~ IS entitled to  
8 1 vote, or to a number of votes based upon the insurance in force,  
9 the number of policies held, or the amount of premiums paid, as may  
10 be provided in the bylaws. A NONPROFIT MUTUAL DISABILITY INSURER  
11 MAY PERMIT ENTITIES HOLDING ADMINISTRATIVE SERVICES AGREEMENTS WITH  
12 IT TO BE MEMBERS AND MAY PROVIDE IN ITS BYLAWS THE BASIS FOR THE  
13 NUMBER OF VOTES THE ENTITIES WILL HAVE AS MEMBERS.

14       SEC. 5825. (1) A MEMBER OF A NONPROFIT MUTUAL DISABILITY  
15 INSURER THAT HAS MERGED WITH A NONPROFIT HEALTH CARE CORPORATION AS  
16 PROVIDED IN SECTION 5805(1) SHALL HAVE NO INTEREST IN, OR RESIDUAL  
17 RIGHTS TO, THE ASSETS OF THE NONPROFIT MUTUAL DISABILITY INSURER;  
18 SHALL NOT RECEIVE POLICY OR SURPLUS DIVIDENDS; AND SHALL NOT BE  
19 REQUIRED TO PAY CAPITAL ASSESSMENTS BY THE NONPROFIT MUTUAL  
20 DISABILITY INSURER.

21       (2) IN THE EVENT OF THE DISSOLUTION OR WINDING UP OF A  
22 NONPROFIT MUTUAL DISABILITY INSURER DESCRIBED IN SUBSECTION (1),  
23 ANY RESIDUAL VALUE REMAINING AFTER SATISFACTION OF CLAIMS FILED  
24 UNDER SECTION 8142(1)(A) TO (H), SHALL BE DISTRIBUTED FOR THE  
25 BENEFIT OF THE PEOPLE OF THIS STATE TO THE MICHIGAN HEALTH AND  
26 WELLNESS FOUNDATION CREATED UNDER PART 6A OF THE NONPROFIT HEALTH  
27 CARE CORPORATION REFORM ACT, 1980 PA 350, MCL 550.1651 TO 550.1655,

1 AND SHALL BE ADMINISTERED IN A MANNER CONSISTENT WITH THE  
2 SUPERVISION OF TRUSTEES FOR CHARITABLE PURPOSES ACT, 1961 PA 101,  
3 MCL 14.251 TO 14.266.

4 (3) IN THE EVENT OF A TRANSACTION OR SERIES OF TRANSACTIONS  
5 THAT RESULTS IN ANOTHER PERSON OR ENTITY ACQUIRING A GREATER THAN  
6 50% BENEFICIAL OWNERSHIP INTEREST IN A NONPROFIT MUTUAL DISABILITY  
7 INSURER DESCRIBED IN SUBSECTION (1), THE NONPROFIT MUTUAL  
8 DISABILITY INSURER OR THE ACQUIRING PERSON OR ENTITY SHALL MAKE  
9 PAYMENT FOR THE BENEFIT OF THE PEOPLE OF THIS STATE TO THE MICHIGAN  
10 HEALTH AND WELLNESS FOUNDATION CREATED UNDER PART 6A OF THE  
11 NONPROFIT HEALTH CARE CORPORATION REFORM ACT, 1980 PA 350, MCL  
12 550.1651 TO 550.1655, IN AN AMOUNT EQUAL TO THE GREATER OF THE  
13 ACQUISITION PRICE OR THE FAIR MARKET VALUE OF THE NONPROFIT MUTUAL  
14 DISABILITY INSURER AND ITS SUBSIDIARIES, CONSIDERED ON A  
15 CONSOLIDATED HOLDING COMPANY BASIS AS OF THE TIME OF THE CLOSING OF  
16 THE TRANSACTION OR SERIES OF TRANSACTIONS, AS DETERMINED BY AN  
17 INDEPENDENT VALUATION BY A PERSON OR ENTITY MUTUALLY AGREED UPON BY  
18 THE ATTORNEY GENERAL, THE COMMISSIONER, AND THE NONPROFIT MUTUAL  
19 DISABILITY INSURER. THE COST OF THE INDEPENDENT VALUATION SHALL BE  
20 PAID BY THE NONPROFIT MUTUAL DISABILITY INSURER OR THE ACQUIRING  
21 PERSON OR ENTITY. THE PAYMENT FOR THE BENEFIT OF THE PEOPLE OF THIS  
22 STATE SHALL BE ADMINISTERED IN A MANNER CONSISTENT WITH THE  
23 SUPERVISION OF TRUSTEES FOR CHARITABLE PURPOSES ACT, 1961 PA 101,  
24 MCL 14.251 TO 14.266, AND SHALL BE IN SATISFACTION OF ANY CLAIM OR  
25 ASSERTION THAT CONSIDERATION IS DUE WITH RESPECT TO THE CHARITABLE  
26 ASSETS OF THE NONPROFIT MUTUAL DISABILITY INSURER.

27 (4) AS USED IN THIS SECTION, "BENEFICIAL OWNERSHIP INTEREST"

1 MEANS ACTUAL OWNERSHIP OR THE RIGHT, DIRECTLY OR INDIRECTLY, TO  
2 CONTROL VOTING POWER ASSOCIATED WITH OWNERSHIP INTERESTS IN THE  
3 NONPROFIT MUTUAL DISABILITY INSURER.

4 SEC. 5826. UNTIL JANUARY 1, 2014, A NONPROFIT MUTUAL  
5 DISABILITY INSURER THAT HAS MERGED WITH A NONPROFIT HEALTH CARE  
6 CORPORATION AS DESCRIBED IN SECTION 5805(1) SHALL OFFER HEALTH CARE  
7 BENEFITS TO ALL RESIDENTS OF THIS STATE REGARDLESS OF HEALTH  
8 STATUS.

9 Enacting section 1. This amendatory act does not take effect  
10 unless Senate Bill No. 1294 of the 96th Legislature is enacted into  
11 law.