

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956
Chapter 6
KINDS OF INSURANCE; REINSURANCE; LIMIT OF RISK

500.600 Insurance; definitions applicable.

Sec. 600.

The applicable definitions of the kinds of insurance set forth in this chapter shall apply to all insurers.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 1970, Act 180, Imd. Eff. Aug. 3, 1970

Popular Name: Act 218

500.602 "Life" insurance, "transaction of life insurance," and "life insurance companies" defined.

Sec. 602.

(1) "Life" insurance is insurance upon the lives and health of persons and every insurance pertaining thereto, and to grant, purchase, or dispose of annuities. Notwithstanding any other provision of law, life insurance includes insurance upon the lives of persons which insurance prepays the death benefit.

(2) Transaction of life insurance includes the issuance of policies of life and endowment insurance and contracts for the payment of annuities and pure endowments, and contracts supplemental to those that contain only those provisions relating to accident and sickness insurance as provide additional benefits for death or dismemberment or loss of sight by accident or as operate to safeguard those policies or contracts against lapse or to give a special surrender value or special benefit or an annuity if the insured or annuitant shall become totally and permanently disabled, as defined by the contract or supplemental contract.

(3) All corporations, associations, partnerships, or individuals, doing business in this state under any charter, compact, agreement, or statute of this or any other state, involving an insurance, guaranty, contract, or pledge, for the payment of annuities or endowments, or for the payment of money to families, or representatives of policy or certificate holders or members, are considered life insurance companies within the meaning of the laws relating to life insurance within this state.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 1989, Act 35, Imd. Eff. June 1, 1989 ;-- Am. 2003, Act 208, Imd. Eff. Nov. 26, 2003

Popular Name: Act 218

500.603 Definitions; accelerated benefits; acknowledgment; disclosures; waiver of premium; qualifying event; powers of insurer; pro rata reduction in cash value; actuarial memorandum; policy reserves.

Sec. 603.

(1) As used in this section:

(a) "Accelerated benefits" means benefits payable under a life insurance contract to a policyowner or certificateholder, during the lifetime of the insured, in anticipation of death or upon the occurrence of specified life-threatening or catastrophic conditions as defined by the policy or rider that reduce the death benefit otherwise payable under the life insurance contract and that are payable upon the occurrence of a single qualifying event that results in the payment of a benefit amount fixed at the time of acceleration. Accelerated benefits do not include benefits payable to an insured under a long-term care insurance policy.

(b) "Chronic illness" means a permanent medical condition that results in an individual being unable to attend to basic physical activities such as eating, toileting, bathing, grooming, dressing, or ambulating. Chronic illness also includes a permanent severe cognitive impairment or a similar form of dementia.

(c) "Qualifying event" means 1 or more of the following:

- (i) A medical condition that would result in a drastically limited life span as specified in the contract.
- (ii) A medical condition that has required or requires extraordinary medical intervention including, but not limited to, major organ transplant or continuous artificial life support, without which the insured would die.
- (iii) A condition that usually requires continuous confinement in an eligible institution as defined in the contract if the insured is expected to remain there for the rest of his or her life.
- (iv) A medical condition that would, in the absence of extensive or extraordinary medical treatment, result in a drastically limited life span. Such conditions may include, but are not limited to, coronary artery disease resulting in an acute infarction or requiring surgery, permanent neurological deficit resulting from cerebral vascular accident, end stage renal failure, acquired immune deficiency syndrome, or other medical conditions that the director of the department of insurance and financial services has approved for any particular filing.
- (v) A chronic illness.
- (vi) Other qualifying events that the director of the department of insurance and financial services approves for a particular filing.

(2) An accelerated benefit rider and a life insurance policy with accelerated benefit provisions are primarily mortality risks rather than morbidity risks and are life insurance benefits subject to all of the following:

- (a) Chapters 40 and 44.
- (b) The rider or provisions must provide the option to take the benefit as a lump sum and not as an annuity contingent upon the life of the insured.
- (c) The rider or provisions must have no restrictions on the use of the proceeds.
- (d) If any death benefit remains after payment of an accelerated benefit, the rider or provisions must not affect the accidental death benefit provision, if any, by the payment of the accelerated benefit.
- (e) The rider or provisions must include the terminology "accelerated benefit" in the descriptive title and not be described or marketed as long-term care insurance or as providing long-term care benefits. This subdivision does not apply to life insurance policies or riders that provide directly or supplement long-term care insurance as described in section 3901.

(3) Except as otherwise provided in this section, the insurer of an accelerated benefit rider or life insurance policy with accelerated benefit provisions is required to obtain from an assignee or irrevocable beneficiary a signed acknowledgment of concurrence for payout before the payment of the accelerated benefit. If the insurer making the accelerated benefit is itself the assignee under the policy, an acknowledgment is not required.

(4) An insurer of an accelerated benefit rider or life insurance policy with accelerated benefit provisions shall provide a disclosure statement at the time of application and at the time the accelerated benefit payment request is submitted that receipt of these accelerated benefits may be taxable and that assistance should be sought from a personal tax advisor. The disclosure statement must be prominently displayed on the first page of the policy or rider and any other related documents. If a policyowner or certificateholder of an accelerated benefit rider or life insurance policy with accelerated benefit provisions requests an acceleration, the insurer shall send a statement to the policyowner or certificateholder and irrevocable beneficiary showing any effect that the payment of the accelerated benefit will have on the policy's cash value, accumulation account, death benefit, premium, policy loans, and policy liens. The statement shall disclose that receipt of accelerated benefit payments may adversely affect the recipient's eligibility for medicaid or other government benefits or entitlements and may be taxable and that assistance should be sought from a personal tax advisor. If a previous disclosure statement becomes invalid as a result of an acceleration of the death benefit, the insurer shall send a revised disclosure statement to the policyowner or certificateholder and irrevocable beneficiary. If the insurer agrees to accelerate death benefits, the insurer shall issue an amended schedule page to the policyholder to reflect, or shall notify the certificateholder under a group policy of, any new, reduced in-force face amount of the contract.

(5) A written disclosure, including, but not necessarily limited to, a brief description of the accelerated benefit and definitions of the conditions or occurrences triggering payment of the benefits shall be given to the applicant for an accelerated benefit rider or life insurance policy with accelerated benefit provisions. The description must include an explanation of any effect of the payment of a benefit on the policy's cash value, accumulation account, death benefit, premium, policy loans, and policy liens. For agent solicited insurance, the agent shall provide the disclosure form to the applicant before or concurrently with the application. Acknowledgment of the disclosure shall be signed by the applicant and writing agent. For a solicitation by direct response methods, the insurer shall provide the disclosure form to the applicant at the time the policy is delivered, with a notice that a full premium refund will be received if the policy is returned to the company within the free look period. For group insurance policies, the disclosure form must be contained as part of the certificate of coverage or any related document furnished by the insurer for the certificateholder.

(6) If there is a premium or cost of insurance charge, the insurer shall give the applicant for an accelerated benefit rider or life insurance policy with accelerated benefit provisions a generic illustration numerically demonstrating any effect of the payment of a benefit on the policy's cash value, accumulation account, death benefit, premium, policy loans, and policy liens. For agent solicited insurance, the agent shall provide the illustration to the applicant before or concurrently with the application. For a solicitation by direct response methods, the insurer shall provide the illustration to the applicant at the time the policy is delivered. For group insurance policies,

the disclosure form must be contained as part of the certificate of coverage or any related document furnished by the insurer for the certificateholder.

(7) An insurer of an accelerated benefit rider or life insurance policy with accelerated benefit provisions with financing options other than as described in subsection (12)(b) shall disclose to the policyowner any premium or cost of insurance charge for the accelerated benefit. The insurer shall make a reasonable effort to assure that the certificateholder is aware of any additional premium or cost of insurance charge if the certificateholder is required to pay a charge. Upon request of the director of the department of insurance and financial services, an insurer shall furnish an actuarial demonstration disclosing the method of arriving at its cost for the accelerated benefit.

(8) The insurer of an accelerated benefit rider or life insurance policy with accelerated benefit provisions shall disclose to the policyowner any administrative expense charge. The insurer shall make a reasonable effort to assure that the certificateholder is aware of any administrative expense charge if the certificateholder is required to pay the charge.

(9) An accelerated benefit provision is effective as follows:

(a) On the effective date of the policy or rider for accidents.

(b) No more than 30 days after the effective date of the policy or rider for illness.

(10) The insurer of an accelerated benefit rider or life insurance policy with accelerated benefit provisions may offer a waiver of premium for the accelerated benefit provision if a regular waiver of premium provision is not in effect. At the time the benefit is claimed, the insurer shall explain any continuing premium requirement to keep the policy in force.

(11) An insurer of an accelerated benefit rider or life insurance policy with accelerated benefit provisions shall not unfairly discriminate among insureds with differing qualifying events covered under the policy or among insureds with similar qualifying events covered under the policy. An insurer shall not apply further conditions on the payment of the accelerated benefits other than those conditions specified in the policy or rider.

(12) The insurer of an accelerated benefit rider or life insurance policy with accelerated benefit provisions may do any of the following:

(a) Require a premium charge or cost of insurance charge for the accelerated benefit if based on sound actuarial principles. For group insurance, the additional cost may also be reflected in the experience rating.

(b) Pay a present value of the face amount. The calculation shall be based on any applicable actuarial discount appropriate to the policy design. The interest rate or interest rate methodology used in the calculation shall be based on sound actuarial principles and disclosed in the contract or actuarial memorandum. The maximum interest rate used shall be no greater than the greater of the current yield on 90-day treasury bills or the current maximum statutory adjustable policy loan interest rate.

(c) Accrue an interest charge on the amount of the accelerated benefits. The interest rate or interest rate methodology used in the calculation shall be based on sound actuarial principles and disclosed in the contract or actuarial memorandum. The maximum interest rate used shall be no greater than the greater of the current yield on 90-day treasury bills or the current maximum statutory adjustable policy loan interest rate. The interest rate accrued on the portion of the lien that is equal in amount to the cash value of the contract at the time of the benefit acceleration shall be no more than the policy loan interest rate stated in the contract.

(13) Except as otherwise provided in this subsection, if an accelerated benefit on an accelerated benefit rider or life insurance policy with accelerated benefit provisions is payable, there shall be no more than a pro rata reduction in the cash value based on the percentage of death benefits accelerated to produce the accelerated benefit payment. Alternatively, the payment of accelerated benefits, any administrative expense charges, any future premiums, and any accrued interest may be considered a lien against the death benefit of the policy or rider and the access to the cash value may be restricted to any excess of the cash value over the sum of any other outstanding loans and the lien. Future access to additional policy loans may be limited to any excess of the cash value over the sum of the lien and any other outstanding policy loans.

(14) If payment of an accelerated benefit on an accelerated benefit rider or life insurance policy with accelerated benefit provisions results in a pro rata reduction in the cash value, the payment shall not be applied toward repaying an amount greater than a pro rata portion of any outstanding policy loans.

(15) For an accelerated benefit rider or life insurance policy with accelerated benefit provisions, a qualified actuary shall describe the accelerated benefits, the risks, the expected costs, and the calculation of statutory reserves in an actuarial memorandum. The insurer shall maintain in its files descriptions of the bases and procedures used to calculate benefits payable. These descriptions and the actuarial memorandum shall be made available for examination by the director of the department of insurance and financial services upon request.

(16) If benefits are provided through the acceleration of benefits under group or individual life policies or riders to an accelerated benefit rider or life insurance policy with accelerated benefit provisions, policy reserves shall be determined in accordance with section 834. All valuation assumptions used in constructing the reserves shall be determined as appropriate for statutory valuation purposes by a member in good standing of the American academy of actuaries. The actuary shall follow both actuarial standards and certification for good and sufficient reserves. Reserves in the aggregate should be sufficient to cover policies upon which no claim has yet arisen and policies upon which an accelerated claim has arisen. For policies and certificates that provide actuarially equivalent benefits,

additional reserves do not need to be established. Policy liens and policy loans, including accrued interest, represent assets of the insurer for statutory reporting purposes. For a policy on which the policy lien exceeds the policy's statutory reserve liability, the excess shall be held as a nonadmitted asset.

History: Add. 2003, Act 208, Imd. Eff. Nov. 26, 2003 ;-- Am. 2014, Act 142, Eff. Mar. 31, 2015
Popular Name: Act 218

500.606 Disability insurance; definition.

Sec. 606.

(1) "Disability" insurance is insurance against bodily injury or death by accident, or against disability on account of sickness or accident. Unless specifically excluded in chapter 34, disability insurance includes health insurance issued to an individual, family, or group, subject to limitations that are prescribed with respect to the insurance.

(2) An insured under a disability insurance policy as described in this section may be an employee of a person that is not subject to the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941. If the person is not subject to the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, the liability may be limited to liability arising out of and in the course of the employee's employment and the premium may be paid by the employer under an agreement with the employee.

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

500.607 Group disability insurance; definition.

Sec. 607.

(1) As used in this act, "group disability insurance" means voluntary disability insurance that covers 2 or more employees or members, with or without their eligible dependents, written under a master policy issued to a governmental corporation, unit, agency, or department of a governmental entity, to a corporation, copartnership, or individual employer, or, on application of an executive officer or trustee of the association, to an association that has a constitution or bylaws and that is formed in good faith for purposes other than that of obtaining insurance, and under which officers, members, employees, or classes or departments of the association may be insured for their individual benefit.

(2) Notwithstanding subsection (1), a group disability insurance policy may be issued to a trust or trustees of a fund established by 2 or more employers to insure 1 or more employees of the employers.

History: Add. 2016, Act 276, Imd. Eff. July 1, 2016
Popular Name: Act 218

500.608 "Health" and "health insurance policy" defined.

Sec. 608.

As used in this act:

(a) "Health" insurance is insurance provided under a health insurance policy.

(b) "Health insurance policy" means an expense-incurred hospital, medical, or surgical policy, certificate, or contract.

History: Add. 2016, Act 276, Imd. Eff. July 1, 2016
Popular Name: Act 218

500.610 Property insurance; definition.

Sec. 610.

"Property" insurance is insurance on dwelling houses, stores, and all kinds of buildings, and upon household furniture, goods, wares and merchandise, and any other property, against loss or damage by fire, earthquake, lightning, wind and water; and also against bombardment and/or explosion, whether fire ensues or not, but not to include steam boiler or flywheel explosion; and by and with the consent of the commissioner, insurance against any other loss or damage to property or any interest therein not prohibited by the laws of this state nor exclusively delegated to any other class or kind of insurer, including loss or damage of any character, whether by reason of burglary and theft of personal property or otherwise, and whether situated at any given time at a place of residence, or in storage, transit, or upon the person of the insured or otherwise. Property insurance shall be deemed to include also marine insurance as defined in section 614, inland navigation and transportation insurance as defined in section 616, and automobile insurance (limited) as defined in section 620.

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

500.614 Marine insurance; definition.

Sec. 614.

"Marine" insurance is insurance against any and all kinds of loss of or damage to:

(1) Vessels, craft, aircraft, cars, automobiles and vehicles of every kind, as well as all goods, freights, cargoes, merchandise, effects, disbursements, profits, moneys, bullion, precious stones, securities, choses in action, evidences of debt, valuable papers, bottomry and respondentia interests, and all other kinds of property and interests therein, in respect to, appertaining to, or in connection with any and all risks or perils of navigation, transit, or transportation, including war risks, on or under any seas or other waters, on land or in the air, or while being assembled, packed, crated, baled, compressed, or similarly prepared for shipment, or while awaiting the same, or during any delays, storage, transshipment, or reshipment incident thereto, including marine builders' risks and all personal property floater risks.

(2) Person or to property in connection with or appertaining to a marine, inland marine, transit, or transportation insurance, including liability for loss of or damage to either, arising out of or in connection with the construction, repair, operation, maintenance, or use of the subject matter of such insurance (but not including life insurance or surety bonds), but shall not mean insurances against loss by reason of bodily injury to the person arising out of the maintenance, operation or use of motor vehicles.

(3) Precious stones, jewels, jewelry, gold, silver, and other precious metals whether used in business or trade or otherwise and whether the same be in course of transportation or otherwise, which shall include jeweler's block insurance.

(4) Bridges, tunnels, and other instrumentalities of transportation and communication (excluding buildings, their furniture and furnishing, fixed contents, and supplies held in storage) unless fire, tornado, sprinkler leakage, hail, explosion, earthquake, riot and/or civil commotion are the only hazards to be covered. Piers, wharves, docks and slips, excluding the risks of fire, tornado, sprinkler leakage, hail, explosion, earthquake, riot and/or civil commotion. Other aids to navigation and transportation, including dry dock and marine railways, against all risks.

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

500.616 Inland navigation and transportation insurance; definition.

Sec. 616.

"Inland navigation and transportation" insurance is insurance upon vessels, freights, goods, wares, merchandise and other property, against the risks of inland navigation and transportation.

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

Popular Name: Act 218

500.618 "Legal expense insurance" defined.

Sec. 618.

"Legal expense insurance" is insurance which involves the assumption of a contractual obligation to reimburse the beneficiary against or pay on behalf of the beneficiary, all or a portion of his or her fees, costs, or expenses related to or arising out of services performed by or under the supervision of an attorney licensed to practice in the jurisdiction in which the services are performed. Legal expense insurance may also include provisions for basic legal services rendered to the beneficiary, by telephone or mail, by 1 or more attorneys licensed to practice in the jurisdiction in which the services are performed, none of whom are employees of or under the control of the insurer directly or indirectly. Legal expense insurance does not include the provision of or reimbursement for legal services incidental to other insurance coverages.

History: Add. 1982, Act 501, Imd. Eff. Dec. 31, 1982

Popular Name: Act 218

500.620 Automobile insurance (limited); definition.

Sec. 620.

"Automobile insurance (limited)" is insurance upon automobiles, whether stationary or being operated under their own power, which shall include all or any of the hazards of fire, explosion, transportation, collision, loss by legal liability for damage to property resulting from the maintenance and use of automobiles, and loss by burglary or theft or both, but shall not include insurance against loss by reason of bodily injury to the person.

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

Popular Name: Act 218

500.624 "Casualty" defined; combination with property insurance.

Sec. 624.

(1) "Casualty" insurance includes insurances as follows:

(a) Steam boiler and flywheel. Insurance against loss or damage to property of the insured, and loss or damage to the life, person or property of another for which the insured is liable, caused by the explosion of steam boilers or their connections or by the breakage or rupture of machinery or flywheels; and against loss of use and occupancy caused thereby;

(b) Liability, automobile, and workmen's compensation. Insurance of any person, partnership, or corporation against loss or damage on account of the bodily injury or death by accident of any person, or against damage caused by automobiles, vehicles or draft animals to property of another, for which loss or damage said person, partnership or corporation is responsible, or against accidental damage sustained by automobiles or vehicles, or

against all of the said contingencies, inclusive of workmen's compensation insurance;

(c) Plate glass. Insurance against a breakage of plate glass, local or in transit;

(d) Sprinkler. Insurance of any goods or premises against loss or damage by water caused by the breakage or leakage of sprinklers, pumps, water pipes or plumbing and its fixtures, and against accidental injury from other causes than fire or lightning to such sprinklers, pumps, water pipes, plumbing and fixtures;

(e) Credit. The business commonly known as credit insurance or guaranty, either by agreeing to purchase uncollectible debts, or otherwise to insure against loss or damage from the failure of persons indebted to the insured to meet their liabilities;

(f) Burglary and theft. Insurance against loss or damage by burglary, theft, house breaking or forgery;

(g) Livestock. Insurance upon the lives of horses, cattle and other livestock or against loss by the theft of any of such property or both;

(h) Malpractice. Insurance of persons lawfully engaged in the practice of medicine, surgery, dentistry, or dispensing drugs or medicines, and partnerships or corporations lawfully engaged in the operation of hospitals or sanitariums, against loss resulting from all claims and suits alleging malpractice, error or mistake and based upon professional services rendered or which should have been rendered by insured and/or his or her assistants or employees, and to defend and indemnify insured against any loss resulting from all other suits for civil damages arising out of the practice by insured of his profession; except that indemnity under such insurance shall not extend to claims or suits based on criminal acts or on services rendered while under the influence of liquor or drugs;

(i) Miscellaneous. By and with the consent of the commissioner, insurance against any other hazards of a casualty nature not prohibited by the laws of this state nor exclusively delegated to any other class or kind of insurer.

(2) Any insurance carrier authorized under any section of this code to write any casualty insurance, shall have the right and authority to insure against any of the risks specified or referred to in any of the provisions of section 610 (property insurance defined), combined in a single policy. Nothing herein contained shall be construed to extend the lines permitted to be written by any class of insurer beyond those otherwise provided, except as to personal property floater policies.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 1966, Act 221, Imd. Eff. July 11, 1966

Popular Name: Act 218

500.625 Automobile passenger and liability coverage; expense or disability coverage included.

Sec. 625.

Any insurer authorized to write automobile bodily injury liability insurance policies may, by an endorsement attached to or as a part of such a policy, insure any person or in behalf of any person for expense or disability including death growing out of any accidental injury incurred while driving, riding in, entering, alighting from, or through being struck by, any motor vehicle. Such coverage shall not be subject to provisions of this code otherwise applicable to disability insurance.

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

Popular Name: Act 218

500.628 Surety and fidelity insurance; definition.

Sec. 628.

"Surety and fidelity" insurance is to guarantee the fidelity of persons in positions of trust, private or public, and to act as surety on official bonds and for the performance of other obligations, and to indemnify banks, bankers, brokers, financial or moneyed associations, or financial or moneyed corporations, against the loss of any bills of exchange, notes, drafts, acceptances of drafts, bonds, securities, evidences of debt, deeds, mortgages, warehouse receipts, bills of lading, documents, currency, money, gold, platinum, silver and other precious metals refined or unrefined, and articles made therefrom, jewelry, watches, necklaces, bracelets, gems, precious and semi-precious stones, and also against loss, resulting from damage, except by fire, to the insured's premises, furnishings, fixtures,

equipment, safes and vaults therein caused by burglary, robbery, holdup, theft or larceny, or attempt thereat. No such indemnity indemnifying against loss of any property as specified herein shall indemnify against the loss of any such property occurring while in the mail or in the custody or possession of a carrier for hire for the purpose of transportation, except for the purpose of transportation by an armored motor vehicle accompanied by 1 or more armed guards.

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

Popular Name: Act 218

500.632 Insurers; nonprofit dental care corporation; reinsurance; authorization.

Sec. 632.

(1) An insurer may reinsure any risk authorized to be undertaken by it and grant reinsurance on any similar risk undertaken by any other insurer. A nonprofit dental care corporation operating under 1963 PA 125, MCL 550.351 to 550.373, may reinsure any risk authorized to be undertaken by it and grant reinsurance on any similar risk undertaken by another legal entity.

(2) Subject to chapter 58, a mutual insurance company other than life may, by policy, treaty, or other agreement, cede to or accept from any insurance company or insurer reinsurance on the whole or any part of any risk, which reinsurance must be without contingent liability or participation or membership unless provided otherwise. Reinsurance must not be effected with any company or insurer disapproved by written order of the director filed in his or her office.

(3) An insurer authorized to transact multiple lines of insurance may, except with respect to policies of life and endowment insurance and contracts for the payment of annuities and pure endowments, reinsure risks of every kind or description.

(4) Reinsurance must not be ceded to or accepted by any insurer operating under the cooperative or assessment plan. Reinsurance of any insurer operating under the cooperative or assessment plan must be ceded only to insurers authorized under this act to transact a similar kind of insurance in this state and to accept reinsurance.

(5) An insurer may be specifically authorized to accept reinsurance for kinds of risks that it does not have authority to insure directly.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 1962, Act 53, Eff. Mar. 28, 1963 ;-- Am. 1966, Act 221, Imd. Eff. July 11, 1966 ;-- Am. 1994, Act 226, Imd. Eff. June 27, 1994 ;-- Am. 2016, Act 276, Imd. Eff. July 1, 2016

Popular Name: Act 218

500.636 Repealed. 1994, Act 226, Imd. Eff. June 27, 1994.

Compiler's Notes: The repealed section pertained to reinsurance by domestic stock or mutual insurers.

Popular Name: Act 218

500.640 Insurers; limitation of risk; exceptions; "title insurance" and "title insurer" defined.

Sec. 640.

(1) Except as otherwise provided in subsections (2) to (5), an insurer transacting business in this state shall not expose itself to any loss on any 1 risk or hazard in an amount exceeding 10% of its paid-up capital and surplus. However, no portion of a risk or hazard that has been reinsured by an insurer licensed to do insurance business in this state shall be included in determining the limitation of risk prescribed in this subsection.

(2) An insurer transacting business in this state that has obtained a certificate of authority authorizing the transaction of title insurance in this state before the effective date of the amendatory act that added this subsection

shall not expose itself to any loss on any 1 title insurance risk or hazard in an amount exceeding 50% of its paid-up capital and surplus. However, no portion of a title insurance risk or hazard that has been reinsured by an insurer licensed to do title insurance business in this state shall be included in determining the limitation of risk prescribed in this subsection.

(3) An insurer transacting business in this state that obtains a certificate of authority authorizing the transaction of title insurance in this state on or after the effective date of the amendatory act that added this subsection shall not expose itself to any loss on any 1 title insurance risk or hazard in an amount exceeding 10% of its paid-up capital and surplus unless the title insurer meets all of the following:

(a) Has a most recent A.M. best financial rating of at least an A- or has a comparable rating as assigned by a nationally recognized statistical rating organization approved by the commissioner.

(b) Has been licensed and operating in this or another state for at least 5 years and has reported a net income for at least 3 of the last 5 years.

(c) Has capital that exceeds 2 times the minimum paid-up capital and surplus requirements in Michigan.

(4) No portion of a title insurance risk or hazard that has been reinsured by an insurer licensed to do title insurance business in this state shall be included in determining the 10% limitation of risk prescribed in subsection (3). An insurer described in subsection (3)(a) to (c) shall not expose itself to any loss on any 1 title insurance risk or hazard in an amount exceeding 50% of its paid-up capital and surplus.

(5) Upon application by a title insurer, the commissioner may waive the 10% limitation of risk prescribed in subsection (3) for a particular risk or hazard for good cause shown and so long as the net retained liability for that particular risk or hazard does not exceed 50% of the insurer's paid-up capital and surplus.

(6) As used in this section, "title insurance" and "title insurer" mean those terms as defined in section 7301.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 1992, Act 182, Imd. Eff. Oct. 1, 1992 ;-- Am. 2010, Act 338, Imd. Eff. Dec. 21, 2010

Popular Name: Act 218

500.644 Life, disability, and loss of position insurers; limit of risk.

Sec. 644.

For provisions as to limit of risk applicable to life, disability, and loss of position insurers operating on the cooperative or assessment plan see section 6446.

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

Popular Name: Act 218