

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

500.1371 Violation of chapter; action by director; criminal proceeding; penalty; disapproval of dividends or distributions.

Sec. 1371.

(1) An insurer that does not, without just cause, file a registration statement required under this chapter shall, after notice and hearing, pay a civil fine of \$1,000.00 for each day's delay, up to a maximum of \$50,000.00, to be recovered by the director and paid into the general fund. The director may reduce the penalty if the insurer demonstrates to the director that the civil fine would cause financial hardship to the insurer.

(2) Every director or officer of an insurance holding company system who knowingly violates, knowingly participates in or assents to, or with actual knowledge permits any of the officers or agents of the insurer to engage in material acts, omissions, or transactions or make investments that have not been properly reported or submitted under section 1324, 1341, or 1343, that, with respect to material transactions, violate this chapter, or that result in material false or misleading statements to the director with respect to the financial condition of the insurer or any of its affiliates shall pay, in their individual capacity, a civil forfeiture of not more than \$10,000.00 per violation, after notice and hearing before the director. In determining the amount of the civil forfeiture, the director shall take into account the appropriateness of the forfeiture with respect to the gravity of the violation, the history of previous violations, and other matters as justice requires. In addition, a violation of this subsection is grounds for removal of a director or officer from a position of trust or responsibility in an insurer domiciled in this state in accordance with the procedures established in section 250.

(3) If it appears to the director that an insurer subject to this chapter or an insurer's director, officer, employee, or agent has engaged in a transaction or entered into a contract that is subject to section 1341 or 1344 and that would not have been approved had approval been requested, the director may order the insurer to cease and desist immediately any further activity under that transaction or contract. After notice and hearing, the director may also order the insurer to void the contract, transaction, or distribution, and restore the status quo if that action is in the best interest of the policyholders, creditors, or the public.

(4) If it appears to the director that an insurer or an insurer's director, officer, employee, or agent has committed a willful violation of this chapter, the director may institute criminal proceedings in the circuit court for the county in which the principal office of the insurer is located or, if the insurer does not have a principal office in this state, in the Ingham county circuit court against the insurer or the insurer's responsible director, officer, employee, or agent. An insurer that willfully violates this chapter may be fined not more than \$50,000.00. An individual who willfully violates this chapter may be fined not more than \$10,000.00 or, if the willful violation involves the deliberate perpetration of a fraud upon the director, imprisoned not more than 2 years, or both.

(5) An officer, director, or employee of an insurance holding company system who willfully and knowingly subscribes to or makes or causes to be made a false statement, false report, or false filing with the intent to deceive the director in the performance of his or her duties under this chapter, shall be imprisoned for not more than 2 years, or fined \$10,000.00, or both. The officer, director, or employee shall pay a fine in his or her individual capacity.

(6) If the director determines that a person violated section 1311 and the violation prevents the full understanding of the enterprise risk of the insurer by affiliates or by the insurance holding company system, the violation may serve as an independent basis for disapproving dividends or distributions and for placing the insurer under an order of supervision under chapter 81.

History: Add. 1970, Act 136, Imd. Eff. July 29, 1970 ;-- Am. 1992, Act 182, Imd. Eff. Oct. 1, 1992 ;-- Am. 2015, Act 244, Imd. Eff. Dec. 22, 2015

Popular Name: Act 218