

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

500.5503 Domestic stock insurer; division into 2 or more insurers; plan of division; requirements; amendment procedures; abandonment of plan.

Sec. 5503.

(1) A domestic stock insurer may, in accordance with the requirements of this chapter, divide into 2 or more resulting insurers pursuant to a plan of division.

(2) Each plan of division must include all of the following:

(a) The name of the domestic stock insurer seeking to divide.

(b) The name of each resulting insurer that will be created by the proposed division.

(c) For each new insurer that will be created by the proposed division, a copy of both of the following:

(i) Its proposed articles of incorporation.

(ii) Its proposed bylaws.

(d) The manner of allocating between or among the resulting insurers both of the following:

(i) The assets of the domestic stock insurer that will not be owned by, if the dividing insurer survives the division, the dividing insurer, or, if the dividing insurer does not survive the division, all of the resulting insurers as tenants in common under section 5511.

(ii) The liabilities of the domestic stock insurer, including policy liabilities, to which not all of the resulting insurers will become jointly and severally liable under section 5513(1)(c).

(e) The manner of distributing shares in the new insurers to the dividing insurer or its shareholders.

(f) A reasonable description of the liabilities, including policy liabilities, and items of capital, surplus, or other assets, in each case, that the domestic stock insurer proposes to allocate to each resulting insurer, including the manner by which each reinsurance contract is to be allocated.

(g) All terms and conditions required by the laws of this state or the articles of incorporation and bylaws of the domestic stock insurer.

(h) All other terms and conditions of the division.

(3) If the domestic stock insurer will survive the division, the plan of division must include, in addition to the information required by subsection (2), all of the following:

(a) All proposed amendments to the dividing insurer's articles of incorporation and bylaws, if any.

(b) If the dividing insurer desires to cancel some, but fewer than all, shares in the dividing insurer, the manner in which it will cancel the shares.

(c) If the dividing insurer desires to convert some, but fewer than all, shares in the dividing insurer into shares, securities, obligations, money, other property, rights to acquire shares or securities, or any combination thereof, a statement disclosing the manner in which it will convert the shares.

(4) If the domestic stock insurer will not survive the proposed division, the plan of division must contain, in addition to the information required by subsection (2), the manner in which the dividing insurer will cancel or convert shares in the dividing insurer into shares, securities, obligations, money, other property, rights to acquire shares or securities, or any combination thereof.

(5) A dividing insurer may amend a plan of division in accordance with any procedures set forth in the plan of division or, if no procedures are set forth in the plan of division, in any manner determined by the board of directors of the dividing insurer, except that a shareholder that was entitled to vote on or consent to approval of the plan of division is entitled to vote on or consent to any amendment of the plan of division that will change any of the following:

(a) The amount or kind of shares, securities, obligations, money, other property, rights to acquire shares or securities, or any combination thereof, to be received by any of the shareholders of the dividing insurer under the plan of division.

(b) The articles of incorporation or bylaws of any resulting insurer that will be in effect when the division becomes effective, except for changes that do not require approval of the shareholders of the resulting insurer under its articles of incorporation or bylaws.

(c) Any other terms or conditions of the plan of division, if the change would adversely affect the shareholders in any material respect.

(6) A dividing insurer may abandon a plan of division after it has approved the plan of division without any action by the shareholders and in accordance with any procedures set forth in the plan of division or, if no procedures are set forth in the plan of division, in a manner determined by the board of directors of the dividing insurer.

(7) A dividing insurer may abandon a plan of division after it has filed a certificate of division with the department by filing with the department a notice of abandonment signed by the dividing insurer. The notice of

abandonment is effective on the date it is filed with the department and the dividing insurer is considered to have abandoned its plan of division on that date.

(8) A dividing insurer shall not abandon or amend its plan of division once the division becomes effective.

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