

**THE INSURANCE CODE OF 1956 (EXCERPT)**  
**Act 218 of 1956**  
Chapter 81a  
**FRATERNAL BENEFIT SOCIETIES**

**500.8161 Definitions.**

Sec. 8161.

As used in this chapter:

- (a) "Benefit contract" means the agreement for provision of benefits authorized by section 8179, as that agreement is described in section 8182(1).
- (b) "Benefit member" means an adult member designated by the laws or rules of the society to be a benefit member under a benefit contract.
- (c) "Certificate" means the document issued as written evidence of a benefit contract.
- (d) "Laws" means the society's articles of incorporation, constitution, and bylaws, however designated.
- (e) "Lodge" means the subordinate member units of a society, including camps, courts, councils, branches, or other similar designation.
- (f) "Premiums" means rates, dues, or other required contributions payable under a certificate.
- (g) "Rules" means all rules, regulations, or resolutions adopted by a society's supreme governing body or board of directors that are intended to have general application to the members of the society.
- (h) "Society", unless otherwise indicated, means a fraternal benefit society.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8162 Society governed by chapter; exemption.**

Sec. 8162.

Except as otherwise provided in this chapter, a society shall be governed by this chapter and shall be exempt from all other provisions of the insurance laws of this state unless the society is expressly designated in another law or is specifically made applicable by this chapter.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8163 Society as charitable and benevolent institution; tax exemption.**

Sec. 8163.

Each society organized or licensed under this chapter is hereby declared to be a charitable and benevolent institution, and all of the society's funds shall be exempt from all state, county, district, municipal, and school taxes, other than taxes on real estate and office equipment.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8164 Definition of fraternal benefit society.**

Sec. 8164.

An incorporated society, order, or supreme lodge, without capital stock, including 1 exempted under the provisions of section 8199(1)(b) whether incorporated or not, conducted solely for the benefit of its members and their beneficiaries and not for profit, operated on a lodge system with ritualistic form of work, having a representative form of government, and that provides benefits in accordance with this chapter, is a fraternal benefit society.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8165 Society operating on lodge system; requirements; lodges for children.**

Sec. 8165.

(1) A society is operating on the lodge system if it has a supreme governing body and subordinate lodges into which members are elected, initiated, or admitted in accordance with its laws, rules, and ritual. Subordinate lodges shall be required by the laws of the society to hold regular meetings at least once in each month in furtherance of the purposes of the society.

(2) A society may, at its option, organize and operate lodges for children under the minimum age for adult membership. Membership and initiation in local lodges shall not be required of the children, nor shall they have a voice or vote in the management of the society.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8166 Representative form of government; requirements; postponement of society meetings.**

Sec. 8166.

(1) A society has a representative form of government if:

(a) It has a supreme governing body constituted in 1 of the following ways:

(i) The supreme governing body is an assembly composed of delegates elected directly by the members or elected at intermediate assemblies or conventions of members or their representatives, together with other delegates as may be prescribed in the society's laws. A society may provide for election of delegates by mail. The elected delegates shall constitute a majority in number and shall have not less than 2/3 of the votes and not less than the number of votes required to amend the society's laws. The assembly shall be elected, shall meet at least once every 4 years, and shall elect a board of directors to conduct the business of the society between meetings of the assembly. Vacancies on the board of directors between elections may be filled in the manner prescribed by the society's laws.

(ii) The supreme governing body is a board composed of persons elected by the members, either directly or by their representatives in intermediate assemblies, and other persons prescribed in the society's laws. A society may provide for election of the board by mail. Each term of a board member may not exceed 4 years. Vacancies on the board between elections may be filled in the manner prescribed by the society's laws. Those persons elected to the board shall constitute a majority in number and not less than the number of votes required to amend the society's laws. A person filling the unexpired term of an elected board member shall be considered to be an elected member. The board shall meet at least quarterly to conduct the business of the society.

(b) The officers of the society are elected either by the supreme governing body or by the board of directors.

(c) Only benefit members are eligible for election to the supreme governing body and the board of directors.

(d) Each voting member has 1 vote and no vote may be cast by proxy.

(2) In time of war or other emergency, the commissioner may order the postponement of society meetings for the duration of the emergency or for any lesser period in his or her discretion. The officers of the society and the delegates and representatives constituting the supreme governing body shall continue to hold office and exercise and perform all powers and duties conferred on them during the postponement.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990  
**Popular Name:** Act 218

**500.8167 Society operating for benefit of members and their beneficiaries; requirements; subsidiary corporations or affiliated organizations; laws and rules; additional powers.**

Sec. 8167.

- (1) A society shall operate for the benefit of members and their beneficiaries by doing both of the following:
  - (a) Providing benefits as specified in section 8179.
  - (b) Operating for 1 or more social, intellectual, educational, charitable, benevolent, moral, fraternal, patriotic, or religious purposes for the benefit of its members, which may also be extended to others.
- (2) Subsection (1) may be carried out directly by the society, or indirectly through subsidiary corporations or affiliated organizations.
- (3) Each society may adopt laws and rules for the government of the society, the admission of its members, and the management of its affairs. Each society may change, alter, add to, or amend those laws and rules and shall have other powers as are necessary and incidental to carrying into effect the objects and purposes of the society.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990  
**Popular Name:** Act 218

**500.8168 Specification of eligibility standards, admission process, and rights and privileges; social members; rights personal and not assignable.**

Sec. 8168.

- (1) A society shall specify all of the following in its laws or rules:
  - (a) Eligibility standards for each and every class of membership. However, if benefits are provided on the lives of children, the minimum age for adult membership shall be set at not less than age 15 and not greater than age 21.
  - (b) The process for admission to membership for each membership class.
  - (c) The rights and privileges of each membership class. Only benefit members shall have the right to vote on the management of the insurance affairs of the society.
- (2) A society may admit social members. A social member shall not have a voice or vote in the management of the insurance affairs of the society.
- (3) Membership rights in a society are personal to the member and are not assignable.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990  
**Popular Name:** Act 218

**500.8169 Principal office of domestic society; meetings of supreme governing body; validity of business transacted; minutes; official publication; report, notice, or statement; mailing or publication of synopsis of annual statement; grievance or complaint procedures.**

Sec. 8169.

- (1) The principal office of a domestic society shall be located in this state. The meetings of its supreme governing body may be held in any state, district, province, or territory where the society has a subordinate lodge, or in another location as determined by the supreme governing body, and all business transacted at the meetings shall be as valid in all respects as if the meetings were held in this state. The minutes of the proceedings of the supreme

governing body and of the board of directors shall be in the English language.

(2) A society may provide in its laws for an official publication in which a notice, report, or statement required by law to be given to members, including notice of election, may be published. A required report, notice, or statement shall be printed conspicuously in the publication. If the records of a society show that 2 or more members have the same mailing address, an official publication mailed to 1 member is considered to be mailed to all members at the same address unless a member requests a separate copy. Not later than June 1 of each year, a synopsis of the society's annual statement providing an explanation of the facts concerning the condition of the society thereby disclosed shall be printed and mailed to each benefit member of the society or published in the society's official publication.

(3) A society may provide in its laws or rules for grievance or complaint procedures for members.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

### **500.8170 Personal liability; indemnification and reimbursement; purchase of insurance.**

Sec. 8170.

(1) The officers and members of the supreme governing body or any subordinate body of a society shall not be personally liable for any benefits provided by a society.

(2) A person may be indemnified and reimbursed by a society for expenses reasonably incurred by, and liabilities imposed upon, that person in connection with or arising out of an action or proceeding, whether civil, criminal, administrative, or investigative, or the threat thereof, in which the person may be involved by reason of the fact that he or she is or was a director, officer, employee, or agent of the society or of any firm, corporation, or organization which he or she served in any capacity at the request of the society. A person shall not be indemnified or reimbursed in relation to any matter in an action or proceeding if he or she is finally adjudged to be or have been guilty of breach of a duty as a director, officer, employee, or agent of the society or for any matter in an action or proceeding, or the threat thereof, which has been made the subject of a compromise settlement, unless in either case, the person acted in good faith for a purpose the person reasonably believed to be in or not opposed to the best interests of the society and, for a criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful. The determination of whether a person acted in good faith or without reasonable cause may only be made by the supreme governing body or board of directors by a majority vote of a quorum consisting of persons who were not parties to the action or proceeding or by a court of competent jurisdiction. The termination of an action or proceeding by judgment, order, settlement, conviction, or upon a plea of no contest, as to the person shall not in itself create a conclusive presumption that the person did not meet the standard of conduct required in order to justify indemnification and reimbursement. This right of indemnification and reimbursement shall not be exclusive of other rights to which the person may be entitled as a matter of law and shall inure to the benefit of the person's heirs, executors, and administrators.

(3) A society may purchase and maintain insurance on behalf of a person who is or was a director, officer, employee, or agent of the society, or who is or was serving at the request of the society as a director, officer, employee, or agent of any other firm, corporation, or organization against any liability asserted against the person and incurred by him or her in his or her official capacity or arising out of his or her status as such, whether or not the society would have the power to indemnify the person against the liability under this section.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

### **500.8171 Waiver of society's laws.**

Sec. 8171.

A society's laws may provide that a subordinate body and its subordinate officers or members shall not have the power or authority to waive any of the provisions of the society's laws and shall be binding on the society and every member and beneficiary of a member.

**500.8172 Formation of domestic fraternal society; requirements; filing documents; bond; certifying, retaining, and filing articles of incorporation; preliminary certificate of authority; solicitation of members; collection of premium; receipt; liability; issuance of certificate; paying or allowing benefit; examination; information; evidence of compliance; issuance of certificate of authority; certificate as evidence; record.**

Sec. 8172.

(1) To form a domestic fraternal society on or after April 1, 1990, 7 or more citizens of the United States, a majority of whom are citizens of this state, shall make, sign, and acknowledge before an officer competent to take acknowledgment of deeds, articles of incorporation in which shall be stated:

(a) The society's proposed corporate name. The society's proposed corporate name shall not so closely resemble the name of another society or insurance company as to be misleading or confusing.

(b) The purposes for which the society is being formed and the mode in which its corporate powers are to be exercised. The purposes shall not include more liberal powers than are granted by this chapter.

(c) The names and residences of the incorporators and the names, residences, and official titles of all the officers, trustees, directors, or other persons who are to have and exercise the general control of the management of the society's affairs and funds for the first year or until the ensuing election at which all such officers shall be elected by the supreme governing body and which shall be held not later than 1 year from the date of issuance of the permanent certificate of authority.

(2) The articles of incorporation, duly certified copies of the society's bylaws and rules, copies of all proposed forms of certificates, applications therefor, circulars to be issued by the society, and a bond conditioned upon the return to applicants of the advanced payments if the organization is not completed within 1 year, shall be filed with the commissioner, who may require further information as the commissioner considers necessary. The bond with sureties approved by the commissioner shall be in an amount of not less than \$300,000.00 or more than \$1,500,000.00 as required by the commissioner. All documents filed are to be in the English language. If the purposes of the society conform to the requirements of this chapter and all provisions of the law have been complied with, the commissioner shall so certify, retain, and file the articles of incorporation and furnish the incorporators a preliminary certificate of authority authorizing the society to solicit members as provided in this chapter.

(3) A preliminary certificate of authority granted under the provisions of this section shall not be valid after 1 year from its date or after such further period, not exceeding 1 year, as may be authorized by the commissioner upon cause shown, unless the 500 applicants required in this section have been secured and the organization has been completed as provided in this section. The articles of incorporation and all other proceedings thereunder shall become null and void after 1 year from the date of the preliminary certificate of authority, or at the expiration of the extended period, unless the society has completed its organization and received a certificate of authority to do business as provided in this section.

(4) Upon receipt of a preliminary certificate of authority from the commissioner, the society may solicit members for the purpose of completing its organization, shall collect from each applicant the amount of not less than 1 regular monthly premium in accordance with its table of rates, and shall issue to each applicant a receipt for the collected amount. A society shall not incur any liability other than for the return of the advance premium, issue any certificate, or pay, allow, or offer or promise to pay or allow, any benefit to any person until all of the following have been met:

(a) Actual bona fide applications for benefits have been secured on not less than 500 applicants, and any necessary evidence of insurability has been furnished to and approved by the society.

(b) At least 10 subordinate lodges have been established into which the 500 applicants have been admitted.

(c) There has been submitted to the commissioner, under oath of the president or secretary, or corresponding officer of the society, a list of the applicants, giving their names, addresses, date each was admitted, name and number of the subordinate lodge that each applicant is a member of, amount of benefits to be granted, and premiums for those benefits.

(d) It has been shown to the commissioner, by sworn statement of the society's treasurer or the society's corresponding officer, that at least 500 applicants have each paid in cash at least 1 regular monthly premium as provided in this section and the premiums in the aggregate amount to at least \$150,000.00. The advance premiums shall be held in trust during the period of organization, and if the society has not qualified for a certificate of authority under this section within 1 year, the premiums shall be returned to the applicants.

(5) The commissioner may make examination and require further information as the commissioner considers advisable. Upon presentation of satisfactory evidence that the society has complied with all the provisions of law, the commissioner shall issue to the society a certificate of authority to that effect authorizing the society to transact business pursuant to the provisions of this chapter. The certificate of authority shall be prima facie evidence of the existence of the society at the date of the certificate. The commissioner shall cause a record of the certificate of authority to be made. A certified copy of the record may be given in evidence with like effect as the original certificate of authority.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8173 Reincorporation not required.**

Sec. 8173.

An incorporated society authorized to transact business in this state on April 1, 1990 is not required to reincorporate under this chapter.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8174 Amendment to laws.**

Sec. 8174.

(1) A domestic society may amend its laws, as its laws provide, by action of its supreme governing body at any regular or special meeting or, if its laws so provide, by referendum. A referendum may be held in accordance with the provisions of the society's laws by the vote of the voting members of the society, by the vote of delegates or representatives of voting members, or by the vote of local lodges. A society may provide for voting by mail. An amendment submitted for adoption by referendum shall not be adopted unless, within 6 months from the date of submission of the amendment, a majority of the members voting shall have signified their consent to the amendment by 1 of the methods specified in this subsection.

(2) An amendment to the laws of any domestic society shall not take effect unless approved by the commissioner. The commissioner shall approve an amendment if the commissioner finds that the amendment has been duly adopted and is not inconsistent with any requirement of the laws of this state or with the character, objects, and purposes of the society. Unless the commissioner disapproves an amendment within 60 days after the filing of the amendment, the amendment shall be considered approved. The approval or disapproval of the commissioner shall be in writing and mailed to the secretary or corresponding officer of the society at its principal office. If the commissioner disapproves an amendment, the reasons for the disapproval shall be stated in the written notice.

(3) Within 90 days from an amendment's approval by the commissioner, each amendment, or a synopsis of each amendment, shall be furnished to each society member either by mail or by publication in full in the society's official publication. The affidavit of a society officer or of anyone authorized by the society to mail an amendment or synopsis of an amendment stating facts that show the amendment or synopsis has been duly addressed and mailed, shall be prima facie evidence that the amendment or synopsis has been furnished the addressee.

(4) Each foreign or alien society authorized to do business in this state shall file with the commissioner a duly certified copy of all amendments of, or additions to, its laws within 90 days after its enactment.

(5) Printed copies of the amended laws, certified by the society's secretary or its corresponding officer, shall be prima facie evidence of their legal adoption.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8175 Not for profit institution; purposes; reporting real or personal property.**

Sec. 8175.

A society may create, maintain, and operate, or may establish organizations to operate, a not for profit institution to further the purposes permitted by section 8167(1)(b). A not for profit institution may furnish services free or at a reasonable charge. Any real or personal property owned, held, or leased by the society for the purposes permitted by section 8167(1)(b) shall be reported in each annual statement.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8176 Reinsurance agreement.**

Sec. 8176.

(1) A domestic society, by a reinsurance agreement, may cede any individual risk in whole or in part to an insurer, other than another fraternal benefit society, having the power to make reinsurance and authorized to do business in this state or approved by the commissioner. A society shall not reinsure substantially all of its insurance in force without the commissioner's written permission. A society may take credit for the reserves on such ceded risks to the extent reinsured, but credit shall not be allowed as an admitted asset or as a deduction from liability, to a ceding society for reinsurance made, ceded, renewed, or otherwise becoming effective on or after April 1, 1990, unless the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding society under the contract reinsured without diminution because of the insolvency of the ceding society.

(2) Notwithstanding the limitation in subsection (1), a society may reinsure the risks of another society in a consolidation or merger approved by the commissioner under section 8177.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8177 Consolidation or merger; compliance; filings; approval of contract; issuance of certificate; effective date; vesting of rights, franchises, and interest; affidavit as evidence of mailing notice or documents; payment of expenses and compensation; itemized statement of expenses; consolidation or merger subject to MCL 500.7604.**

Sec. 8177.

(1) A domestic society may consolidate or merge with another society by complying with the provisions of this section and filing with the commissioner all of the following:

(a) A certified copy of the written contract containing in full the terms and conditions of the consolidation or merger.

(b) A sworn statement by the president and secretary or corresponding officers of each society showing the financial condition of the society on a date fixed by the commissioner but not earlier than December 31 of the year preceding the date of the contract.

(c) A certificate of the officers listed in subdivision (b), duly verified by their respective oaths, that the consolidation or merger has been approved by a 2/3 vote of the supreme governing body of each society, the vote being conducted at a regular or special meeting of each society, or, if the society's laws permit, by mail.

(d) Evidence that at least 60 days prior to the action of the supreme governing body of each society, the text of the contract has been furnished to all members of each society either by mail or by publication in full in each society's official publication.

(2) If the commissioner finds that the contract is in conformity with the provisions of this section, the financial



statements are correct, and the consolidation or merger is just and equitable to the members of each society, the commissioner shall approve the contract and issue a certificate to that effect. Upon approval, the contract shall be in full force and effect unless any society that is a party to the contract is incorporated under the laws of any other state or territory. In such event, the consolidation or merger shall not become effective unless and until it has been approved as provided by the laws of each state or territory and a certificate of the approval is filed with the commissioner of this state or, if the laws of the state or territory do not contain such a provision, then the consolidation or merger shall not become effective unless and until it has been approved by the commissioner of insurance of each state or territory and a certificate of the approval is filed with the commissioner of this state.

(3) Upon the effective date of a consolidation or merger under this section, all the rights, franchises, and interests of the consolidated or merged societies in and to every species of property, real, personal, or mixed, and things in action belonging to the societies shall be vested in the society resulting from or remaining after the consolidation or merger without any other instrument, except that conveyances of real property may be evidenced by proper deeds, and the title to any real estate or interest in real estate, vested under the laws of this state in any of the societies consolidated or merged, shall not revert or be in any way impaired by reason of the consolidation or merger, but shall vest absolutely in the society resulting from or remaining after the consolidation or merger.

(4) The affidavit of any officer of the society or of anyone authorized by the society to mail any notice or document, stating that the notice or document has been duly addressed and mailed, is prima facie evidence that the notice or document has been furnished the addressees.

(5) All necessary and actual expenses and compensation incident to the proceedings for consolidation or merger shall be paid as provided by the contract of consolidation or merger except that a brokerage or commission shall not be included in the expenses and compensation, shall not be paid to any person by either of the parties to a contract in connection with the negotiation or execution of the contract, and compensation shall not be paid to any officer or employees of either of the parties to the contract for directly or indirectly aiding in effecting the contract of consolidation or merger. An itemized statement of all expenses shall be filed with each commissioner, is subject to each commissioner's approval, and upon approval is binding on the parties. Except as fully expressed in the contract of consolidation or merger or approved itemized statement of expenses, compensation shall not be paid to a person or officer or employee of the state, directly or indirectly, for in any manner aiding, promoting, or assisting any consolidation or merger.

(6) A consolidation or merger is also subject to the applicable provisions of section 7604.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8178 Domestic fraternal benefit society as mutual life insurance company.**

Sec. 8178.

A domestic fraternal benefit society may be converted and licensed as a mutual life insurance company by compliance with all the requirements of chapter 82.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8179 Contractual benefits; specifying persons covered in rules.**

Sec. 8179.

(1) A society may provide in any form the following contractual benefits:

- (a) Death benefits.
- (b) Endowment benefits.
- (c) Annuity benefits.
- (d) Temporary or permanent disability benefits.
- (e) Hospital, medical, or nursing benefits.
- (f) Monument or tombstone benefits to the memory of deceased members.



(g) Other benefits authorized for life insurers and not inconsistent with this chapter.

(2) A society shall specify in its rules those persons who may be issued, or covered by, the contractual benefits listed in subsection (1), consistent with providing benefits to members and their dependents. A society may provide benefits on the lives of children under the minimum age for adult membership upon application of an adult.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8180 Changing beneficiary; limiting scope of beneficiary designations; vested interest of revocable beneficiary; payment of funeral benefits; payment of benefit to personal representative or owner of certificate.**

Sec. 8180.

(1) The owner of a benefit contract may change the beneficiary in accordance with the society's laws or rules unless the owner waives this right by specifically requesting in writing that the beneficiary designation be irrevocable. A society, through its laws or rules, may limit the scope of beneficiary designations and shall provide that no revocable beneficiary shall have or obtain any vested interest in the proceeds of a certificate until the certificate has become due and payable in conformity with the provisions of the benefit contract.

(2) A society may make provision for the payment of funeral benefits to the extent of the portion of any payment under a certificate as might reasonably appear to be due to a person equitably entitled to the benefit by reason of having incurred expense occasioned by the burial of the member, if the portion paid does not exceed the sum of \$1,000.00.

(3) If at the death of a person insured under a benefit contract there is no lawful beneficiary to whom the proceeds are payable, the amount of the benefit, except to the extent that funeral benefits are paid pursuant to subsection (2), shall be payable to the personal representative of the deceased insured, except that if the owner of the certificate is other than the insured, the proceeds shall be payable to that owner.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8181 Attachment, garnishment, or other process.**

Sec. 8181.

No money or other benefit, charity, relief, or aid to be paid, provided, or rendered by a society, shall be liable to attachment, garnishment, or other process, or seized, taken, appropriated, or applied by any legal or equitable process or operation of law to pay any debt or liability of a member, beneficiary, or any other person who may have a right thereunder, either before or after payment by the society.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8182 Benefit contracts.**

Sec. 8182.

(1) Each society authorized to do business in this state shall issue to each owner of a benefit contract a certificate specifying the amount of benefits provided. The certificate, together with any attached riders or endorsements, the laws of the society, the application for membership, the application for insurance and declaration of insurability, if

any, signed by the applicant, and all amendments to each, shall constitute the benefit contract, as of the date of issuance, between the society and the owner, and the certificate shall state this. A copy of the application for insurance and declaration of insurability, if any, shall be endorsed upon or attached to the certificate. All statements on the application shall be representations and not warranties. Any waiver of this provision shall be void.

(2) Changes, additions, or amendments to the society's laws duly made or enacted subsequent to the issuance of the certificate shall bind the owner and the beneficiaries, and shall govern and control the benefit contract in all respects the same as though the changes, additions, or amendments had been made prior to and were in force at the time of the application for insurance, except that no change, addition, or amendment shall destroy or diminish benefits that the society contracted to give the owner as of the date of issuance.

(3) A person upon whose life a benefit contract is issued prior to attaining the age of majority shall be bound by the terms of the application and certificate and by all the society's laws and rules to the same extent as though the age of majority had been attained at the time of application.

(4) A society shall provide in its laws that if its reserves as to all or any class of certificates become impaired, its board of directors or corresponding body may require that there shall be paid by the owner to the society the amount of the owner's equitable proportion of the deficiency as ascertained by its board, and that if the payment is not made either of the following applies:

(a) It shall stand as an indebtedness against the certificate and draw interest not to exceed the rate specified for certificate loans under the certificates.

(b) In lieu of or in combination with subdivision (a), the owner may accept a proportionate reduction in benefits under the certificate.

(5) The society may specify the manner of the election under subsection (4) and which alternative is to be presumed if no election is made.

(6) Copies of any of the documents in this section, certified by the secretary or corresponding officer of the society, shall be received in evidence of the terms and conditions of the document.

(7) A certificate shall not be delivered or issued for delivery in this state unless a copy of the form has been filed with the commissioner in the manner provided for like policies issued by life insurers in this state. Each life, accident, health, or disability insurance certificate and each annuity certificate issued on or after April 1, 1991 shall meet the standard contract provision requirements not inconsistent with this chapter for like policies issued by life insurers in this state as provided in chapters 34 and 40, except that a society may provide for a grace period for payment of premiums of 1 full month in its certificates. The certificates shall also contain a provision stating the amount of premiums payable under the certificate and a provision reciting or setting forth the substance of any sections of the society's laws or rules in force at the time of issuance of the certificate that, if violated, will result in the termination or reduction of benefits payable under the certificate. If the laws of the society provide for expulsion or suspension of a member, the certificate shall also contain a provision that any member so expelled or suspended, except for nonpayment of a premium or within the contestable period for material misrepresentation in the application for membership or insurance, shall have the privilege of maintaining the certificate in force by continuing payment of the required premium.

(8) Benefit contracts issued on the lives of persons below the society's minimum age for adult membership may provide for transfer of control or ownership to the insured at an age specified in the certificate. A society may require approval of an application for membership in order to effect this transfer, and may provide in all other respects for the regulation, government, and control of the certificate and all rights, obligations, and liabilities incident to and connected with the certificate. Ownership rights prior to the transfer shall be specified in the certificate.

(9) A society may specify the terms and conditions on which benefit contracts may be assigned.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

### **500.8183 Value of paid-up nonforfeiture benefit; amount of cash surrender value, loan, or other option granted.**

Sec. 8183.

(1) For certificates issued before April 1, 1991, the value of every paid-up nonforfeiture benefit and the amount of any cash surrender value, loan, or other option granted shall comply with the law applicable before April 1, 1990.

(2) For certificates issued on or after April 1, 1991, for which reserves are computed on the commissioner's 1980 standard mortality table, or any more recent table made applicable to life insurers, every paid-up nonforfeiture

benefit and the amount of any cash surrender value, loan, or other option granted shall not be less than the corresponding amount ascertained in accordance with the laws of this state applicable to life insurers issuing policies containing like benefits based upon the tables.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990  
**Popular Name:** Act 218

#### **500.8184 Investments generally.**

Sec. 8184.

A society shall invest its funds only in those investments authorized by the laws of this state for the investment of assets of life insurers and subject to the limitations of those laws. Any foreign or alien society permitted or seeking to do business in this state which invests its funds in accordance with the laws of the state, district, territory, country, or province in which it is incorporated, shall be held to meet the requirements of this section for the investment of funds.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990  
**Popular Name:** Act 218

#### **500.8185 Assets; special fund; accounts; issuance of contracts on variable basis; special procedures; special voting and other rights.**

Sec. 8185.

(1) All assets shall be held, invested, and disbursed for the use and benefit of the society. A society member or beneficiary shall not have or acquire individual rights in a society's assets or become entitled to any apportionment on the surrender of any part of a society's assets, except as provided in the benefit contract.

(2) A society may create, maintain, invest, disburse, and apply any special fund necessary to carry out any purpose permitted by the laws of the society.

(3) A society, pursuant to resolution of its supreme governing body, may establish and operate 1 or more separate accounts and issue contracts on a variable basis, subject to all the provisions of law regulating life insurers establishing such accounts and issuing such contracts, including capital and surplus requirements. To the extent the society considers it necessary in order to comply with any applicable federal or state laws or rules, the society may adopt special procedures for the conduct of the business and affairs of a separate account, may provide, for persons having beneficial interest in such an account, special voting and other rights, including without limitation special rights and procedures relating to investment policy, investment advisory services, selection of certified public accountants, and selection of a committee to manage the business and affairs of the account, and may issue contracts on a variable basis to which section 8182(2) and (4) shall not apply.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990  
**Popular Name:** Act 218

#### **500.8186 Standards of valuation for certificates; excess reserves.**

Sec. 8186.

(1) Standards of valuation for certificates issued before April 1, 1991 shall be those provided by the laws applicable before April 1, 1990.

(2) The minimum standards of valuation for certificates issued on or after April 1, 1991 shall be under valuation

methods and standards, including interest assumptions, in accordance with the laws of this state applicable to life insurers issuing policies containing like benefits and shall be based on the following tables:

(a) For certificates of life insurance, the commissioner's 1980 standard ordinary mortality table or any more recent table made applicable to life insurers.

(b) For annuity and pure endowment certificates, for total and permanent disability benefits, for accidental death benefits, and for noncancelable accident and health benefits, the tables as are authorized for use by life insurers in this state.

(3) The commissioner, in his or her discretion, may accept other standards for valuation if the commissioner finds that the reserves produced thereby will not be less in the aggregate than reserves computed in accordance with the minimum valuation standard prescribed in this section. The commissioner, in his or her discretion, may vary the standards of mortality applicable to all benefit contracts on substandard lives or other extra hazardous lives by any society authorized to do business in this state.

(4) A society, with the consent of the commissioner of insurance of the state of domicile of the society and under conditions, if any, that the commissioner may impose, may establish and maintain reserves on its certificates in excess of the reserves required thereunder, so long as the contractual rights of any benefit member are not affected.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8187 Reports; annual statement; valuation of certificates; penalty.**

Sec. 8187.

(1) Reports shall be filed in accordance with this section.

(2) On or before March 1, each society transacting business in this state shall annually file with the commissioner a true statement of its financial condition, transactions, and affairs for the preceding calendar year. The commissioner, in his or her discretion, for cause shown, may extend the time for filing. The statement shall be in a form as required by the commissioner which may be in the general form and context as approved by the national association of insurance commissioners for fraternal benefit societies and as supplemented by additional information required by the commissioner.

(3) As part of the annual statement required in subsection (2), each society shall file with the commissioner, on or before March 1, a valuation of its certificates in force on December 31 of the year preceding the filing. The commissioner, in his or her discretion for cause shown, may extend the time for filing the valuation for not more than 2 calendar months. The valuation shall be done in accordance with the standards specified in section 8186. The valuation and underlying data shall be certified by a qualified actuary or, at the expense of the society, verified by the actuary of the department of insurance of the state of domicile of the society.

(4) A society neglecting to file the annual statement in the form and within the time provided by this section shall be fined \$100.00 for each day during which the neglect continues, and, upon notice by the commissioner to that effect, its authority to do business in this state shall cease while the default continues.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8188 Duration of license or authorization to transact business; copy of license as evidence.**

Sec. 8188.

A society that is licensed or authorized to transact business in this state may continue the business and the authority of the society until the society's license or authority is suspended or revoked by the commissioner or is terminated at the society's request. A duly certified copy or duplicate of the license shall be prima facie evidence that the licensee is a fraternal benefit society within the meaning of this chapter.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8189 Examination of society.**

Sec. 8189.

(1) The commissioner, or any person he or she may appoint, may examine any domestic, foreign, or alien society transacting or applying for admission to transact business in this state in the same manner as authorized for examination of domestic, foreign, or alien insurers, shall have free access to all the books, papers, and documents that relate to the business of the society, and may summon and qualify as witness under oath and examine its officers, agents, and employees or other persons in relation to the affairs, transactions, and condition of the society. Requirements of notice and an opportunity to respond before findings are made public as provided in the laws regulating insurers shall also be applicable to the examination of societies.

(2) The expense of each examination and of each valuation, including compensation and actual expense of examiners, shall be paid by the society examined or whose certificates are valued, upon statements furnished by the commissioner.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8190 Foreign or alien society; license required; compliance; conditions.**

Sec. 8190.

A foreign or alien society shall not transact business in this state without a license issued by the commissioner. A society desiring admission to this state shall comply substantially with the requirements and limitations of this chapter applicable to a domestic society. A foreign or alien society may be licensed to transact business in this state if its assets are invested in accordance with the provisions of this chapter and upon filing with the commissioner all of the following:

- (a) A duly certified copy of its articles of incorporation.
- (b) A copy of its bylaws, certified by its secretary or corresponding officer.
- (c) A power of attorney to the commissioner as provided in section 8196.
- (d) A statement of its business under oath of its president and secretary or corresponding officers in a form prescribed by the commissioner, duly verified by an examination made by the supervising insurance official of its home state or other state, territory, province, or country, satisfactory to the commissioner.
- (e) Certification from the proper official of its home state, territory, province, or country that the society is legally incorporated and licensed to transact business there.
- (f) Copies of its certificate forms.
- (g) Such other information as the commissioner may consider necessary.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8191 Domestic society; deficiencies; notice; request for correction; noncompliance; action to enjoin or action in quo warranto; hearing; order; findings; liquidation; recognition of action; receiver; voluntary determination to discontinue business.**

Sec. 8191.

(1) If the commissioner upon investigation finds that a domestic society has exceeded its powers, has failed to comply with any provision of this chapter, is not fulfilling its contracts in good faith, has a membership of less than 400 after an existence of 1 year or more, or is conducting business fraudulently or in a manner hazardous to its

members, creditors, the public, or the business, the commissioner shall notify the society of his or her findings and state in writing the reasons for his or her dissatisfaction. The commissioner shall issue immediately a written notice to the society requiring that each deficiency that exists be corrected. After notice, the society shall have a 30-day period in which to comply with the commissioner's request for correction, and if the society fails to comply, the commissioner shall notify the society of the findings of noncompliance and require the society to show cause on a date named why it should not be enjoined from carrying on any business until the violation complained of is corrected, or why an action in quo warranto should not be commenced against the society.

(2) If the society pursuant to subsection (1) does not present good and sufficient reasons why it should not be enjoined or why an action in quo warranto should not be commenced, the commissioner may request the attorney general to commence an action to enjoin the society from transacting business or to commence an action in quo warranto.

(3) The court shall notify the society's officers of a hearing. If after a full hearing it appears that the society should be enjoined, liquidated, or a receiver appointed, the court shall enter the necessary order. An enjoined society shall not have the authority to do business until the commissioner finds all of the following:

(a) That the violation complained of has been corrected.

(b) The costs of the action have been paid by the society if the court finds that the society was in default as charged.

(c) The court has dissolved its injunction.

(d) The commissioner has reinstated the certificate of authority.

(4) If the court orders the society liquidated, the society shall be enjoined from carrying on any further business, and the receiver of the society shall proceed at once to take possession of the books, papers, money, and other assets of the society and, under the direction of the court, proceed immediately to close the affairs of the society and to distribute its funds to those entitled.

(5) An action under this section shall not be recognized in any court of this state unless brought by the attorney general upon request of the commissioner. If a receiver is to be appointed for a domestic society, the court shall appoint the commissioner as the receiver.

(6) The provisions of this section relating to hearing by the commissioner, action by the attorney general at the request of the commissioner, hearing by the court, injunction, and receivership shall be applicable to a society that voluntarily determines to discontinue business.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8192 Foreign or alien society; deficiencies; notice; request for correction; noncompliance; suspension, revocation, or refusal of license; contracts.**

Sec. 8192.

(1) If the commissioner upon investigation finds that a foreign or alien society transacting or applying to transact business in this state has exceeded its powers, has failed to comply with any of the provisions of this chapter, is not fulfilling its contracts in good faith, or is conducting its business fraudulently or in a manner hazardous to its members or creditors or the public, the commissioner shall notify the society of his or her findings and state in writing the reasons for his or her dissatisfaction. The commissioner shall issue immediately a written notice to the society requiring that the deficiency or deficiencies that exist be corrected. After the notice the society shall have a 30-day period in which to comply with the commissioner's request for correction, and if the society fails to comply, the commissioner shall notify the society of the findings of noncompliance and require the society to show cause on a date named why its license should not be suspended, revoked, or refused. If on that date the society does not present good and sufficient reason why its authority to do business in this state should not be suspended, revoked, or refused, the commissioner may suspend or refuse the license of the society to do business in this state until satisfactory evidence is furnished to the commissioner that the suspension or refusal should be withdrawn or the commissioner may revoke the authority of the society to do business in this state.

(2) Nothing in this section shall be taken or construed as preventing a society from continuing in good faith all contracts made in this state during the time that the society was legally authorized to transact business in this state.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8193 Application or petition for injunction; recognition.**

Sec. 8193.

An application or petition for injunction against any domestic, foreign, or alien society, or lodge of such a society, shall not be recognized in any court of this state unless commenced by the attorney general upon request of the commissioner.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8194 Agent of society; license required; exceptions.**

Sec. 8194.

An agent of a society shall be licensed in accordance with the provisions of chapter 12 regulating the licensing, revocation, suspension, or termination of licenses of resident and nonresident agents except that an examination or license shall not be required of any regular salaried officer, employee, or member of a licensed society who devotes substantially all of his or her services to activities other than the solicitation of fraternal insurance contracts from the public, and who receives for the solicitation of such contracts no commission or other compensation directly dependent upon the amount of business obtained.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8195 Society subject to chapter 20.**

Sec. 8195.

Each society authorized to do business in this state shall be subject to the provisions of chapter 20 relating to unfair trade practices except that chapter 20 shall not be construed as applying to or affecting the right of a society to determine its eligibility requirements for membership, or be construed as applying to or affecting the offering of benefits exclusively to members or persons eligible for membership in the society by a subsidiary corporation or affiliated organization of the society.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8196 Service of process.**

Sec. 8196.

(1) Each society authorized to do business in this state shall appoint in writing the commissioner and each successor in office to be its true and lawful attorney upon whom all lawful process in any action or proceeding against it shall be served, and shall agree in that writing that any lawful process against it that is served on the commissioner shall be of the same legal force and validity as if served upon the society, and that the authority shall continue in force so long as any liability remains outstanding in this state. Copies of the appointment, certified by the commissioner, shall be sufficient evidence thereof and shall be admitted in evidence with the same force and



effect as the original might be admitted.

(2) Service shall only be made upon the commissioner, or the commissioner's deputy. Service shall be made in duplicate and shall constitute sufficient service upon the society. If legal process against a society is served upon the commissioner, the commissioner shall forward immediately 1 of the duplicate copies prepaid and directed to the secretary or corresponding officer of the society. Such service shall not require a society to file its answer, pleading, or defense in less than 30 days from the date of mailing the copy of the service to a society. Legal process shall not be served upon a society except in the manner provided in this section and upon payment of the fee specified in section 456.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8197 False or fraudulent statement or representation as misdemeanor or perjury; violation of MCL 500.8177 as felony; soliciting or procuring membership in unlicensed society as misdemeanor; violation of or noncompliance with chapter; penalties.**

Sec. 8197.

(1) A person, officer, member, or examining physician of any society authorized to do business under this chapter, who knowingly or willfully makes a false or fraudulent statement or representation in or with reference to an application for membership, or for the purpose of obtaining money from or benefit in any society transacting business under this chapter, is guilty of a misdemeanor, and upon conviction shall be punished by imprisonment for not less than 30 days or more than 1 year, or by a fine of not less than \$100.00 or more than \$500.00, or both.

(2) A person who willfully makes a false statement of a material fact or thing in a sworn statement as to the death or disability of a certificate holder in a society for the purpose of procuring payment of a benefit named in the certificate of the holder, and a person who willfully makes a false statement in a verified report or declaration under oath required or authorized by this chapter, is guilty of perjury.

(3) A person who violates section 8177 is guilty of a felony, and upon conviction shall be punished by imprisonment for not more than 5 years, or by a fine of not more than \$5,000.00, or both.

(4) A person who solicits membership for or in any manner assists in procuring membership in a society not licensed to do business in this state is guilty of a misdemeanor punishable by a fine of not less than \$50.00 or more than \$200.00.

(5) A person guilty of a willful violation of or neglect or refusal to comply with the provisions of this chapter for which a penalty is not otherwise prescribed is subject to the penalty provided in section 150.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8198 Decisions and findings of commissioner; judicial review.**

Sec. 8198.

All decisions and findings of the commissioner made under the provisions of this chapter shall be subject to review by proper proceedings in a court of competent jurisdiction in this state.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

**500.8199 Exemptions.**

Sec. 8199.

(1) This chapter shall not be construed to affect or apply to any of the following described organizations which were in existence and issuing benefits on July 1, 1945:

(a) Grand or subordinate lodges of masons, odd fellows or knights of Pythias, exclusive of the insurance department of the supreme lodge knights of Pythias, the junior order of united American mechanics, exclusive of the beneficiary degree of insurance branch of the national council junior order of united American mechanics, the ladies' Lutheran benevolent federation of Michigan, labor organizations or societies that admit to membership only those persons who at the time of admission are engaged in any 1 occupation or who limit their membership to any 1 religious denomination, similar societies that do not issue insurance certificates, an association of local lodges of a society now doing business in this state that provides death benefits not exceeding \$500.00 to any 1 person or disability benefits not exceeding \$300.00 in any 1 year to any 1 person, or both, a contract of reinsurance business on such plan in this state, a domestic society that limits its membership to the employees of a particular city or town, similar societies that limit their membership to a designated firm, business house, or corporation granting death benefits not exceeding \$1,000.00 or disability benefits not exceeding \$300.00 in any 1 year to any 1 person, and domestic lodges orders or associations of a purely religious, charitable, and benevolent description that do not provide for a death benefit of more than \$150.00 or for disability benefits of more than \$150.00 to any 1 person in any 1 year.

(b) Orders, societies, or associations that admit to membership only persons engaged in 1 or more crafts or hazardous occupations, in the same or similar lines of business, insuring only their own members and their families, and the ladies' societies or ladies' auxiliaries to such orders, societies, or associations.

(2) The commissioner may require from a society such information as will enable him or her to determine whether the society is exempt from the provisions of this chapter.

(3) A fraternal benefit society, organized and incorporated and operating as set forth in sections 8164 to 8166, providing for benefits in case of death or disability resulting solely from accidents but which does not obligate itself to pay death or sick benefits, may be licensed under the provisions of this chapter and shall have all the privileges and be subject to all the provisions and regulations of this chapter, except that the provisions of this chapter requiring medical examinations and valuations of benefit certificates, and that the certificate shall specify the amount of benefits, shall not apply to such society.

(4) Societies exempted under the provisions of this section shall also be exempt from all other provisions of the insurance laws of this state.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990

**Popular Name:** Act 218

#### **500.8199a Additional chapters and provisions applicable to fraternal benefit society.**

Sec. 8199a.

A fraternal benefit society transacting business in this state and not exempt from the provisions of this chapter under section 8199 is also subject to the following additional chapters and provisions of this act, as applicable:

(a) Chapter 1.

(b) Chapter 2. However, as to section 240, only subsection (1)(c), (d), (h), and (j) apply, except as provided in section 5222.

(c) Sections 403, 405a, 436, 436a, 437, 476a, 839, 5222, and 5256.

(d) Chapter 9.

(e) Chapter 11.

(f) Chapter 34.

(g) Chapter 38.

(h) Chapter 39.

(i) Chapter 40 except as to section 4004.

(j) Chapter 81.

**History:** Add. 1990, Act 1, Eff. Apr. 1, 1990 ;-- Am. 1992, Act 84, Imd. Eff. June 2, 1992 ;-- Am. 1994, Act 226, Imd. Eff. June 27, 1994 ;-- Am. 1998, Act 457, Imd. Eff. Jan. 4, 1999

**Popular Name:** Act 218

