

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

500.5024 Securing subscribers, stockholders, or members of insurance company; sale of capital stock; required acts of incorporators; authority of commissioner.

Sec. 5024. (1) Before securing subscribers, stockholders, or members of an insurance company, or taking subscriptions for, or negotiating for, the sale of any of the capital stock of the company or subscriptions for membership in the company, the incorporators shall do all of the following:

(a) Deliver to the commissioner such bond, deposit, or security for the protection of subscribers as the commissioner may require.

(b) Prepare and file with the commissioner duplicate copies of the articles of incorporation with the certificate of the attorney general attached, a statement showing in full detail the plan upon which the company proposes to transact business, a copy of all contracts, stocks or other instruments that it proposes to make with, or sell to, its stockholders or members, together with a copy of its prospectus and the proposed advertisements to be used in the solicitation of members or stockholders. The statement shall also show the name and location and main office of the company, the name, home and business address of each of the incorporators, the amount subscribed and paid in by each of them, and the manner in which future payments shall be made, together with 4 references as to the character and financial standing of each of the incorporators with the business address of each of the references.

(2) The commissioner shall examine the statements and documents presented and shall have power to conduct any investigation that the commissioner considers necessary and to hear the incorporators and to examine under oath any persons interested or connected with the proposed insurance company. If in the opinion of the commissioner the sale of capital stock in the proposed insurance company or soliciting of membership therein would work a fraud upon the persons subscribing to the capital stock or to such membership the commissioner may refuse to license the persons so associating to proceed in the organization and promotion of the insurance company. If, upon examination of the articles of incorporation, the documents, and instruments above mentioned and any further investigation as the commissioner may make, the commissioner is satisfied that the sale of the capital stock of the proposed insurance company or the subscription to membership therein would not work a fraud upon the persons solicited to become purchasers of such capital stock, or members of the insurance company, the commissioner shall return to the incorporators 1 copy of the articles of incorporation certified by the commissioner for the records of the company and shall retain 1 copy for the insurance bureau files. The commissioner shall then issue a certificate authorizing the incorporators to proceed with the organization of the insurance company through the sale of stock or taking of memberships.

(3) The commissioner shall have authority at any time to revoke any certificate, order, or consent made by him or her to such company to procure applications for stock or membership upon being satisfied that the further solicitation of stockholders, or members, in the corporation will work a fraud upon the persons so solicited and the commissioner may make any investigation from time to time as he or she considers best and to grant hearings to the incorporators concerning the revocation.

(4) The action of the commissioner provided for in this section shall not be in place of any action provided by law to be taken by the corporations and securities bureau of the state of Michigan in relation to the sale, taking subscriptions for, or offering for sale any stocks or securities within this state.

History: 1956, Act 218, Eff. Jan. 1, 1955;—Am. 1994, Act 226, Imd. Eff. June 27, 1994.

Popular name: Act 218