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BILL ANALYSIS

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Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bill 246 (as reported without amendment)

Sponsor: Senator Michael J. O'Brien

Committee: Commerce and Technology

Date Completed: 3-15-89

RATIONALE

Because life expectancy in this country has been increasing, and apparently will continue to increase, there is greater likelihood that more and more people will experience life-threatening or catastrophic illnesses. The medical expertise and sophisticated technological instrumentation and testing procedures used in the treatment of these illnesses, however, are generally acknowledged to be very costly, often exceeding the coverage provided by Medicare or private health insurance. Some have suggested that one way to address the issue of paying for medical services in critical situations would be to allow insurers to prepay part of a person's death benefits if that person were suffering from a life-threatening or catastrophic illness.

CONTENT

The bill would amend the Insurance Code to specify that the term "life insurance" would include insurance that prepays in a lump sum not more than 25% of the death benefit based on one or more of the following conditions if considered to be life-threatening or of a catastrophic nature:

- Malignant tumors.
- Conditions requiring organ transplantation.
- Coronary artery disease resulting in acute infarction or requiring surgery.
- Permanent neurological deficit resulting from cerebral vascular accident.
- Endstage renal failure.
- Other medical conditions that after an opportunity for a hearing under the Administrative Procedures Act the Insurance Commissioner found to be either life-threatening or of a

catastrophic nature.

MCL 500.602

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State government and no fiscal impact on local government.

The Insurance Bureau would have to review the policy forms and determine whether adequate revenues were established under this expansion of the definition of "life insurance". Whether this additional review would cause Insurance Bureau costs to rise cannot be determined; however, the Insurance Bureau would not plan to add employees.

ARGUMENTS**Supporting Argument**

The bill would enable insurers to offer life insurance that provided for the partial prepayment of death benefits. Such insurance would be a tremendous financial aid to persons suffering from life-threatening or catastrophic illnesses who need immediate help in covering their ever-increasing medical costs. As an added advantage, there would not be the cost associated with the use of such insurance money that there would be if the person borrowed against the policy.

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S.B. 246 (3-15-89)