

HOUSE BILL No. 4704

April 16, 1991, Introduced by Reps. Law, Dresch, Bandstra, Bankes and Shugars and referred to the Committee on Corporations and Finance.

A bill to regulate the sale and purchase of life insurance policies; and to provide for a penalty.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. As used in this act:

2 (a) "Life insurance policy" means that term as defined in
3 section 602 of the insurance code of 1956, Act No. 218 of the
4 Public Acts of 1956, being section 500.602 of the Michigan
5 Compiled Laws.

6 (b) "Physician" means a person licensed by the state to
7 practice medicine or osteopathic medicine under article 15 of the
8 public health code, Act No. 368 of the Public Acts of 1978, being
9 sections 333.16101 to 333.18838 of the Michigan Compiled Laws.

10 Sec. 3. A person shall not purchase a life insurance policy
11 from the insured person for full value of the death benefit or at

1 a discount prior to the death of the insured person unless all of
2 the following are met:

3 (a) The insured person has 1 or more of the following medi-
4 cal conditions that are considered to be life threatening as cer-
5 tified by a physician:

6 (i) Malignant tumor.

7 (ii) Condition requiring organ transplantation.

8 (iii) Coronary artery disease resulting in acute infarction
9 or requiring surgery.

10 (iv) Permanent neurological deficit resulting from cerebral
11 vascular accident.

12 (v) Endstage renal failure.

13 (vi) Other medical conditions which a physician finds and
14 certifies to be life threatening.

15 (b) Each beneficiary to the life insurance policy waives his
16 or her rights to the death benefit.

17 (c) The insured person has 15 days after receipt of the pro-
18 ceeds to cancel the sale and return the proceeds.

19 (d) The purchaser of the life insurance policy provides in
20 writing to the insured person an explanation of the possible
21 income tax consequences arising from the sale of the policy.

22 Sec. 5. This act does not apply to a lump sum disbursement
23 of not more than 25% of the death benefit pursuant to section 602
24 of the insurance code of 1956, Act No. 218 of the Public Acts of
25 1956, being section 500.602 of the Michigan Compiled Laws.

1 Sec. 7. A person who violates this act is guilty of a
2 misdemeanor punishable by imprisonment for not more than 1 year,
3 or by a fine of not more than \$500.00, or both.