



HOUSE BILL No. 5238

October 11, 1995, Introduced by Reps. Bullard, Law and Llewellyn and referred to the Committee on Insurance.

A bill to amend section 4418 of Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

as amended by Act No. 379 of the Public Acts of 1982, being section 500.4418 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 4418 of Act No. 218 of the Public Acts
2 of 1956, as amended by Act No. 379 of the Public Acts of 1982,
3 being section 500.4418 of the Michigan Compiled Laws, is amended
4 to read as follows:

5 Sec. 4418. (1) Group life insurance may be issued in con-
6 nection with loans on dwellings or mobile homes when provided
7 through a group if the lending or servicing financial institution
8 directly or indirectly is the group policyholder. The insurance
9 shall be only on a decreasing term basis and shall be limited in

1 initial amount to the ~~lesser of the~~ amount of the loan. ~~or~~
2 ~~\$80,000.00 adjusted annually by the United States department of~~
3 ~~labor consumer price index as computed for each calendar year.~~
4 Only 1 policy or certificate of life insurance may be issued in
5 connection with each mortgage loan. Dividends payable under
6 these group policies shall inure solely to the benefit of the
7 party paying the premiums on the insurance and shall be propor-
8 tionate to that portion of the premium paid by or on behalf of
9 the certificate holder. Policies issued under this section shall
10 contain a conversion privilege specifying that within 31 days
11 after the repayment of the mortgage, the insured may convert the
12 insurance then in force to any permanent form of life insurance.
13 The available forms of converted insurance shall include whole
14 life. The insurer may limit the converted policy to a minimum of
15 \$1,000.00 or to a maximum equal to 80% of the insurance then in
16 force, or both. If the loan for which the insurance was issued
17 is repaid, any prepaid premiums in excess of \$5.00 shall be
18 returned to the insured.

19 (2) An insurer shall not directly or indirectly, by any
20 means, device, transaction, or agreement, through its agents,
21 employees, or otherwise, provide for or pay to the lending or
22 servicing financial institutions any monetary or financial bene-
23 fits as a result of insurance on the life of a borrower in con-
24 nection with a loan on a dwelling or mobile home made or serviced
25 by the financial institution, except as provided in this section
26 for the types of insurance authorized by this section.

1 (3) Insurers may reimburse financial institutions making or
2 servicing loans on dwellings or mobile homes and issuing
3 insurance through group policies and for individual policies
4 being serviced by those financial institutions before January 1,
5 1969, for reasonable expenses incurred in servicing the
6 insurance. Remuneration provided by insurers for the financial
7 institutions shall be on the basis of a reasonable compensation.
8 The reimbursement and remuneration shall not exceed a sum
9 expressed in terms of cents per month per policy or certificate,
10 as shall from time to time be authorized by the commissioner as
11 reasonably necessary on an aggregate average basis to compensate
12 financial institutions for expenses and for a reasonable compen-
13 sation as determined by the commissioner. A disability rider or
14 provision in a life insurance policy shall not be considered a
15 policy for computing an expense reimbursement.

16 (4) THIS SECTION DOES NOT PROHIBIT A FINANCIAL INSTITUTION
17 OR ITS AFFILIATE FROM OWNING, AND RECEIVING DIVIDENDS FROM, STOCK
18 IN A REINSURER THAT ACCEPTS CESSIONS FROM AN INSURANCE COMPANY
19 THAT PROVIDES GROUP LIFE INSURANCE TO CUSTOMERS OF THE FINANCIAL
20 INSTITUTION IN CONNECTION WITH LOANS ON DWELLINGS OR MOBILE HOMES
21 IF BOTH OF THE FOLLOWING APPLY:

22 (A) UNDER THE TERMS OF THE REINSURANCE TREATY OR RELATED
23 CONTRACT THE REINSURER MAY SUSTAIN LOSSES AS A CONSEQUENCE OF THE
24 EXPERIENCE WITH THE REINSURED BUSINESS.

25 (B) DIVIDENDS, IF ANY, ARE ONLY PAID OUT OF THE REINSURER'S
26 EARNINGS.