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House Bill 4907 (Substitute S-1 as reported by the Committee of the Whole)

Sponsor: Representative John Stahl

House Committee: Insurance

Senate Committee: Banking and Financial Institutions

### **CONTENT**

The bill would amend the Insurance Code to regulate accelerated benefits in life insurance policies. The bill would do the following:

- Delete a provision that limits prepaid death benefits to a lump sum of not more than 25% of the benefits.
- Establish requirements for an accelerated benefit rider and a life insurance policy with accelerated benefit provisions.
- Require insurers offering accelerated benefits to make certain disclosures regarding the possible taxable status and other effects of accelerated benefit payments; and to give an insured or applicant for accelerated benefit coverage information regarding premiums and other costs of the insurance.
- Regulate the pay-out of accelerated benefits, including the effects of policy loans and liens on the payment of benefits.
- Specify requirements for the determination of policy reserves.

"Accelerated benefits" would mean "benefits payable under a life insurance contract to a policyowner or certificateholder during the lifetime of the insured, in anticipation of death or upon the occurrence of specified life-threatening or catastrophic conditions as defined in the policy or rider that reduce the death benefit otherwise payable under the life insurance contract and that are payable upon the occurrence of a single qualifying event that results in the payment of a benefit amount fixed at the time of acceleration".

"Qualifying event" would mean one or more of the following: a medical condition that results in a drastically limited life span as specified in the contract; a medical condition that requires or has required extraordinary medical intervention, including major organ transplant or continuous artificial life support, without which the insured would die; a condition that usually requires continuous confinement in an eligible institution, as defined in the contract, if the insured is expected to remain there for the rest of his or her life; a medical condition that, in the absence of extensive or extraordinary medical treatment, would result in a drastically limited life span, including coronary artery disease resulting in an acute infarction or requiring surgery, permanent neurological deficit resulting from cerebral vascular accident, end-stage renal failure, acquired immune deficiency syndrome (AIDS), or other medical conditions that approved for any particular filing; or other qualifying events approved for a particular filing.

MCL 500.602 et al.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Date Completed: 10-29-03

Fiscal Analyst: Maria Tyszkiewicz