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BILL ANALYSIS

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Senate Bill 1534 (as introduced 9-23-08)
Sponsor: Senator Jason E. Allen
Committee: Banking and Financial Institutions

Date Completed: 11-6-08

CONTENT

The bill would amend the Insurance Code to allow a life insurer to offer an associated life insurance policy or annuity contract with a limited death benefit to a proposed insured who did not meet insurance requirements for a policy that provided immediate full coverage or who chose not to answer medical questions required for such a policy.

The Code provides for the licensure of a funeral establishment, cemetery, or seller as a limited life insurance agent that may sell only associated life insurance policies or annuity contracts. The Code defines "associated life insurance policy or annuity contract" as a life insurance policy or annuity contract that is marketed, designed, and intended to be assigned as payment for cemetery goods or services or funeral goods and services. Each associated life insurance policy or annuity contract delivered or issued for delivery in this State must have a death benefit that is sufficient to cover the initial contract price of the cemetery goods or services or funeral goods or services and that increases at an annual rate of not less than the consumer price index.

Under the bill, however, a life insurer could offer an associated life insurance policy or annuity contract with a limited death benefit to a proposed insured who did not meet insurance requirements for a policy that provided immediate full coverage or who chose not to answer medical questions required for a policy that provided immediate full coverage.

The Code allows a life insurer to write a life insurance policy or annuity contract that is subject to an assignment of the proceeds of the policy or contract as payment for cemetery services or goods or funeral services or goods regardless of the relationship between the life insurer and the assignee. A predeath assignment of the proceeds of a life insurance policy or annuity contract as payment for cemetery or funeral services or goods is void unless criteria specified in the Code are met. An assignment must provide, among other things, that for the assignment of a nonassociated life insurance policy or annuity contract, any increase in the price of the cemetery services or goods or the funeral services or goods does not exceed the consumer price index or the retail price list in effect when the death occurs, whichever is less.

Under the bill, that requirement would not apply to an insurance policy or annuity contract with a limited death benefit during the period that the limited death benefit was in effect. During this period, neither the beneficiary nor the seller would be obligated to fulfill the terms of the contract for the cemetery services or goods or funeral services or goods for

which the assigned proceeds served as payment and the only amount owed under the assignment would be for the total premiums paid plus interest.

Under the bill, "limited death benefit" would mean that the sum payable upon the insured's death is less than the amount necessary to cover the initial contract price of cemetery goods and services or funeral goods and services, but provides for a minimum benefit at least equal to the total premiums paid plus interest during the period of limitation, which may not exceed two years.

MCL 500.2080

Legislative Analyst: Craig Laurie

FISCAL IMPACT

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

Fiscal Analyst: Elizabeth Pratt
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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.