



**Senate Fiscal Agency**  
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House Bill 5150 (as passed by the House)  
Sponsor: Representative Ben Glardon  
House Committee: Insurance  
Senate Committee: Insurance

Date Completed: 3-4-14

### **CONTENT**

**The bill would amend the Insurance Code to do the following:**

- **Extend to an electronic application certain provisions regarding an application for a life insurance policy.**
- **Prescribe a formula for calculating the refund due to the purchaser of a variable annuity contract who returned the policy or contract.**

#### Life Insurance Policy

The Code requires each life insurance policy to provide that, in the absence of fraud, all statements made by the insured are considered representations and not warranties. The statement may not avoid the policy unless the statement is contained in a written application, and a copy must be endorsed upon or attached to the policy when issued.

The bill specifies that an application obtained through electronic means would be an application under these provisions. The bill also would require the information contained in the application to be endorsed upon or attached to the policy.

#### Annuity Contract

Under the Code, an annuity contract may not be delivered or issued for delivery in Michigan unless it contains a notice that during a period of at least 10 days after the policyholder receives the policy, he or she may cancel it and receive a prompt refund of any premium paid, including a policy fee or other charge, by mailing or otherwise surrendering the policy to the insurer together with a written request for cancelation. If the policyholder or purchaser returns the policy or contract, it is void from the beginning and the parties are in the same position as if no policy or contract had been issued.

The bill specifies that, for a variable annuity contract, the refund would have to equal the sum of the following:

- The difference between premiums paid, including any policy or contract fees or other charges, and the amounts allocated to any separate accounts under the policy or contract.
- The value of the amounts allocated to any separate accounts under the policy or contract on the date the insurer or its insurance producer received the returned policy.

## **FISCAL IMPACT**

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

Fiscal Analyst: Glenn Steffens

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