

Act No. 139
Public Acts of 2014
Approved by the Governor
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**STATE OF MICHIGAN
97TH LEGISLATURE
REGULAR SESSION OF 2014**

Introduced by Reps. Segal, Leonard, Glardon, Goike, Cochran and Hovey-Wright

ENROLLED HOUSE BILL No. 5146

AN ACT to amend 1956 PA 218, entitled "An act to revise, consolidate, and classify the laws relating to the insurance and surety business; to regulate the incorporation or formation of domestic insurance and surety companies and associations and the admission of foreign and alien companies and associations; to provide their rights, powers, and immunities and to prescribe the conditions on which companies and associations organized, existing, or authorized under this act may exercise their powers; to provide the rights, powers, and immunities and to prescribe the conditions on which other persons, firms, corporations, associations, risk retention groups, and purchasing groups engaged in an insurance or surety business may exercise their powers; to provide for the imposition of a privilege fee on domestic insurance companies and associations and the state accident fund; to provide for the imposition of a tax on the business of foreign and alien companies and associations; to provide for the imposition of a tax on risk retention groups and purchasing groups; to provide for the imposition of a tax on the business of surplus line agents; to provide for the imposition of regulatory fees on certain insurers; to provide for assessment fees on certain health maintenance organizations; to modify tort liability arising out of certain accidents; to provide for limited actions with respect to that modified tort liability and to prescribe certain procedures for maintaining those actions; to require security for losses arising out of certain accidents; to provide for the continued availability and affordability of automobile insurance and homeowners insurance in this state and to facilitate the purchase of that insurance by all residents of this state at fair and reasonable rates; to provide for certain reporting with respect to insurance and with respect to certain claims against uninsured or self-insured persons; to prescribe duties for certain state departments and officers with respect to that reporting; to provide for certain assessments; to establish and continue certain state insurance funds; to modify and clarify the status, rights, powers, duties, and operations of the nonprofit malpractice insurance fund; to provide for the departmental supervision and regulation of the insurance and surety business within this state; to provide for regulation over worker's compensation self-insurers; to provide for the conservation, rehabilitation, or liquidation of unsound or insolvent insurers; to provide for the protection of policyholders, claimants, and creditors of unsound or insolvent insurers; to provide for associations of insurers to protect policyholders and claimants in the event of insurer insolvencies; to prescribe educational requirements for insurance agents and solicitors; to provide for the regulation of multiple employer welfare arrangements; to create an automobile theft prevention authority to reduce the number of automobile thefts in this state; to prescribe the powers and duties of the automobile theft prevention authority; to provide certain powers and duties upon certain officials, departments, and authorities of this state; to provide for an appropriation; to repeal acts and parts of acts; and to provide penalties for the violation of this act," by amending sections 4404, 4420, 4424, 4426, 4434, 4438, 4442, and 4446 (MCL 500.4404, 500.4420, 500.4424, 500.4426, 500.4434, 500.4438, 500.4442, and 500.4446), section 4404 as amended by 2006 PA 511 and section 4424 as amended by 2008 PA 497.

The People of the State of Michigan enact:

Sec. 4404. (1) Group life insurance may be issued covering not less than 2 employees with or without medical examination, written under a policy issued to the employer or to the trustees of a fund established by the employer, the premium on which is to be paid by the employer, the employees, or by the employer and the employees jointly, and insuring only all of his or her employees, or all of any class or classes of employees determined by conditions pertaining

to the employment, for amounts of insurance based upon some plan that will preclude individual selection, for the benefit of persons other than the employer. This section does not require an employee to purchase group life insurance. Group life insurance may be written as part of a combined group life and disability insurance policy.

(2) A policy issued under subsection (1) may define “employees” to include 1 or more of the following:

(a) The employees of 1 or more subsidiary corporations.

(b) The employees, individual proprietors, and partners of 1 or more affiliated corporations, proprietorships, or partnerships if the business of the employer and the affiliated corporations, proprietorships, or partnerships is under common control.

(c) The retired employees, former employees, and directors of a corporate employer.

(d) For a policy issued to insure the employees of a public body, elected or appointed officials.

Sec. 4420. (1) Group life insurance may be issued covering the executives of employer members of any nonprofit incorporated industrial association, that is now and has been actively functioning as a nonprofit incorporated industrial association under its articles of incorporation for a period of not less than 10 years, written under a policy issued to the association that is the employer for the purposes of this chapter, or to the association and the executives of the employer members jointly, and insuring only all of the executives for amounts of insurance based upon a plan that will preclude individual selection, for the benefit of persons other than the association, and the premium on which shall be paid by the employer members or the employer members and the executives of the employer members jointly.

(2) In addition to a policy issued under subsection (1), group life insurance may be issued to an association, other than an association described under subsection (1), or to a trust or to the trustees of a fund established or maintained for the benefit of members of 1 or more associations. Group life insurance shall not be issued to an association under this subsection unless all of the following criteria are met:

(a) The association at the outset has not fewer than 100 members.

(b) The association has been organized and maintained for a purpose other than obtaining insurance.

(c) The association has been in active existence for not less than 2 years.

(d) The association’s bylaws provide for all of the following:

(i) Association members shall meet not less frequently than annually.

(ii) Except for an association that is a credit union, the association shall collect dues and solicit contributions from its members.

(iii) The members shall have voting rights and representation on the governing board.

(3) A policy issued under subsection (2) is subject to all of the following:

(a) The policy may insure members of the association, employees of the association, or employees of members for the benefit of persons other than the employee’s employer.

(b) The premium for the policy shall be paid from money contributed by 1 or more of the following:

(i) The association.

(ii) Employer members.

(iii) Covered persons.

(c) Except as provided in subdivision (d), a policy on which no part of the premium shall come from money contributed by the covered persons specifically for their insurance must insure all eligible persons, except those eligible persons who reject coverage in writing.

(d) An insurer may exclude or limit coverage on an individual as to whom evidence of individual insurability is not satisfactory to the insurer.

Sec. 4424. Group life insurance offered to a resident of this state under a group life insurance policy issued to a group other than a group described in sections 4404 to 4420 is subject to all of the following:

(a) A group life insurance policy shall not be issued in this state unless the director of the department of insurance and financial services finds all of the following:

(i) The issuance of the group policy is not contrary to the best interest of the public.

(ii) The issuance of the group policy would result in economies of acquisition and administration.

(iii) The benefits of the group policy are reasonable in relation to the premiums charged.

(b) The premium for the policy is paid from the policy holder’s funds, the funds contributed by the covered persons, or both.

(c) An insurer may exclude or limit the coverage on an individual as to whom evidence of individual insurability is not satisfactory to the insurer.

Sec. 4426. (1) Insurance under any group life insurance policy issued under sections 4400, 4404, 4408, 4412, 4420, and 4424 may be extended to insure the eligible dependents of each insured employee or member who so elects.

(2) The amounts of dependent insurance shall be in accordance with a plan that precludes individual selection.

(3) The premiums for the insurance on dependents may be paid by the employer or policyholder, or the employee or member, or the employer or policyholder and the employee or member, jointly.

(4) As used in this section:

(a) "Child" includes a biological, legally adopted, and step or foster child of an employee or member who is dependent on the employee or member.

(b) "Eligible dependent" includes the legal spouse and a child of an employee or member.

Sec. 4434. Each group life insurance policy shall contain a provision that the policy and the applications of the employer and, if applicable, of the individual employees insured, are the entire contract between the parties, and that all statements made by the employer or by the individual employees shall, in the absence of fraud, be considered representations and not warranties. Any such statement shall not be used in defense to a claim under the policy, unless the statement is contained in a written application. For purposes of this section, an enrollment form is not an application described in this section.

Sec. 4438. (1) Each group life insurance policy shall contain a provision that the company will issue to the employer for delivery to the employee, whose life is insured under the policy, an individual certificate that contains all of the following:

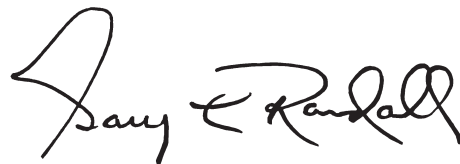
(a) A description of the employee's insurance coverage and to whom the insurance is payable.

(b) A statement that if the employee is terminated from employment for any reason, the employee is entitled to have issued to the employee by the company, without further evidence of insurability, upon application made to the company within 31 days after the termination, and upon the payment of the premium applicable to the class of risk to which the employee belongs and to the form and amount of the policy at the employee's then attained age, a policy of life insurance in any 1 of the forms customarily issued by the company, except term insurance, in an amount equal to the amount of the employee's coverage under the group insurance policy at the time of the employee's termination of employment.

(2) An individual certificate under subsection (1) is notice to the employee of his or her conversion rights under a group policy. A separate notice at the time of the employee's termination is not required.

Sec. 4442. Each group life insurance policy shall contain a provision that each new employee of an employer shall periodically be added to coverage if the new employee satisfies the conditions for coverage and is in the group or class of an employee originally insured.

Sec. 4446. A group policy offered by an insurer issued in another state shall not be issued in this state unless the director of the department of insurance and financial services determines that requirements substantially similar to section 4424(a) have been met.



Clerk of the House of Representatives



Secretary of the Senate

Approved

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Governor