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BILL ANALYSIS

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Senate Bill 268 (Substitute S-1 as reported)
Sponsor: Senator Kevin Hertel
Committee: Regulatory Affairs

CONTENT

The bill would amend the Insurance Code to delete a provision that requires a death benefit offered by an associated life insurance policy or annuity contract delivered or issued for delivery in Michigan to be increased at an annual rate of at least the Detroit Consumer Price Index (CPI).

Currently, Section 2080 of the Code allows for the sale of associated life insurance policies and annuity contracts under certain conditions. Unless otherwise specified, each life insurance policy or annuity contract must have a death benefit sufficient to cover the initial contract price of cemetery or funeral goods and services and increase at an annual rate of at least the CPI. The bill would delete the provision that requires the life insurance policy or annuity contract to increase at an annual rate of the CPI. Under the Code, a life insurer may write a life insurance policy or annuity contract that is subject to an assignment of the proceeds of the insurance policy or annuity contract as payment for cemetery services or goods or funeral services regardless of the relationship between the life insurer and assignee so long as certain criteria are met. Among the criteria are the following:

-- An associated life insurance policy or annuity contract subject to assignment cannot have a death benefit that exceeds $5,000 when the first payment is made.
-- A nonassociated life insurance policy subject to assignment cannot have an initial amount of proceeds assigned that exceeds $5,000.

The bill would increase these figures to reflect CPI adjustments. An associated life insurance policy or annuity contract subject to assignment could not have a death benefit that exceeded *$12,720* when the first payment was made and a nonassociated life insurance policy subject to assignment could not have an initial amount of proceeds assigned that exceeded *$12,720*.

MCL 500.2080

BRIEF RATIONALE

According to testimony, Michigan is the only State that requires life insurance policies or annuity contracts to increase at an annual rate of the CPI. As a result, certain insurance providers are no longer conducting business in the State. It has been suggested that this provision be deleted to increase market competition of these services for Michigan residents.

Legislative Analyst: Eleni Lionas

FISCAL IMPACT

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

Date Completed: 6-13-23

Fiscal Analyst: Elizabeth Raczkowski

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.