

THE INSURANCE CODE OF 1956 (EXCERPT)

Act 218 of 1956

CHAPTER 42

INDUSTRIAL LIFE INSURANCE

500.4200 Scope of chapter; other applicable provisions.

Sec. 4200. (1) This chapter shall apply only with respect to industrial life insurance policies.

(2) The following sections of chapter 40 (life insurance policies and annuity contracts) shall apply also to industrial life insurance policies: 4004 (policy must contain entire contract); 4040 (supplementary benefits); 4048 (provisions required by laws of other states, countries); 4052 (preliminary term insurance); 4054 (insurer may hold proceeds; exemption from creditors); 4060 (standard nonforfeiture law); 4062 (loan value; deferment); and 4064 (computation of loan indebtedness).

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4201 Industrial life insurance; definitions.

Sec. 4201. "Industrial life insurance," as used in this code, means that form of life insurance either (1) under which the premiums are payable weekly, or (2) under which the premiums are payable monthly or oftener, but less often than weekly, if the face amount of insurance provided in any such policy is \$1,000.00 or less and if the words "industrial policy" are printed upon the policy as a part of the descriptive matter.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4204 Required policy provisions; exceptions.

Sec. 4204. (1) In the case of industrial policies issued on and after January 1, 1944, no policy of industrial life insurance shall be issued or delivered in this state, unless the same shall contain in substance the provisions set forth in sections 4206 through 4238.

(2) Any of such provisions or portions thereof not applicable to single premium or nonparticipating insurance policies shall to that extent not be incorporated therein.

(3) This section and the sections referred to in subsection (1), above, shall not apply to policies issued or granted pursuant to nonforfeiture provisions prescribed in section 4220.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4206 Grace period; provision required.

Sec. 4206. There shall be a provision that the insured is entitled to a grace period of 4 weeks within which the payment of any premium after the first may be made, except that where premiums are payable monthly the period of grace shall be 1 month; and that during the period of grace the policy shall continue in full force, but if during such grace period the policy becomes a claim, then any overdue and unpaid premiums may be deducted from any amount payable under the policy in settlement.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4208 Incontestability; provision required, exceptions.

Sec. 4208. There shall be a provision that the policy shall be incontestable after it has been in force during the lifetime of the insured for a period of 2 years from its date of issue, except for non-payment of premiums and except for violation of the conditions of the policy relating to military or naval service in time of war, and at the option of the insurer provisions relative to benefits in the event of total and permanent disability, and provisions which grant additional insurance specifically against death by accident may also be excepted.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4210 Policy constitutes entire contract; provision required.

Sec. 4210. There shall be a provision that the policy shall constitute the entire contract between the parties, or, if a copy of the application is endorsed upon and attached to the policy when issued, a provision that the policy and the application therefor shall constitute the entire contract between the parties, and in the latter case a provision that all statements made by the insured shall, in the absence of fraud, be deemed representations and not warranties.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4212 Misstatement of age; provision required.

Sec. 4212. There shall be a provision that if the age of the person insured has been misstated, any amount payable or benefit accruing under the policy shall be such as the premium would have purchased at the correct age.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4214 Participation in surplus; provision required.

Sec. 4214. There shall be a provision that the insurer shall annually ascertain and apportion any divisible surplus accruing on the policy.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4216 Conversion; weekly premium policies; provision required; monthly premium policies.

Sec. 4216. (1) There shall be a provision in the case of weekly premium policies granting, upon proper written request and upon presentation of evidence of the insurability of the insured satisfactory to the company, the privilege of converting his weekly premium industrial insurance to any form of life insurance with less frequent premium payments regularly issued by the company, in accordance with terms and conditions agreed upon with the company. The privilege of making such conversion need be granted only if the company's weekly premium industrial policies on the life insured, in force as premium paying insurance and on which conversion is requested, grant benefits in event of death, exclusive of additional accidental death benefits and exclusive of any dividend additions, in an amount not less than the minimum amount of such insurance with less frequent premium payments issued by the company at the age of the insured on the plan of industrial or ordinary insurance desired.

(2) There shall be a provision, in the case of monthly premium industrial policies, granting, upon proper written request and upon presentation of evidence of the insurability of the insured satisfactory to the company, the privilege of converting his monthly premium industrial insurance to any form of ordinary life insurance regularly issued by the company, in accordance with terms and conditions agreed upon with the company. The privilege of making such conversions need be granted only if the company's monthly premium industrial policies on the life insured, in force as premium paying insurance and on which conversion is requested, grant benefits in event of death, exclusive of additional accidental death benefits and exclusive of any dividend additions, in an amount not less than the minimum amount of ordinary insurance issued by the company at the age of the insured on the plan of ordinary insurance desired.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4220 Nonforfeiture and cash surrender values.

Sec. 4220. (1) In the case of policies issued prior to the operative date of section 4060 (the standard nonforfeiture law), there shall be a provision which in event of default in premium payments, after premiums shall have been paid for 3 years, shall secure to the owner of the policy a stipulated form of insurance, the net value of which shall be at least equal to the reserve at the date of default on the policy and on any dividend additions thereto, specifying the mortality table and rate of interest adopted for computing such reserves less a sum of not more than 2 1/2% of the amount insured by the policy and of any existing dividend additions thereto, and less any existing indebtedness to the company on the policy. Such provision shall stipulate that the policy, after premiums shall have been paid for 5 years, may be surrendered to the company at its home office within 13 weeks, or 3 months, from date of default for a specified cash value at least equal to the sum which would otherwise be available for the purchase of insurance as aforesaid and may stipulate that the company may defer payment for not more than 6 months after application therefor is made. This provision shall not be required in term insurance of 20 years or less.

(2) In the case of policies issued on and after the operative date of section 4060 (the standard nonforfeiture law) there shall be a provision for such nonforfeiture and cash surrender values as are required for industrial insurance by said section 4060.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4222 Table of nonforfeiture benefits.

Sec. 4222. There shall be a table showing in figures the nonforfeiture benefits available under the policy every year upon default in payment of premiums during at least the first 20 years of the policy, and a provision that the company will furnish upon request an extension of such table beyond the year shown in the policy.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4224 Nonforfeiture benefit; automatic option; provision required.

Sec. 4224. There shall be a provision if more than 1 nonforfeiture benefit is provided, as to which of such benefits shall apply in the event 1 of the available benefits is not selected as required by the policy.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4228 Reinstatement; provision required.

Sec. 4228. There shall be a provision that the policy may be reinstated at any time within 2 years from date of the premium in default, unless the cash value has been paid or the period of extended term insurance expired, upon evidence of insurability satisfactory to the company and payment of arrears of premiums with interest at a rate not exceeding 6% per annum payable annually.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4230 Settlement of claim upon death of insured; provision required.

Sec. 4230. There shall be a provision that when a policy shall become a claim by the death of the insured, settlement shall be made upon receipt of due proof of death, or not later than 2 months after receipt of such proof.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4236 Title required.

Sec. 4236. There shall be a title on the face and on the back of the policy correctly describing the same.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4238 Beneficiary changes.

Sec. 4238. There shall be a space on the front or the back page of the policy for the name of the beneficiary designated by the insured with a reservation of the insured's right to designate or change the beneficiary after the issuance of the policy. The policy may also provide that no designation or change of beneficiary shall be binding on the insurer until endorsed on the policy by the insurer, and that the insurer may refuse to endorse the name of any proposed beneficiary who does not appear to the insurer to have an insurable interest in the life of the insured. Such policy may also contain a provision that if the beneficiary designated in the policy does not surrender the policy with due proof of death within the period stated in the policy, which shall not be less than 30 days after the death of the insured, or if the beneficiary is the estate of the insured, or is a minor, or dies before the insured, or is not legally competent to give a valid release, then the insurer may make any payment thereunder to the executor or administrator of the insured, or to any of the insured's relatives by blood or legal adoption or connections by marriage or to any person appearing to the insurer to be equitably entitled thereto by reason of having been named as beneficiary or by reason of having incurred expense for the maintenance, medical attention or burial of the insured.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4242 Limitation of liability; aviation, military or naval service.

Sec. 4242. Nothing contained in this chapter shall be construed as prohibiting a life insurance company from placing in its industrial life insurance policies provisions limiting its liability with respect to (1) death resulting from aviation other than as a fare-paying passenger on a regularly scheduled route between definitely established airports, (2) military or naval service: Provided, That if the liability of the company is limited as herein provided, the liability shall in no event be fixed at an amount less than the reserve on the policy (including the reserve for any dividend additions thereto and excluding the reserve for any additional

benefits in the event of death by accident or accidental means or for benefits in the event of any type of disability), less any indebtedness on or secured by such policy.

Nothing contained herein shall apply to any provision in an industrial life insurance policy for additional benefits in the event of death by accident or accidental means.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4244 Industrial life insurance; provisions prohibited; right to declare policy void for disease or ailment; rejection; payment of proceeds to other than beneficiary; limitation; settlement at maturity for less than full value; accidental death.

Sec. 4244. (1) No policy of industrial life insurance issued on or after January 1, 1944, shall be issued or delivered in this state if it contains any of the following provisions:

(a) A provision giving the insurer the right to declare the policy void because the insured has had any disease or ailment, whether specified or not, or because the insured has received institutional, hospital, medical or surgical treatment or attention, except a provision which gives the insurer the right to declare the policy void if the insured has, within 2 years prior to the issuance of the policy, received institutional, hospital, medical or surgical treatment or attention and if the insured or the claimant under the policy fails to show that the condition occasioning such treatment or attention was not of a serious nature or was not material to the risk.

(b) A provision giving the insurer the right to declare the policy void because the insured had been rejected for insurance, unless such right be conditioned upon a showing by the insurer that knowledge of such rejection would have led to a refusal by the insurer to make such contract.

(c) A provision by which the company may pay the proceeds of the policy at the death of the insured to any person other than the named beneficiary, except in accordance with a standard provision as specified in section 4238.

(d) A provision limiting the time within which any action at law or in equity may be commenced to less than 6 years after the cause of action shall accrue.

(e) A provision for any mode of settlement at maturity of less value than the amount insured by the policy plus dividend additions, if any, less any indebtedness to the company on the policy and less any premium that may by the terms of the policy be deducted, payments to be made in accordance with the terms of the policy.

(2) Nothing contained herein shall apply to any provision in an industrial life insurance policy for additional benefits in the event of death by accident or accidental means.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218