

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.4418 Group life insurance; loans on dwellings or mobile homes; insurer providing monetary benefits to financial institutions; payment of dividends to financial institution.

Sec. 4418. (1) Group life insurance may be issued in connection with loans on dwellings or mobile homes when provided through a group if the lending or servicing financial institution directly or indirectly is the group policyholder. The insurance shall be only on a decreasing term basis and shall be limited in initial amount to the amount of the loan. Dividends payable under these group policies shall inure solely to the benefit of the party paying the premiums on the insurance and shall be proportionate to that portion of the premium paid by or on behalf of the certificate holder. Policies issued under this section shall contain a conversion privilege specifying that within 31 days after the repayment of the mortgage, the insured may convert the insurance then in force to a permanent form of life insurance. The available forms of converted insurance shall include whole life. The insurer may limit the converted policy to a minimum of \$1,000.00 or to a maximum equal to 80% of the insurance then in force, or both. If the loan for which the insurance was issued is repaid, any prepaid premiums in excess of \$5.00 shall be returned to the insured.

(2) An insurer may provide for or pay to the lending or servicing financial institutions monetary or financial benefits as a result of insurance on the life of a borrower in connection with a loan on a dwelling or mobile home made or serviced by the financial institution. However, if the insurance authorized under this section is offered in connection with the origination of a loan, an insurer may provide for or pay to the lending or servicing financial institutions monetary or financial benefits as a result of that insurance only if the insurer has taken reasonable steps to ensure each of the following:

(a) The loan and insurance transactions are separated through a written disclosure given by the lending or servicing financial institution to the borrower, at the time it first initiates discussion of the insurance with the borrower, stating that insurance offered under this section need not be purchased as a condition of the loan.

(b) The written disclosure states that the borrower is not required to decide whether or not to apply for the insurance until after approval of the loan has been communicated to the borrower.

(c) The lending or servicing financial institution gives a written disclosure to the borrower that it or an affiliate has a financial interest in the insurance transaction by not later than the time the borrower is asked to decide whether or not to apply for the insurance coverage offered under this section.

(d) The loan and insurance transactions are completed through separate documents.

(3) This section does not supersede or modify section 1243(35).

(4) Dividends paid before, on, or after the effective date of this subsection to a financial institution or its affiliate on stock owned in a reinsurer that accepts cessions from an insurance company that provides group insurance of the types authorized by this section are lawful.

History: Add. 1968, Act 224, Eff. Jan. 1, 1969;—Am. 1973, Act 10, Imd. Eff. Apr. 12, 1973;—Am. 1982, Act 379, Eff. Mar. 30, 1983;—Am. 1996, Act 158, Imd. Eff. Apr. 3, 1996.

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