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BILL ANALYSIS

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Senate Bill 1534 (Substitute S-2 as reported by the Committee of the Whole) *(as enrolled)*  
Sponsor: Senator Jason E. Allen  
Committee: Finance

### **CONTENT**

The bill would amend the Insurance Code to allow a life insurer to offer an associated life insurance policy or annuity contract with a limited death benefit to a proposed insured who did not meet insurance requirements for a policy that provided immediate full coverage or who chose not to answer medical questions required for such a policy.

Currently, a funeral establishment, cemetery, or seller licensed as a limited life insurance agent may sell only an associated life insurance policy or annuity contract intended to be assigned as payment for cemetery goods or services or funeral goods or services. The policy or contract must have a death benefit that is sufficient to cover the initial contract price of the goods or services and that increases at an annual rate of not less than the consumer price index (CPI). The bill would make an exception to this requirement. An associated life insurance policy or annuity contract with a limited death benefit would have to disclose in boldfaced type that the death benefit would not be sufficient to cover the initial contract price for the goods and services for a period up to two years if the premium were not paid in full and, during this period, the price for those goods and services could increase at a rate higher than the increase in the CPI.

"Limited death benefit" would mean the sum payable upon the insured's death during the first two years that an associated life insurance policy or annuity contract was in effect that was less than the amount necessary to cover the initial contract price of cemetery goods and services or funeral goods and services, but that provided for a minimum benefit at least 25% and 50% of the initial contract price of cemetery goods and services or funeral goods and services, during the first and second years of the contract, respectively.

For a policy or annuity contract with a limited death benefit, a predeath assignment of the proceeds as payment for cemetery or funeral goods or services would not have to provide that an increase in the price of services or goods could not exceed the ultimate death benefit during the period that the limited death benefit was in effect. During this period, neither the beneficiary nor the seller would be obligated to fulfill the terms of the contract for the goods or services for which the assigned proceeds served as payment, and the assignment of the policy or contract could be revoked.

MCL 500.2080

Legislative Analyst: Craig Laurie

### **FISCAL IMPACT**

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

Date Completed: 11-13-08

Fiscal Analyst: Elizabeth Pratt/Maria Tyszkiewicz

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Analysis available @ <http://www.michiganlegislature.org>

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