

Act No. 158
Public Acts of 1996
Approved by the Governor
April 3, 1996
Filed with the Secretary of State
April 3, 1996

**STATE OF MICHIGAN
88TH LEGISLATURE
REGULAR SESSION OF 1996**

Introduced by Reps. Bullard, Law and Llewellyn

ENROLLED HOUSE BILL No. 5238

AN ACT to amend section 4418 of Act No. 218 of the Public Acts of 1956, entitled as amended "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 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 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 repeal certain acts and parts of acts; to repeal certain acts and parts of acts on specific dates; to repeal certain parts of this act on specific dates; and to provide penalties for the violation of this act," as amended by Act No. 379 of the Public Acts of 1982, being section 500.4418 of the Michigan Compiled Laws; and to repeal acts and parts of acts.

The People of the State of Michigan enact:

Section 1. Section 4418 of Act No. 218 of the Public Acts of 1956, as amended by Act No. 379 of the Public Acts of 1982, being section 500.4418 of the Michigan Compiled Laws, is amended to read as follows:

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.

Section 2. Section 402c of Act No. 218 of the Public Acts of 1956, being section 500.402c of the Michigan Compiled Laws, is repealed.

This act is ordered to take immediate effect.

Clerk of the House of Representatives.

Secretary of the Senate.

Approved _____

Governor.

