

HOUSE BILL NO. 5535

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending section 4038 (MCL 500.4038), as added by 1993 PA
349.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4038. (1) As used in this section, "policy cost
2 factors" means those amounts that affect the price per thousand
3 of life insurance coverage or other benefits. They include
4 interest, mortality, expense charges, and fees, including any
5 surrender or withdrawal charges, but not persistency
6 assumptions.
7 (2) Unless a statement of policy information is provided
8 pursuant to subsection (3), for initial disclosure in connection
9 with any advertising, solicitation, or negotiation of a universal
10 life insurance policy all of the following are required:

1 (a) Any statement of policy cost factors or benefits shall
2 contain all of the following:

3 (i) The corresponding guaranteed policy cost factors or ben-
4 efits, clearly identified.

5 (ii) A statement explaining the nonguaranteed nature of any
6 current interest rates, charges, or other fees applied to the
7 policy, including the insurer's rights to alter any of these
8 factors.

9 (iii) Any limitation on the crediting of interest, including
10 identification of those portions of the policy to which a speci-
11 fied interest rate shall be credited.

12 (b) Any illustration of the policy value shall be accom-
13 panied by the corresponding net cash surrender value.

14 (c) Any statement regarding the crediting of a specific cur-
15 rent interest rate shall also contain the frequency and timing by
16 which that rate is determined.

17 (d) If any statement refers to the policy being
18 interest-indexed, the index shall be described. In addition, a
19 description shall be given of the frequency and timing of deter-
20 mining the interest rate and of any adjustments made to the index
21 in arriving at the interest rate credited under the policy.

22 (e) Any illustrated benefits based upon nonguaranteed inter-
23 est, mortality, or expense factors shall be accompanied by a
24 statement indicating that these benefits are not guaranteed.

25 (f) If the guaranteed cost factors or initial policy cost
26 factor assumptions would result in policy values becoming
27 exhausted ~~prior to~~ BEFORE the policy's maturity date, that fact

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1 shall be disclosed, including notice that coverage will terminate
2 under ~~such~~ THOSE circumstances.

3 (3) At the time the agent takes an application for a policy,
4 except as provided in subsection (4), the agent shall furnish to
5 the applicant a statement of policy information for the applicant
6 in a format approved by the commissioner. The illustration of
7 policy premium, death benefit, and cash value shall be shown for
8 AN INTEREST RATE NO HIGHER THAN the current interest rate actu-
9 ally being paid on ~~existing~~ [~~existing~~ policies THE POLICY
ILLUSTRATED OR TO BE ISSUED] ~~in~~
10 ~~force~~ and for the interest rate guaranteed in the policy. ~~No~~
11 ~~interest~~ INTEREST rates ~~other~~ HIGHER than these ~~may~~ SHALL
12 NOT be illustrated. The commissioner shall issue guidelines for
13 the statement of policy information.

14 (4) If the policy information for the applicant is not fur-
15 nished at the time of application, it shall be delivered within
16 15 working days after the application is taken, but at least 5
17 days before delivery of the policy.

18 (5) If the policy is delivered sooner than 5 days after the
19 policy information for the applicant, the free-look period shall
20 be extended to 15 days. If the statement of policy information
21 for applicant is not delivered at the time of application, the
22 disclosure shall be accompanied by a statement that it is deliv-
23 ered for the express purpose of allowing comparison with other
24 policies.

25 (6) For direct response solicitation methods, the statement
26 of policy information for the applicant in compliance with the
27 guidelines may be furnished at the time of delivery of the

1 policy, ~~so long as~~ IF the purchaser is given an unconditional
2 refund provision of at least 10 days.