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CONSENT FOR LIFE INSURANCE

House Bill 4676 as introduced
First Analysis (5-10-95)

Sponsor: Rep. Mary Schroer
Committee: Insurance

THE APPARENT PROBLEM:

Several well-publicized cases of people taking out life insurance policies on their spouses (or others) without the consent or even knowledge of the insureds and then benefitting from sudden and suspicious deaths has prompted the introduction of legislation. Behind the legislation is the principle that people whose lives are being insured by those who stand to gain from the insurance ought to be asked to consent to the issuing of the policies. While industry officials say life insurers do typically obtain information from the insureds and require their signatures, particularly for large policies, there is apparently no statutory requirement.

THE CONTENT OF THE BILL:

The bill would amend the Insurance Code to require an individual to obtain a person's consent in writing before insuring the life of that person for his or her own benefit. (This would not apply if the person whose life was to be insured was under 18 years of age.) The person's signature on the insurance application would constitute consent. The bill would apply to life insurance policies and certificates of $10,000 or more delivered or issued for delivery 30 days or more after the bill's effective date.

The bill would amend Chapter 22 of the code, which deals with insurance contracts generally. It refers to an individual "who has an insurable interest in the life of another human being," which means, according to Barron's Dictionary of Insurance Terms, an expectation of monetary loss that can be covered by insurance. Examples include the insurable interest a person has in his or her own life; those arising from parent-child, husband-wife, and sibling relationships; and those arising from business relationships and debtor-creditor relationships.

MCL 500.2212

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

The aim of the bill is to prevent people from having their lives insured without their knowledge and consent. It is not a desirable situation for one person to arrange to benefit from a second person's death without the second person's being aware of it or being able to prevent it. While some insurance companies may already require such consent or may make the insured aware by asking for certain relevant information, these practices are not mandatory. It seems to be common sense to require the consent of the insured.

Against:

The bill could lead to additional administrative burdens and more paperwork. Some employers, for example, offer employees life insurance coverage on spouses and dependents without asking for the consent of the insured. This bill will require signatures of the insureds (including children 18 and over) to be obtained for any policy of $10,000 or over. Is this necessary, given the scope of the problem? Will the additional burden result in fewer such policies being sold or being offered to employees? Should such a requirement be limited to very large life policies?

POSITIONS:

There are no positions at present.