



**Senate Fiscal Agency**  
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BILL



ANALYSIS

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Senate Bill 289 (as introduced 2-16-95)  
Sponsor: Senator Dale L. Shugars  
Committee: Financial Services

Date Completed: 4-30-96

## **CONTENT**

**The bill would create a new act to regulate the sale and purchase of death benefits of life insurance policies.** The bill would not apply to a lump sum disbursement of up to 25% of the death benefit as allowed under the Insurance Code (MCL 500.602).

Under the bill, a person could not purchase the death benefit of a life insurance policy from the insured person, prior to the death of the insured, for full value of the death benefit or at a discount, unless all of the following were met:

- The insured person had one or more of the following medical conditions that were considered to be life threatening, as certified by a physician: a malignant tumor, a condition requiring organ transplantation, coronary artery disease resulting in acute infarction or requiring surgery, permanent neurological deficit resulting from cerebral vascular accident, endstage renal failure, or other medical conditions that a physician found and certified to be life threatening.
- Each beneficiary to the life insurance policy waived his or her rights to the death benefit.
- The insured person had 15 days after receipt of the proceeds to cancel the sale and return the proceeds.
- The purchaser of the life insurance policy's death benefit gave the insured a written explanation of the possible income tax consequences arising from the sale of the death benefit.

Violation of the bill would be a misdemeanor, punishable by up to one year's imprisonment, a maximum fine of \$500, or both.

Legislative Analyst: P. Affholter

## **FISCAL IMPACT**

The bill would have no fiscal impact on the State and is expected to have only a minimal fiscal impact, if any, on local criminal justice systems. To the extent that local units prosecuted, convicted, and sanctioned violators, costs would increase. While there are no data available on the number of potential violators, it is not expected to be significant.

This bill would have no fiscal impact on the Department of Commerce/Insurance Bureau.

Fiscal Analyst: M. Hansen

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.