

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956
Chapter 44
GROUP LIFE INSURANCE

500.4400 Scope of chapter; compliance required.

Sec. 4400.

- (1) This chapter applies only with respect to group life insurance.
- (2) Except as provided in this chapter it shall be unlawful to make a contract of life insurance covering a group in this state.

History: 1956, Act 218, Eff. Jan. 1, 1957

Popular Name: Act 218

500.4404 Employee groups; required number of participants; premium payments; group life insurance as part of combined group life and disability insurance policy; "employees" defined.

Sec. 4404.

(1) Group life insurance may be issued covering not less than 2 employees with or without medical examination, written under a policy issued to the employer or to the trustees of a fund established by the employer, the premium on which is to be paid by the employer, the employees, or by the employer and the employees jointly, and insuring only all of his or her employees, or all of any class or classes of employees determined by conditions pertaining to the employment, for amounts of insurance based upon some plan that will preclude individual selection, for the benefit of persons other than the employer. This section does not require an employee to purchase group life insurance. Group life insurance may be written as part of a combined group life and disability insurance policy.

(2) A policy issued under subsection (1) may define "employees" to include 1 or more of the following:

- (a) The employees of 1 or more subsidiary corporations.
- (b) The employees, individual proprietors, and partners of 1 or more affiliated corporations, proprietorships, or partnerships if the business of the employer and the affiliated corporations, proprietorships, or partnerships is under common control.
- (c) The retired employees, former employees, and directors of a corporate employer.
- (d) For a policy issued to insure the employees of a public body, elected or appointed officials.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 1957, Act 20, Imd. Eff. Apr. 19, 1957 ;-- Am. 1995, Act 210, Imd. Eff. Nov. 29, 1995 ;-- Am. 2006, Act 511, Imd. Eff. Dec. 29, 2006 ;-- Am. 2014, Act 139, Eff. Mar. 31, 2015

Popular Name: Act 218

500.4405 Group life insurance policy; issuance to trust or trustees; requirements.

Sec. 4405.

Notwithstanding section 4404, a group life insurance policy may be issued to a trust or trustees of a fund established by 2 or more employers to insure 1 or more employees of the employers.

History: Add. 1988, Act 312, Eff. Mar. 30, 1989

Popular Name: Act 218

500.4408 National guard groups; participation authorization.

Sec. 4408.

Group life insurance may be issued covering the members of 1 or more companies, batteries, troops or other units of the national guard of any state, written under a policy issued to the commanding general of the national guard who shall be deemed to be the employer for the purposes of this chapter, the premium on which is to be paid by the members of such units for the benefit of persons other than the employer: Provided, however, That when the benefits of the policy are offered to all eligible members of a unit of the national guard, not less than 75% of the members of such a unit must be so insured.

History: 1956, Act 218, Eff. Jan. 1, 1957

Popular Name: Act 218

500.4412 Labor union, teacher and postal clerk groups; participation authorization.

Sec. 4412.

Group life insurance may be issued covering the members of any labor union, or state associations of teachers or postal clerks written under a policy issued to such union or association which shall be deemed to be the employer for the purposes of this chapter, the premium on which is to be paid by the union or association or by the union or association and its members jointly, and insuring only all of its members for amounts of insurance based upon some plan which will preclude individual selection, for the benefit of persons other than the union or association or its officials: Provided, however, That when the premium is to be paid by the union or association and its members jointly and the benefits are offered to all eligible members, not less than 75% of such members may be so insured: Provided further, That when members apply and pay for additional amounts of insurance, a smaller percentage of members may be insured for such additional amounts if they pass satisfactory medical examination.

History: 1956, Act 218, Eff. Jan. 1, 1957

Popular Name: Act 218

500.4416 Group life insurance; groups of borrowers or purchasers.

Sec. 4416.

Group life insurance may be issued covering only the lives of members of a group of persons who become borrowers from 1 financial institution, including subsidiary or affiliated companies, or who become purchasers of merchandise or other tangible property from 1 vendor under agreement to repay the sum borrowed or to pay the balance of the price of the merchandise or other tangible property purchased on the installment plan over a period of not more than 10 years, to the extent of their indebtedness to the financial institution or vendor. The policy may be issued on the application of, and made payable to, the financial institution or vendor or other creditor to whom the vendor may have transferred title to the indebtedness, as beneficiary, the premium on the policy to be payable either from funds of the financial institution, vendor or other creditor, or from charges collected from insured borrowers or purchasers, or both. If all or part of the premium is derived from the collection of an identifiable charge for the insurance from the insured borrowers or purchasers, the borrowers or purchasers shall have the option to reject the insurance. The total amount charged to the borrower for interest and for the insurance premium shall not exceed the maximum amount of interest which could be lawfully charged. The financial institution, including subsidiaries or affiliated companies, shall not act as agent for the group life insurance transaction. The provisions of section 4438 shall not apply to insurance described in this section. The borrower shall be given written notification of the application of the insurance when written. If a beneficiary receives money from a policy issued under this section, the person whose indebtedness is insured, or the estate of the deceased, shall be released from liability for the payment of the indebtedness to the amount paid to the beneficiary on the policy.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 1957, Act 78, Eff. Sept. 27, 1957 ;-- Am. 1961, Act 226, Eff. Sept. 8, 1961 ;-- Am. 1978, Act 169, Imd. Eff. May 27, 1978 ;-- Am. 1988, Act 374, Imd. Eff. Dec. 21, 1988
Popular Name: Act 218

500.4418 Group life insurance; loans on dwellings or mobile homes; insurer providing monetary benefits to financial institutions; payment of dividends to financial institution.

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.

History: Add. 1968, Act 224, Eff. Jan. 1, 1969 ;-- Am. 1973, Act 10, Imd. Eff. Apr. 12, 1973 ;-- Am. 1982, Act 379, Eff. Mar. 30, 1983 ;-- Am. 1996, Act 158, Imd. Eff. Apr. 3, 1996
Popular Name: Act 218

500.4419 Prepaid funeral contracts; group life insurance.

Sec. 4419.

Group life insurance may be issued in connection with prepaid funeral contracts only if it meets all of the following:

(a) Is issued to an association covering the lives of its members or to a trustee of a group.

(b) Is issued as an associated life insurance policy or annuity contract under section 2080.

(c) Conforms with section 2080.

History: Add. 1998, Act 457, Imd. Eff. Jan. 4, 1999
Popular Name: Act 218

500.4420 Nonprofit incorporated industrial association groups; executives; participation; other associations, trusts, or trustees; criteria; conditions.

Sec. 4420.

(1) Group life insurance may be issued covering the executives of employer members of any nonprofit incorporated industrial association, that is now and has been actively functioning as a nonprofit incorporated industrial association under its articles of incorporation for a period of not less than 10 years, written under a policy issued to the association that is the employer for the purposes of this chapter, or to the association and the executives of the employer members jointly, and insuring only all of the executives for amounts of insurance based upon a plan that will preclude individual selection, for the benefit of persons other than the association, and the premium on which shall be paid by the employer members or the employer members and the executives of the employer members jointly.

(2) In addition to a policy issued under subsection (1), group life insurance may be issued to an association, other than an association described under subsection (1), or to a trust or to the trustees of a fund established or maintained for the benefit of members of 1 or more associations. Group life insurance shall not be issued to an association under this subsection unless all of the following criteria are met:

- (a) The association at the outset has not fewer than 100 members.
- (b) The association has been organized and maintained for a purpose other than obtaining insurance.
- (c) The association has been in active existence for not less than 2 years.
- (d) The association's bylaws provide for all of the following:
 - (i) Association members shall meet not less frequently than annually.
 - (ii) Except for an association that is a credit union, the association shall collect dues and solicit contributions from its members.

- (iii) The members shall have voting rights and representation on the governing board.

(3) A policy issued under subsection (2) is subject to all of the following:

(a) The policy may insure members of the association, employees of the association, or employees of members for the benefit of persons other than the employee's employer.

(b) The premium for the policy shall be paid from money contributed by 1 or more of the following:

- (i) The association.
- (ii) Employer members.
- (iii) Covered persons.

(c) Except as provided in subdivision (d), a policy on which no part of the premium shall come from money contributed by the covered persons specifically for their insurance must insure all eligible persons, except those eligible persons who reject coverage in writing.

(d) An insurer may exclude or limit coverage on an individual as to whom evidence of individual insurability is not satisfactory to the insurer.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;— Am. 2014, Act 139, Eff. Mar. 31, 2015
Popular Name: Act 218

500.4424 Group life insurance offered to groups other than described in MCL 500.4404 to 500.4420.

Sec. 4424.

Group life insurance offered to a resident of this state under a group life insurance policy issued to a group other than a group described in sections 4404 to 4420 is subject to all of the following:

(a) A group life insurance policy shall not be issued in this state unless the director of the department of insurance and financial services finds all of the following:

- (i) The issuance of the group policy is not contrary to the best interest of the public.
- (ii) The issuance of the group policy would result in economies of acquisition and administration.

- (iii) The benefits of the group policy are reasonable in relation to the premiums charged.
- (b) The premium for the policy is paid from the policy holder's funds, the funds contributed by the covered persons, or both.
- (c) An insurer may exclude or limit the coverage on an individual as to whom evidence of individual insurability is not satisfactory to the insurer.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 1957, Act 77, Eff. Sept. 27, 1957 ;-- Am. 1968, Act 113, Imd. Eff. June 11, 1968 ;-- Am. 1976, Act 351, Imd. Eff. Dec. 21, 1976 ;-- Am. 1980, Act 263, Imd. Eff. Sept. 15, 1980 ;-- Am. 1981, Act 1, Imd. Eff. Mar. 30, 1981 ;-- Am. 1982, Act 27, Imd. Eff. Mar. 9, 1982 ;-- Am. 1998, Act 457, Imd. Eff. Jan. 4, 1999 ;-- Am. 2008, Act 497, Imd. Eff. Jan. 13, 2009 ;-- Am. 2014, Act 139, Eff. Mar. 31, 2015

Popular Name: Act 218

Admin Rule: R 500.402 et seq. of the Michigan Administrative Code.

500.4426 Extension of coverage to eligible dependents; amounts; payment of premiums; definitions.

Sec. 4426.

- (1) Insurance under any group life insurance policy issued under sections 4400, 4404, 4408, 4412, 4420, and 4424 may be extended to insure the eligible dependents of each insured employee or member who so elects.
- (2) The amounts of dependent insurance shall be in accordance with a plan that precludes individual selection.
- (3) The premiums for the insurance on dependents may be paid by the employer or policyholder, or the employee or member, or the employer or policyholder and the employee or member, jointly.
- (4) As used in this section:
 - (a) "Child" includes a biological, legally adopted, and step or foster child of an employee or member who is dependent on the employee or member.
 - (b) "Eligible dependent" includes the legal spouse and a child of an employee or member.

History: Add. 1972, Act 201, Imd. Eff. June 30, 1972 ;-- Am. 2014, Act 139, Eff. Mar. 31, 2015

Popular Name: Act 218

500.4430 Group life insurance policy; filing and approval of form; certain provisions required.

Sec. 4430.

- (1) Except as otherwise provided in section 2236(8)(d), a policy of group life insurance shall not be issued or delivered in this state unless and until a copy of the form of the group life insurance has been filed with and approved by the commissioner.
- (2) A policy of group life insurance shall not be issued or delivered unless it contains in substance the provisions of sections 4432 through 4442. A group universal life policy as defined in section 4001(g) shall not be issued or delivered unless it complies with the provisions of chapter 40.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 1987, Act 52, Imd. Eff. June 22, 1987 ;-- Am. 1990, Act 305, Imd. Eff. Dec. 14, 1990 ;-- Am. 1993, Act 349, Eff. Oct. 1, 1994

Compiler's Notes: Section 2 of Act 52 of 1987 provides: "The amendments to sections 2236, 2242, 3440, 3606, 3610, and 4430 of Act No. 218 of the Public Acts of 1956, being sections 500.2236, 500.2242, 500.3440, 500.3606, 500.3610, and 500.4430 of the Michigan Compiled Laws, pursuant to this amendatory act apply to all insurance policies issued on or after January 1, 1957 that were either approved by the commissioner on or after January 1, 1957 or subject to an order of the commissioner exempting policies from filing on or after September 1, 1968. The amendments to sections 2236, 2242, 3440, 3606, 3610, and 4430 of Act No. 218 of the Public Acts of 1956, being sections 500.2236, 500.2242, 500.3440, 500.3606, 500.3610, and 500.4430 of the Michigan Compiled Laws, pursuant to this amendatory act are intended to codify and approve long-standing administrative and commercial practice taken and approved by the commissioner pursuant to his or her legal authority. This amendatory act shall serve to cure and clarify any misinterpretation of the operation of such sections since the effective date of their original enactment. It is the intent of this amendatory act to rectify the misconstruction of the insurance code of 1956 by the court of appeals in *Bill v Northwestern National Life Insurance Company*, 143 Mich App 766, with respect to the power of the insurance commissioner to exempt certain insurance documents from filing requirements and the offsetting of social security benefits against disability income insurance benefits. This amendatory act does not affect the relationship between disability insurance benefits and personal protection insurance benefits as provided in *Federal Kemper v Health Insurance Administration Inc.*, 424 Mich 537."

Popular Name: Act 218

500.4432 Group life insurance policy; incontestability.

Sec. 4432.

There shall be a provision that the policy shall be incontestable after 2 years from its date of issue, except for non-payment of premiums and except for violation of the conditions of the policy relating to military or naval service in time of war.

History: 1956, Act 218, Eff. Jan. 1, 1957

Popular Name: Act 218

500.4434 Entire contract; provision; application; representations.

Sec. 4434.

Each group life insurance policy shall contain a provision that the policy and the applications of the employer and, if applicable, of the individual employees insured, are the entire contract between the parties, and that all statements made by the employer or by the individual employees shall, in the absence of fraud, be considered representations and not warranties. Any such statement shall not be used in defense to a claim under the policy, unless the statement is contained in a written application. For purposes of this section, an enrollment form is not an application described in this section.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;— Am. 2014, Act 139, Eff. Mar. 31, 2015

Popular Name: Act 218

500.4436 Misstatement of age; provision required.

Sec. 4436.

There shall be a provision for the equitable adjustment of the premium or the amount of insurance payable in the event of a misstatement of the age of an employee.

History: 1956, Act 218, Eff. Jan. 1, 1957

Popular Name: Act 218

500.4438 Individual certificate; notice of conversion rights.

Sec. 4438.

(1) Each group life insurance policy shall contain a provision that the company will issue to the employer for delivery to the employee, whose life is insured under the policy, an individual certificate that contains all of the following:

(a) A description of the employee's insurance coverage and to whom the insurance is payable.

(b) A statement that if the employee is terminated from employment for any reason, the employee is entitled to have issued to the employee by the company, without further evidence of insurability, upon application made to the

company within 31 days after the termination, and upon the payment of the premium applicable to the class of risk to which the employee belongs and to the form and amount of the policy at the employee's then attained age, a policy of life insurance in any 1 of the forms customarily issued by the company, except term insurance, in an amount equal to the amount of the employee's coverage under the group insurance policy at the time of the employee's termination of employment.

(2) An individual certificate under subsection (1) is notice to the employee of his or her conversion rights under a group policy. A separate notice at the time of the employee's termination is not required.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 2014, Act 139, Eff. Mar. 31, 2015

Popular Name: Act 218

500.4439 Insurance under group policy; assignment of rights, effect.

Sec. 4439.

A person whose life is insured under a group insurance policy may, subject and pursuant to the terms of the policy, or pursuant to an arrangement between the insured, the employer and the company, assign (other than to the employer) all or any part of his incidents of ownership, rights, title and interests, both present and future, under such policy including specifically, but not by way of limitation, the right to designate and redesignate a beneficiary or beneficiaries thereunder, the right to make any requisite contributions to maintain the insurance in force, and the right to have an individual policy issued to him in case of termination of employment. Such an assignment by the insured, made either before or after the effective date hereof, is valid for the purpose of vesting in the assignee, in accordance with any provisions included therein as to the time at which it is to be effective, all of such incidents of ownership, rights, title and interests so assigned, but without prejudice to the company on account of any payment it may make or individual policy it may issue prior to receipt of notice of the assignment. This section is not intended to alter the law of this state but is intended only to confirm in express statutory form the law as it exists presently.

History: Add. 1969, Act 330, Imd. Eff. Oct. 27, 1969 ;-- Am. 1970, Act 158, Imd. Eff. Aug. 2, 1970

Popular Name: Act 218

500.4442 New employee; provision required.

Sec. 4442.

Each group life insurance policy shall contain a provision that each new employee of an employer shall periodically be added to coverage if the new employee satisfies the conditions for coverage and is in the group or class of an employee originally insured.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 2014, Act 139, Eff. Mar. 31, 2015

Popular Name: Act 218

500.4446 Policy issued in another state; determination by director.

Sec. 4446.

A group policy offered by an insurer issued in another state shall not be issued in this state unless the director of the department of insurance and financial services determines that requirements substantially similar to section 4424(a) have been met.

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 2014, Act 139, Eff. Mar. 31, 2015
Popular Name: Act 218

500.4450 Employer deemed policyholder.

Sec. 4450.

In every group life insurance policy issued in this state, the employer shall be deemed to be the policyholder for all purposes within the meaning of this chapter, and, if entitled to vote at meetings of the insurer, shall be entitled to 1 vote thereat.

History: 1956, Act 218, Eff. Jan. 1, 1957
Popular Name: Act 218

500.4454 Readjustment of premium rate; optional provisions.

Sec. 4454.

Any group life insurance policy may provide for a readjustment of the rate based on experience at the end of the first year or any subsequent year of insurance, which readjustment may be made retroactive for such policy year only.

History: 1956, Act 218, Eff. Jan. 1, 1957
Popular Name: Act 218