



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bills 1102 and 1103 (as reported without amendment)
Sponsor: Senator Tonya Schuitmaker
Committee: Judiciary

CONTENT

Senate Bill 1102 would add Section 7114 to Article 7 of the Estates and Protected Individuals Code (the Michigan Trust Code) to define the conditions under which a trustee would have an insurable interest in the life of the individual who created the trust (the settlor) or in the life of an individual in whom a settlor had an insurable interest.

Specifically, a trustee or a trust would have an insurable interest in the life of an individual insured under a life insurance policy that was owned by the trustee acting in a fiduciary capacity or that designated the trust as the owner if both of the following conditions were met on the date the policy was issued.

First, the insured would have to be either a settlor of the trust or an individual in whom the settlor had, or could have had if living when the policy was issued, an insurable interest.

In addition, the insurance proceeds would have to be primarily for the benefit of one or more beneficiaries who had 1) an insurable interest in the life of the insured, or 2) a substantial interest engendered by love and affection in the continuation of the life of the insured. If the beneficiaries met the second criterion but did not have an insurable interest in the life of the insured, they would have to be either 1) related to the insured by blood or affinity within the third degree closer, or 2) stepchildren of the insured.

Senate Bill 1103 would amend the Insurance Code to specify that a trustee of a trust would have an insurable interest in the life of an individual as provided in Section 7114 of the Estates and Protected Individuals Code.

The bills are tie-barred.

Proposed MCL 700.7114 (S.B. 1102)
Proposed MCL 500.2210a (S.B. 1103)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bills would have no fiscal impact on State or local government.

Date Completed: 9-12-12

Fiscal Analyst: Dan O'Connor