

HOUSE No. 5032

The Commonwealth of Massachusetts

SPECIAL REPORT
OF THE
CONSUMERS' COUNCIL
RELATIVE TO REMOVING THE
LIMITATION OF TEN YEARS ON INDEBTEDNESS

(under Chapter 50
of the Resolves of 1971)

JANUARY 1972

REPORT OF THE COMMITTEE ON THE

HOUSE REPORT NO. 5032

THE COMMITTEE ON THE

SPECIAL REPORT

OF THE

COMMISSIONERS OF THE

RELATIVE TO THE

OPERATIONS OF THE

COMMISSIONERS OF THE

OF THE YEAR 1971

JANUARY 1972

The Commonwealth of Massachusetts

CONSUMERS' COUNCIL

100 CAMBRIDGE STREET, BOSTON 02202, January 20, 1972.

Honorable Wallace C. Mills, *Clerk*, House of Representatives, State House,
Boston, Massachusetts.

DEAR MR. MILLS: – In accordance with chapter 50, Resolves of 1971, I herewith submit the final report of the Consumers' Council on the question of raising the legal maximum and term of group credit life insurance.

Respectfully submitted,

DR. EDWARD R. WILLETT,
Chairman.

DERMOT P. SHEA,
Executive Secretary.

The Commonwealth of Massachusetts

AUTHORITY FOR STUDY

RESOLVE PROVIDING FOR AN INVESTIGATION AND STUDY BY THE CONSUMERS' COUNCIL RELATIVE TO REMOVING THE LIMITATION OF TEN YEARS ON INDEBTEDNESS IN CONNECTION WITH WHICH GROUP CREDIT LIFE INSURANCE MAY BE ISSUED FROM INDEBTEDNESS ARISING FROM REAL ESTATE MORTGAGE LOANS AND ALSO TO LIMIT SUCH INSURANCE TO FIFTY THOUSAND DOLLARS IN AMOUNT AND TO THIRTY YEARS IN TERM.

Resolved, That the consumers' council is hereby authorized and directed to make an investigation and study of the subject matter of current house document numbered 1974, changed, relative to removing the limitation of ten years on indebtedness in connection with which group credit life insurance may be issued from indebtedness arising from real estate mortgage loans and also to limit such insurance to fifty thousand dollars in amount and to thirty years in term. Said council shall report to the general court the results of its investigation and study, and its recommendations, if any, together with drafts of legislation necessary to carry such recommendations into effect, by filing the same with the clerk of the house of representatives on or before the last Wednesday in January, nineteen hundred and seventy-two.

Approved August 19, 1971.

The Commonwealth of Massachusetts

SHOULD THE LEGAL MAXIMUM AND TERM OF GROUP CREDIT INSURANCE BE INCREASED?

In accordance with chapter 50 of the Resolves of 1971 the Consumers' Council has studied the subject matter of House Document 1974, changed, relative to removing the limitation of ten years on indebtedness in connection with which group credit life insurance may be issued from indebtedness arising from real estate mortgage loans and also to limit such insurance to fifty thousand dollars in amount and to thirty years in term.

Fundamentally, such a change in the current statute (M.G.L. Chap. 175, Sect. 133C) limiting group credit life insurance to ten thousand dollars and ten years in term would result in more group credit life insurance coverage of more home mortgages. As of now, home owners are able to protect their dependents, as well as the mortgage lender, by purchasing decreasing "mortgage" insurance. Among other advantages, such insurance permits the insured to change or convert his policy to a regular cash value coverage. It also permits his beneficiary to choose between taking the face amount of the policy or paying off the mortgage. Such conversion options are not available with group credit life insurance. Group credit life insurance for this purpose would be paid by the insured and in most cases probably would be required by the mortgage grantor, thus in practice practically eliminating the present type of coverage since few home owners can afford premiums for two such life policies.

According to some available statistics group credit life insurance could be more expensive at almost every age level than the present decreasing term individual policies. Furthermore, only the mortgage lender would benefit from any dividend that might be paid on any group credit life insurance since the mortgage lender is the policyholder of record. The National Association of Insurance Commissioners' Model Act includes a five year limit with a maximum of five thousand dollars for group credit life insurance. Many states have adopted the Model Act. The Massachusetts law is already more permissive.

It is the Consumers' Council's opinion that consumers would not benefit by the proposed legislation and, in fact, there exists considerable possibility that the consumers could be adversely affected economically.

The Consumers' Council, having considered this matter, voted to oppose the proposed legislation of the type contained in House Document 1974 in its monthly meeting of January 6, 1972.

The Commonwealth of Massachusetts

SENATE

REPORT

OF THE

COMMISSIONERS

OF THE REVENUE AND FINANCE

FOR THE YEAR ENDING

DECEMBER 31, 1901

ALBANY: PRINTED BY

THE STATE OF MASSACHUSETTS

COMMISSIONERS OF THE REVENUE AND FINANCE

1902

The following information was obtained from the [redacted] and [redacted] on [redacted] at [redacted]. This information was obtained from [redacted] and [redacted] on [redacted] at [redacted].

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