

# Legislative Analysis



## GROUP LIFE INSURANCE REQUIREMENTS

Mitchell Bean, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**Senate Bill 1269 as passed by the Senate**  
**Sponsor: Sen. Gerald Van Woerkom**  
**House Committee: Insurance**  
**Senate Committee: Banking and Financial Institutions**

### First Analysis (12-1-06)

**BRIEF SUMMARY:** The bill would allow group life insurance to be issued covering not less than two, rather than 10, employees; and permit group life insurance to be part of combined life and disability insurance. The bill also would eliminate the requirement that 75 percent of employees be insured under a group policy when the premium is paid jointly by employees and the employer.

**FISCAL IMPACT:** This bill will have no fiscal impact on the State of Michigan or its local units of government.

### THE APPARENT PROBLEM:

Under the Insurance Code, a group life insurance policy covering 10 or more employees may be issued to an employer. The premium on such a group policy may be paid by the employer, by the employees, or jointly by the employer and employees. If the premium is to be paid jointly by the employer and the employees, at least 75 percent of the employees must be insured under the policy. Evidently, the required minimum of 10-employees and the 75 percent requirement stem from old models recommended by the National Association of Insurance Commissioners (NAIC). A national effort is said to be underway, however, to implement a new NAIC model that calls for covering as few as two people under a group policy and eliminating the 75 percent enrollment requirement. Legislation has been proposed to make Michigan insurance law reflect the more modern NAIC recommendations.

### THE CONTENT OF THE BILL:

The bill would amend the Insurance Code (MCL 500.4404) to allow group life insurance to be issued covering not less than two (rather than 10) employees; and to permit group life insurance to be part of combined life and disability insurance. The bill also would delete a provision regarding the minimum required percentage of employees insured under a policy when the premium is paid jointly by the employer and employees.

### HOUSE COMMITTEE ACTION:

The House Committee on Insurance reported the bill without amendment. It remains in the form that passed the Senate. Information in this analysis is derived from the Senate Fiscal Agency's analysis dated 5-31-06.

## ***ARGUMENTS:***

### ***For:***

The older NAIC standards for group life insurance, reflected in the Insurance Code, do not serve any legitimate regulatory purpose and may inhibit sales of group life insurance to some small employers. By requiring a minimum of two, rather than 10, employees for group life insurance, the bill would reflect newer NAIC recommendations and allow smaller employers to provide group life insurance to their employees.

In addition, the requirement that 75 percent of eligible employees be included in the group in order to use a joint employer-employee premium payment plan may preclude some businesses from offering a life insurance benefit to their employees. Eliminating that provision would give employers an opportunity to provide group life insurance benefits to more employees. Also, allowing group life insurance and disability insurance coverage to be included in the same policy could decrease the costs of providing these two types of insurance, thereby encouraging greater life and disability coverage for Michigan employees. Industry representatives and regulators support the change.

## ***POSITIONS:***

The Office of Financial and Insurance Services (OFIS) supports the bill. (11-30-06)

The American Council of Life Insurers (ACLI) supports the bill. (11-30-06)

Legislative Analyst: Chris Couch  
Fiscal Analyst: Richard Child

---

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.