



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

**BILL ANALYSIS**

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 1269 (as reported without amendment)  
Sponsor: Senator Gerald Van Woerkom  
Committee: Banking and Financial Institutions

(as enrolled)

Date Completed: 5-31-06

**RATIONALE**

Under the Insurance Code, a group life insurance policy covering not less than 10 employees may be issued to an employer. While the premium on such a group policy may be paid by the employer, the employees, or jointly by the employer and employees, at least 75% of the employees must be insured if the premium is to be paid by the employer and employees jointly. Evidently, the 10-person group minimum and the requirement that 75% of employees be included in a joint premium arrangement reflect models suggested in the past by the National Association of Insurance Commissioners (NAIC). A national effort reportedly is under way, however, to implement a new NAIC model that calls for covering as few as two people under a group policy and eliminating the 75% enrollment requirement for joint payment of premiums. It has been suggested that Michigan law be revised to reflect the more modern NAIC recommendations.

**CONTENT**

The bill would amend the Insurance Code to 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 delete a provision regarding the minimum percentage of employees insured under a policy whose premium is paid jointly by the employer and employees.

Currently, group life insurance may be issued covering not less than 10 employees, with or without medical examination, under a policy issued to the employer or the trustees of a fund established by the

employer. The premium on such a group policy may be paid by the employer, the employees, or by the employer and employees jointly. The policy must insure all of the employer's employees or all of any class or classes of employees determined by conditions pertaining to employment. Under the bill, that group life insurance could be issued covering not less than two employees. Also, group life insurance could be written as part of a combined group life and disability insurance policy.

Under the Code, if the premium on a group life insurance policy covering employees is to be paid by the employer and employee jointly and the benefits of the policy are offered to all eligible employees, at least 75% of the employees may be insured. The bill would delete this provision.

MCL 500.4404

**ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

**Supporting Argument**

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% 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.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

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

Fiscal Analyst: Elizabeth Pratt  
Maria Tyszkiewicz

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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.