



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1508 (as reported without amendment)
Sponsor: Senator Alan Sanborn
Committee: Economic Development and Regulatory Reform

(as enrolled)

Date Completed: 10-30-08

RATIONALE

Sections 4404 to 4420 of Chapter 44 (Group Life Insurance) of the Insurance Code identify specific types of groups for which group life insurance may be issued, such as labor unions, teachers, National Guard units, and groups of borrowers or purchasers. Section 4424 permits the Commissioner of Financial and Insurance Regulation to authorize insuring other groups on a group basis, if conditions or circumstances indicate that granting permission for discretionary group life insurance coverage is in the interest of public policy. A discretionary group must consist of at least 250 people, and the percentage of participating employees or members, the types of coverage to be offered, and the amounts of insurance to be provided must be as the Commissioner determines. Chapter 44 prohibits the maximum insurance available to any member of a discretionary group from exceeding a specific amount, originally set at \$80,000 in 1982, but subject to an annual adjustment reflecting the cost of living. Each year, the Commissioner issues a bulletin to update the maximum amount, which currently is \$193,000. Some insurance carriers apparently wish to set their own cap for these types of policies rather than relying on or waiting for the Commissioner's annual bulletin to determine the maximum amount of coverage. It has been suggested that the statutory cap be eliminated.

CONTENT

The bill would amend Chapter 44 of the Insurance Code to remove the monetary limit on the insurance available to a member

of a group participating in discretionary group life insurance.

Under Chapter 44, the maximum insurance available to any member of a discretionary group may not exceed a specific dollar amount, which was set at \$80,000 in 1982, subject to a requirement that it be adjusted annually to reflect changes in the cost of living. If a group that previously operated under Sections 4404 to 4420 is continued under Section 4424, however, the types of insurance and amounts of coverage already authorized may be continued although they exceed the limits that otherwise would apply. The bill would delete these provisions.

MCL 500.4424

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

By removing the statutory limit, the bill would allow insurance carriers to set their own cap on the amount of life insurance coverage for a member of a discretionary group. This would give insurers increased flexibility to offer a product that could more closely meet the needs of a particular group.

Response: The bill would leave the Commissioner with fewer tools to regulate the insurance industry.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

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

Fiscal Analyst: Elizabeth Pratt
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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.