

SENATE BILL No. 1508

September 18, 2008, Introduced by Senator SANBORN and referred to the Committee on Economic Development and Regulatory Reform.

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending section 4424 (MCL 500.4424), as amended by 1998 PA 457.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4424. (1) The commissioner may authorize the insuring on
2 a group insurance basis of groups other than those specifically
3 defined in sections 4404 to 4420 if conditions or circumstances
4 indicate that granting permission for discretionary group life
5 insurance coverages is in the interest of public policy. This
6 section does not limit the commissioner to only authorize those
7 groups that are logically analagous in character and composition to
8 the groups specifically defined in sections 4404 to 4420.

9 (2) The commissioner may refuse to grant permission in any
10 instance on the basis of a finding that the requested group plan:

1 (a) Would not result in economies of acquisition and
2 administration that justify a group rate.

3 (b) Would present hazards of voluntary adverse selection to a
4 degree not usually present in group insurance.

5 (c) Would be actuarially unsound.

6 (d) Would fail to preclude individual selection among persons
7 to be insured under the proposed group plan.

8 (3) The discretionary group shall consist of not less than 250
9 persons. The discretionary group may consist of only a portion of
10 the employees of an employer or of the members of an organization,
11 if segregation arises out of reasonable grounds, geographical or
12 otherwise, that make it presently impossible or undesirable to
13 include in a single group all of the employees or members. The
14 discretionary group may consist of employees of more than 1
15 employer, or the members of more than 1 organization or
16 association, if evidence submitted clearly indicates the
17 desirability of embracing the proposed assemblage of individuals
18 under a single group. By way of particular, but not in limitation,
19 the group may consist of the employees of 1 or more governmental or
20 quasigovernmental units, federal, state, municipal, or local.

21 (4) If, for reasons that the commissioner determines to be
22 adequate, it appears to be impossible or infeasible for the
23 employer to be the policyholder in any group authorized under this
24 section, the commissioner may authorize the designation of a
25 trustee or trustees to be the policyholder, subject to rules the
26 commissioner approves.

27 (5) The commissioner may authorize discretionary groups and

1 plans of group insurance that qualify in all other respects under
2 this section although there be no contribution to the premium
3 payment from the employer or organization if the commissioner finds
4 that circumstances render the contribution inequitable, impossible,
5 or impracticable.

6 (6) The percentage of employees or members required to
7 participate in any group authorized under this section, the types
8 of insurance coverage to be offered to the members of the group,
9 and the amounts of insurance to be provided, shall be as the
10 commissioner determines. ~~The maximum insurance available to any~~
11 ~~member of a group authorized under this section shall not exceed~~
12 ~~\$80,000.00. The maximum shall be adjusted beginning July 1, 1982,~~
13 ~~and annually thereafter, to reflect changes in the cost of living~~
14 ~~under rules prescribed by the commissioner. However, if a group~~
15 ~~that previously operated under authority of any of the sections~~
16 ~~4404 to 4420 is continued under the provisions of this section, the~~
17 ~~types of insurance and amounts of coverage already authorized in~~
18 ~~the group may be continued although in excess of the limitations~~
19 ~~that would otherwise be available under this section.~~

20 (7) Before any application for permission to qualify under
21 this section is considered, the applicant shall deposit with the
22 commissioner a specific fee of \$100.00 to defray the costs of
23 examining into the circumstances and conditions appertaining to the
24 proposed group and group insurance and shall covenant to compensate
25 the ~~insurance bureau~~ **OFFICE OF FINANCIAL AND INSURANCE REGULATION**
26 for any additional unusual expenses that it may incur. The
27 applicant shall furnish such information, documents, and data

1 pertaining to the proposed group plan as the commissioner requires
2 to arrive at his or her determination. The commissioner shall, from
3 time to time, promulgate rules for the enforcement of this section.

4 (8) The applicant may appeal from the commissioner's refusal
5 to authorize the discretionary group to the circuit court for the
6 county of Ingham on the grounds that the refusal is arbitrary or
7 capricious and devoid of sound underwriting or actuarial grounds;
8 but any fees or costs paid to or incurred by the ~~insurance bureau~~
9 **OFFICE OF FINANCIAL AND INSURANCE REGULATION** under subsection (7)
10 is not subject to recovery.