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STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE SERVICES
DEPARTMENT OF LABOR & ECONOMIC GROWTH
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BILL ANALYSIS (as introduced)

BILL NUMBER: Senate Bill Number 1269

TOPIC: Group Life Insurance for Small Businesses with Two or Fewer Employees

SPONSOR: Senator Van Woerkom

COMMITTEE: Senate Banking and Financial Institutions

DATE: May 24, 2006

POSITION

The Office of Financial and Insurance Services (OFIS) supports this legislation.

PROBLEM/BACKGROUND

Section 4404 of the Insurance Code of 1956, MCL 500.4404, requires employers to have a minimum of ten employees for insurance carriers to offer them a group life insurance policy. The requirement to have a minimum of ten employees can be viewed as detrimental to an employer's ability to keep quality employees by offering them a benefit they may be able to receive at other similar employers. Current law also restricts the ability to insure smaller groups of employees by requiring a minimum of 75 percent of the employees to be insured if the premium is paid jointly by the employee and employer. Choosing to look outside of the group to purchase an individual policy could be cost prohibitive for the employee.

DESCRIPTION OF BILL

Senate Bill 1269 amends the Insurance Code of 1956, to reduce the current threshold requiring an employer to have a minimum of ten employees to two, to offer a group life insurance policy to the employer. The bill also removes the requirement that 75 percent of the employees must be insured if the premium is paid jointly by the employee and employer. The bill also allows group life insurance to be written as part of a combined group life and disability insurance policy.

SUMMARY OF ARGUMENTS

Pro

Proponents of the legislation argue that the limitations currently in place do not serve any legitimate regulatory purpose and serve to inhibit appropriate sales of group life insurance to small employers. They also argue that the bill will have the following positive effects:

- It will reduce the number of employees an employer is required to have to offer group life insurance so that smaller employers with at least two employees may provide group life insurance to their employees.
- It allows employees to take advantage of group life insurance whether or not the premium is paid jointly by the employer and the employee.
- It allows more employees of small employers to be covered by life insurance.
- It will generally reduce the amount of the premiums an employee has to pay for life insurance.
- It allows group life insurance to be written as a part of a combined group life and disability insurance policy.

Con

None known.

FISCAL/ECONOMIC IMPACT

OFIS has identified the following revenue or budgetary implications in the bill as follows:

(a) To the Office of Financial and Insurance Services:

Budgetary: none
Revenue:
Comments:

(b) To the Department of Labor and Economic Growth:

Budgetary: none
Revenue:
Comments:

(c) To the State of Michigan:

Budgetary: none
Revenue:
Comments:

(d) To Local Governments within this State: None

Comments:

OTHER STATE DEPARTMENTS

None

ANY OTHER PERTINENT INFORMATION

None known.

ADMINISTRATIVE RULES IMPACT

OFIS has general rulemaking authority under the Insurance Code of 1956, 1956 PA 218.

Linda A. Watters

Linda A. Watters
Commissioner

May 25 2006

Date