



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 5156 (as reported without amendment)
Sponsor: Representative John Llewellyn
House Committee: Insurance
Senate Committee: Financial Services

Date Completed: 11-6-95

RATIONALE

The Insurance Code specifies that group life insurance may be issued covering at least 10 employees, with or without medical examination, written under a policy issued to the employer. The premium for a group life insurance policy is to be paid by the employer or jointly by the employer and the employees. The Code does not specifically permit the group life coverage to be paid for entirely by employees. Some people believe that this option should be made available.

CONTENT

The bill would amend the Insurance Code to specify that the premium for an employee group life insurance policy could be paid by the employer, jointly by the employer and the employees, or by the employees, and that those policies could be issued to the employer or to the trustees of a fund established by the employer. The bill also specifies that it would not require an employee to purchase group life insurance.

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 bill would allow the option of group life insurance being offered to a company's employees with the premiums paid for entirely by the employees. Currently, employee group life must be paid for either by the employer or jointly by the employer and employees. It is unclear why employee-paid group life insurance has not been

specifically allowed in statute. Adding this option would recognize the reality of the marketplace and expand the opportunities for life insurance to be made available. Groups of employees whose employer did not offer group life insurance coverage as a full or partial fringe benefit could join together to purchase the coverage on their own.

Response: It is possible that, under the bill, an employer who currently purchases group life insurance for its employees, either paying the full premium or buying the coverage together with its employees, could abandon that responsibility and leave the employees liable for the full cost of the insurance.

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on governmental units. It would be possible for public employers to reduce the cost of their fringe benefits plans if they restructured their group life insurance plans to shift fiscal responsibility to their employees. Actual savings would be dependent on the nature of life insurance coverage and the current premium cost-sharing relationship of the governments and their employees, and on how that responsibility was changed.

Fiscal Analyst: K. Lindquist

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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.