



**House
Legislative
Analysis
Section**

Olds Plaza Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

EMPLOYER-PAID LIFE INSURANCE

**House Bill 5156 with committee
amendments
First Analysis (10-11-95)**

**Sponsor: Rep. John Llewellyn
Committee: Insurance**

THE APPARENT PROBLEM:

Section 4404 of the Insurance Code deals with group life insurance and says such insurance can be issued covering at least 10 employees with or without medical examination written under a policy issued to the employer. The premium for such a policy, the section says, can be paid by the employer or by the employer and the employees jointly. The section does not permit the group life coverage to be paid for entirely by employees. It is not clear why this is the case, and representatives of the insurance industry have asked that the option be available in statute.

THE CONTENT OF THE BILL:

The bill would amend the Section 4404 of the Insurance Code to specify that the premium for an employee group life insurance policy issued to an employer could be paid by the employees. (Currently the section permits payment by the employer or jointly by the employer and employees.) The bill also specifically would permit a group life policy to be issued to the trustees of a fund established by the employer. Further, the bill says that the section does not require an employee to purchase group life insurance.

MCL 500.4404

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would have no fiscal impact. (Fiscal Note dated 10-9-95)

ARGUMENTS:

For:

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 entirely by the employer or jointly by the

employer and employees. Proponents of the bill say no one is aware of how this provision got into the insurance law or what purpose it is supposed to serve. The bill recognizes the reality of the marketplace and the expanded opportunities for group life insurance to be made available.

Response:

Is it a likely result of this bill that some employers will require employees to pay the entire cost of group life insurance and stop paying, in part or in whole, for the coverage as an employee benefit?

POSITIONS:

Representatives of the Prudential Insurance Company testified in support of the bill. (10-10-95)

The Life Insurance Association of Michigan supports the bill. (10-10-95)

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