

HOUSE BILL REPORT

HB 2404

As Reported by House Committee On:
Financial Institutions & Insurance

Title: An act relating to group life insurance.

Brief Description: Concerning group life insurance.

Sponsors: Representatives Santos, Bailey and Kirby.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/12/10, 1/19/10 [DPS].

Brief Summary of Substitute Bill

- Creates a new type of group that may be offered group life insurance.
- Allows for dependents to be covered under policies issued to these new groups.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, Roach, Rodne, Santos and Simpson.

Staff: Jon Hedegard (786-7127).

Background:

The Office of the Insurance Commissioner (OIC) regulates insurance transactions in Washington. This includes group life insurance policies that are issued or delivered in Washington. Insurance rates and insurance forms are filed with the OIC. The OIC ensures that the rates and forms comply with the requirement of the Insurance Code. There are certain standard provisions for group life policies.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Under state law, a group life policy may only insure members of specified types of groups. The group is the policyholder and is required to pay the premiums on the policies. An insured person may be able to contribute funds to the premiums. A person must be a member to be insured under the group policy. These groups are:

- employee groups;
- credit union groups;
- debtor groups;
- associations which have: (1) been in active existence for at least one year; (2) a constitution and bylaws; and (3) been organized and maintained in good faith for purposes other than that of obtaining insurance;
- labor union groups;
- public employee associations;
- trustee groups;
- insurance producer groups;
- the Washington State Patrol; and
- financial institutions.

The dependents of employees or members of certain groups are also able to be insured under a group life policy. This subset includes:

- employee groups;
- labor union groups;
- public employee associations;
- trustee groups; and
- the Washington State Patrol.

Summary of Substitute Bill:

Group life insurance may be offered to a resident of this state under a group policy to a group other than a group currently in statute if the Insurance Commissioner (Commissioner) finds that:

- the issuance of the group policy is not contrary to the best interest of the public;
- the issuance of the group policy would result in economies of acquisition or administration; and
- the benefits are reasonable in relation to the premiums charged.

Group life insurance coverage may not be offered by this type of group in this state under a policy issued in another state unless:

- the other state has requirements substantially similar to those in the bill; and
- the Commissioner or the insurance commissioner of the other state has determined that those requirements have been met.

The premium for the policy must be paid either from the policyholder's funds or from funds contributed by the covered persons, or from both.

Dependents may be covered under policies issued to these new groups. These new groups are prohibited from selling group disability insurance.

Substitute Bill Compared to Original Bill:

Dependents may be insured under the new type of group created in the bill. These new groups are prohibited from selling group disability insurance.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill provides the Commissioner the ability to recognize a nontraditional group and allow that group to purchase life insurance. The bill follows the National Association of Insurance Commissioners model on the subject. It is a straightforward proposal to modernize the state's regulation in this area. Thirty states have already given their commissioner this ability to recognize groups that don't fit in the existing categories. The Commissioner can review every policy and reject any that don't pass muster. There is a change that would improve the bill that allows the members of these groups to insure their dependents. That concept is supported by the Commissioner. The Commissioner also has a technical issue that is supported by industry. The OIC is fine with this bill. There is a clarifying amendment that the OIC is seeking to make sure that this type of group does not also sell group disability insurance. The industry agrees to the OIC amendment.

(Opposed) None.

Persons Testifying: Mel Sorenson, American Council of Life Insurers; John Mangan, American Council of Life Insurers; and Drew Bouton, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: None.