

HOUSE BILL REPORT

SSB 6197

As Passed House:
February 28, 2010

Title: An act relating to group life insurance.

Brief Description: Concerning group life insurance.

Sponsors: Senate Committee on Financial Institutions, Housing & Insurance (originally sponsored by Senators Berkey, Parlette and Franklin).

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/17/10 [DP].

Floor Activity:

Passed House: 2/28/10, 96-0.

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: Do pass. Signed by 10 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, 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 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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: 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 is a good bill. It is the same as the bill that passed off of the House floor. The bill allows the Insurance Commissioner the discretion to recognize nontraditional groups as a group for the purpose of purchasing life insurance. There are several types of groups in statute. This creates an opportunity for groups that do not fit in those statutorily recognized groups. Many other states have passed similar legislation. It is based on a model law adopted by the National Association of Insurance Commissioners.

(Opposed) None.

Persons Testifying: Mel Sorensen, American Council Life Insurers.

Persons Signed In To Testify But Not Testifying: None.