
Business & Financial Services Committee

SB 5581

Brief Description: Addressing the benefits of group life and disability insurance policies.

Sponsors: Senators Angel and Hobbs.

Brief Summary of Bill

- Adds grief counseling to the list of benefits a group life insurance policy may include.
- Permits disability insurers to offer noninsurance benefits similar to group life policies.

Hearing Date: 3/5/15

Staff: David Rubenstein (786-7153).

Background:

Office of the Insurance Commissioner.

The Office of the Insurance Commissioner (Commissioner) regulates insurance transactions in Washington, including group life insurance policies. Insurance rates and forms are filed with the Commissioner, which ensures that the rates and forms comply with the requirement of the state law. The Commissioner also has rulemaking and enforcement authority over insurance and insurers.

Group Life Insurance Benefits.

Group life insurance refers to a policy that insures the lives of more than one individual as part of a specified group allowed by statute. The groups allowed ordinarily have some common feature, such as the same employer, labor union membership, or credit union membership, among others. The group is the policyholder and is required to pay the premiums on the policies, but an insured

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may contribute to the premium. The proceeds of the insurance policy must be paid to beneficiaries of the insured person at the time of that person's death.

In addition to a monetary payout, group life insurers are permitted to offer various noninsurance benefits including:

- will preparation;
- financial planning and estate planning;
- probate and estate settlement services; and
- other services allowed by the Commissioner.

Disability Insurance.

Disability insurance refers to a policy that pays benefits if the insured becomes partially or fully disabled and unable to work. Like group life insurance, group disability insurance policies may only be written for a group of people specified by statute, including employee groups, credit union groups, and labor union groups. The group is the policyholder and must pay the premium, but the insured may contribute.

Summary of Bill:

Group Life Policy Noninsurance Benefits.

Grief counseling is added to the list of noninsurance benefits a group life insurer may offer.

Group Disability Policy Noninsurance Benefits.

A group insurer may include specific noninsurance benefits as part of a policy of group disability insurance, with the prior approval of the Commissioner, such as:

- will preparation services;
- financial planning and estate planning services;
- probate and estate settlement services;
- grief counseling; and
- other services adopted by rule of the Commissioner.

The noninsurance benefits offered must bear a reasonable relationship to the disability insurance provided.

The Commissioner is not required to approve any particular proposed noninsurance benefit. Any proposed noninsurance benefit that the Commissioner determines may tend to promote or facilitate the violation of insurance law may be disapproved by the Commissioner.

The Commissioner may adopt rules to ensure disclosure of the noninsurance benefits.

Persons or businesses providing the noninsurance services must be appropriately licensed. The authority and ethical obligations of those who are authorized by the Washington Supreme Court to practice law in this state are not affected. The prohibition against the unauthorized practice of law is not affected. The application of the state securities laws is not affected.

Appropriation: None.

Fiscal Note: Available.

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