



Senate Fiscal Agency
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House Bill 5146 (as reported without amendment)
Sponsor: Representative Kate Segal
House Committee: Insurance
Senate Committee: Insurance

CONTENT

The bill would amend the Insurance Code to allow a group life insurance policy to define "employees" as a) the employees of one or more subsidiary corporations; b) the employees, proprietors, and partners of one or more affiliated corporations, proprietorships, or partnerships if the business of the employer and the affiliated corporations, proprietorships, or partnerships were under common control; c) the retired employees, former employees, and directors of a corporate employer; or d) elected or appointed officials.

The bill also would allow a group life insurance policy to be issued to an association, or to a trust or trustee of a fund established or maintained for the benefit of members of one or more associations, provided the association: a) at the outset had at least 100 members, b) had been organized and maintained for a purpose other than obtaining insurance, c) had been in active existence for at least two years, and d) had bylaws that required all of the following: 1) association members would meet at least yearly, 2) with the exception of credit unions, the association would collect dues and solicit contributions from its members, and 3) members would have voting rights and representation on the governing board. A group policy issued to such an association would be subject to additional requirements under the bill.

In addition, the bill would replace the discretionary group provisions in the Code, and would establish certain requirements for group life insurance other than those expressly provided for in the Code. The insurance could not be offered unless the Director of the Department of Insurance and Financial Services found all of the following: a) the issuance of the group policy was not contrary to the best interest of the public; b) the issuance of the group policy was reasonable in relation to the premiums charged; and c) the benefits of the group policy were reasonable in relation to the premiums charged. The Director would have to determine that substantially similar requirements had been met before a group policy offered by an insurer issued in another state could be issued in this State.

The bill also provides that a certificate delivered to an employee by an employer would constitute notice of the conversion rights under a policy. Separate notice at the time of termination would not be required.

MCL 500.4404

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 3-5-14

Fiscal Analyst: Glenn Steffens

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Bill Analysis @ www.senate.michigan.gov/sfa

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.