

# HOUSE BILL REPORT

## SSB 6166

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### As Reported by House Committee On:

Financial Institutions & Insurance

**Title:** An act relating to funding group life insurance.

**Brief Description:** Funding group life insurance.

**Sponsors:** Senate Committee on Financial Services, Insurance & Housing (originally sponsored by Senator Benton).

### Brief History:

#### Committee Activity:

Financial Institutions & Insurance: 2/24/04, 2/27/04 [DPA].

#### Brief Summary of Substitute Bill (As Amended by House Committee)

- Authorizes employers to offer group life insurance policies in which the entire premium for the policy is paid by the employee.
- Authorizes an employee to purchase a life insurance policy on a family member in the same amount purchased by the insured employee on his or her own life.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass as amended. Signed by 11 members: Representatives Schual-Berke, Chair; G. Simpson, Vice Chair; Benson, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Cairnes, Carrell, Cooper, Hatfield, Roach, Santos and D. Simpson.

**Staff:** Carrie Tellefson (786-7127).

#### Background:

The Insurance Commissioner is authorized to regulate both the form and content of life insurance contracts that are issued or delivered in Washington.

An employer may purchase a group life insurance policy for the benefit of employees and their families. Employers may pay the premium in full or may require partial

contributions from employees. Employees may not pay the entire premium.

An employee may purchase life insurance on a family member in an amount not to exceed 50 percent of the insurance on the life of the employee.

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**Summary of Amended Bill:**

Employees may pay the entire premium for life insurance under a group life insurance policy.

Employees may purchase a life insurance policy on a family member in the same amount purchased by the insured employee on his or her own life.

The provisions are deleted that require 75 percent of employees to elect to have a policy in which employees pay a portion of the premium and elect to have a policy in which group life insurance policies may be extended to family members.

**Amended Bill Compared to Substitute Bill:**

Deletes the requirement that 75 percent of the employees must elect that a group policy may be extended to family members.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** Insurance purchased through employers has become quite popular. Purchases have doubled over the past four or five years. That hasn't been the case in Washington. In Washington, employers can't offer a policy in which the employee pays all of the premium. Employers also can't offer policies unless 75 percent of the employees want to participate. In addition, employees are limited to insuring their spouse for only 50 percent of the value of the life insurance they purchase on themselves. The 75 percent was probably inserted by insurance companies to prevent adverse selection. The bill allows the policy issued to the employer to have 100 percent of the premium paid by employees. It also deletes the requirement that 75 percent of the employees must vote to allow employee-contribution life insurance policies. In addition, employees can purchase benefits for their spouse in the same amount as they can for themselves. In drafting, they forgot to delete the 75 percent participation for insuring your spouse. They would like this amended and deleted. Employees will have more

options if this bill passes.

**Testimony Against:** None.

**Persons Testifying:** Senator Benton, prime sponsor; and Basil Badley, American Council of Life Insurers.

**Persons Signed In To Testify But Not Testifying:** None.