

# SENATE BILL REPORT

## SB 6197

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As Reported by Senate Committee On:  
Financial Institutions, Housing & Insurance, January 19, 2010

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

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

**Sponsors:** Senators Berkey, Parlette and Franklin.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Insurance: 1/12/10, 1/19/10 [DPS].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Majority Report:** That Substitute Senate Bill No. 6197 be substituted therefor, and the substitute bill do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Benton, Ranking Minority Member; Franklin, McDermott, Parlette and Schoesler.

**Staff:** Diane Smith (786-7410)

**Background:** Policies of group life insurance have been authorized for over 60 years. This authorization is uniformly made by prohibiting contracts of life insurance that insure the lives of more than one individual, unless the policy is offered to one of the specified groups. The groups include employees, credit unions, debtor groups, certain associations, labor unions, public employees, trustee groups, life insurance producers, the Washington State Patrol, and financial institutions. It is the group that is the policyholder. The member of the group is the insured. The beneficiaries may only be persons other than the policyholder.

Certain standard provisions must appear in all group life insurance policies. Each group is individually defined by characteristics that are common to all members of the group. Most groups must meet minimum requirements for the number or percentage, or both, of members of the group whom the group life insurance policy covers. Most groups have limitations on the source from which the premium payments may come, such as from the policyholder, the insured member of the group, or both. Just over half of the authorized groups may extend the offer of group life insurance coverage to the group-member's spouse and dependent children.

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*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.*

**Summary of Bill (Recommended Substitute):** Group life insurance may be offered to a group of Washington residents who are not members of any of the defined groups. This may occur only if the Insurance Commissioner finds that: issuance of the group policy is not contrary to the best interest of the public; economies of acquisition or administration would result; and the benefits are reasonable in relation to the premiums charged.

An insurer may offer a group life insurance policy that was issued in another state if the other state has substantially similar requirements.

Either the policyholder or the covered person may pay the premiums for the policy.

**EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute):** The substitute bill clarifies that life insurance groups created under this bill may extend coverage to spouses and dependent children of insured members of the group. It also clarifies that life insurance groups created under this bill are not included in group disability insurance.

**Appropriation:** None.

**Fiscal Note:** Available on original bill.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill:** PRO: This bill is taken from an NAIC model to provide the commissioner with discretion to create groups for life insurance when it is in the public interest and otherwise meets the code. There are two NAIC models for discretionary group insurance. One is for life insurance and the other is for health insurance. Some states do allow both life and health but it is up to the commissioner of each state. There are 30 states that have adopted some form of this bill for non-traditional group life insurance. This is part of a national effort to modernize and facilitate popular and affordable insurance modalities. Sometimes emerging groups make sense. Some technical clarification on the extension to dependents and exclusion from health insurance is needed.

**Persons Testifying:** PRO: Mel Sorenson, John Mangan, American Council of Life Insurance.