



Chapter 10 Group Life Insurance

Characteristics

- Provided as a benefit for employees
- One policy covering one or more people
- Master policy issued to employer
- Employees receive certificate
- Experience Rating – a method of establishing the premium based on the group's past claims experience. Flower growers, not so bad. Asbestos inhalers, lots of claims.
- Lower costs than individual plans

Eligible Groups

- **Natural groups** – formed for a purpose other than buying insurance
 - Employers; unions; trade associations etc.
 - Ck law chapter for state minimum number of employees

Individual Eligibility Requirements

- Employer sets these
- Maybe full-time; on the job for 30, 60, or 90 days

Contributory vs Non-contributory

- Ck law chapter – Most non-contributory plans require 100% participation

Types of Group Life Plans

1. **Annual renewable term**; cheapest; most common
2. **Permanent insurance**
 - a. **Straight Whole Life** – employee usually owns the cash value
 - b. **Paid-up whole Life** – more expensive but more and faster growth of cash value
 - c. **Group Universal Life**

Conversion

- Allows for employee to convert with-in a certain time frame (usually 30-31 days) to an individual plan w/o evidence of insurability – see law chapter
- May still be covered under this time-period even if no conversion was elected (death during conversion)
- Converts to permanent policy with the same insurance company

Other Types of Group Life Plans

Blanket Health Plans

- Covers sporting events, concerts, airlines, bus companies
- Provides coverage while on the bus or at the event
- Composition of the group is constantly changing
- One policy

Group Credit Life

- Decreasing Term issued to creditors (banks) to cover the lives of debtors in the amount of their respective loans
- Premiums paid by the insured
- Cannot be forced to take it (coercion)

Multiple Employer Trusts

- Designed for employers with a small number of employees
- Provides choices of health & life insurance
- Employer joins the trust, receives a joinder agreement specifying relationship between the trust & the employer
- Employee chooses the benefits desired
- Receives a certificate explaining benefits

Multiple Employer Welfare Arrangements (MEWAs)

- Similar to above , but
- Usually self-insured
- For tax exempt entities
- Unions

Taxation of Group Life Premiums

- Employer may deduct premium contributions for employee group life plan
- Employee does NOT pay taxes on the premium for the 1st \$50,000 of insurance
- Employee cannot deduct any of their contributions
- If employer pays premiums for any amount of insurance above \$50,000 the employee will have to claim as income the premium amount for any insurance above \$50,000.