

H B

426

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 426
Title: Group Life Insurance

FISCAL DETAIL

Agency Affected: Commerce & Econ. Development
Program Category Affected: Public protection

Sponsor: Labor & Commerce
Requestor: _____
Date of Request: _____

BRU, Program or Subprogram(s) Affected: _____
Division of Insurance _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Kenneth C. Moore, Director
Division: Insurance

Phone: 465-2515
Date: _____

Approved by Commissioner: Richard A. Lyon
Agency: Commerce and Economic Development

Date: 12/29/83

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

Supports this B.Y.

THE SENATE LABOR AND COMMERCE COMMITTEE REVIEWED CSHB 426 AND FOUND THIS LEGISLATION VERY WORTHWHILE. CSHB 426 WOULD LIBERALIZE THE GROUP LIFE INSURANCE CODE. CURRENTLY THE CODE IS HIGHLY RESTRICTIVE TO WHOM MAY APPLY FOR GROUP LIFE BENEFITS. CSHB 426 WOULD ALLOW ANY ORGANIZATION TO APPLY FOR GROUP LIFE INSURANCE AS LONG AS THAT ORGANIZATION DID NOT FORM SOLELY FOR THE PURPOSE OF PROVIDING THIS BENEFIT.

THE DIVISION OF INSURANCE STRONGLY SUPPORTS THESE PROPOSED CHANGES. CSHB 426 WOULD ALLOW A BROADER SECTION OF ALASKAN CITIZENS TO ENJOY THE BENEFITS OF GROUP LIFE INSURANCE WITHOUT ANY LOSS OF REGULATORY PROTECTION. EXAMPLES OF GROUPS WHICH UNDER CSHB 426 WOULD BE ELIGIBLE FOR GROUP LIFE INSURANCE ARE BAR ASSOCIATIONS, MEDICAL ASSOCIATIONS, COMMERCIAL FISHERMEN'S ASSOCIATIONS, OR PILOT ASSOCIATIONS. I RECOMMEND PASSAGE OF THIS BILL.

*Strongly Supported By Div of INS.
LETTERS OF SUPPORT -*

FURTHER INFORMATION

- 1) CSHB 426 PASSED THE HOUSE 36 - 0.

- 2) CURRENTLY IT IS POSSIBLE FOR SOME TYPES OF GROUPS TO BE ELIGIBLE FOR GROUP ACCIDENT AND HEALTH INSURANCE BUT ARE NOT ELIGIBLE FOR GROUP LIFE INSURANCE. THIS MAKES IT MORE EXPENSIVE FOR THE GROUPS TO PURCHASE GROUP ACCIDENT AND HEALTH INSURANCE AS OFTEN AS INSURANCE IS PURCHASED AS A PACKAGE (HEALTH/ACCIDENT AND GROUP LIFE INSURANCE ARE SOLD TOGETHER). THESE STATUTES ARE REPEALED TO ALLOW MORE FLEXIBILITY.

3) AS 21.48.090 WHICH IMPOSES MAXIMUM AMOUNTS OF GROUP LIFE INSURANCE WHICH MAY BE EXTENDED TO THE DEPENDENTS OF COVERED EMPLOYEES OR MEMBERS OF A GROUP IS REPEALED. REASON FOR REPEAL - GROUP INSURANCE IS PRIMARILY AN EMPLOYEE BENEFIT AND MAY BE SUBJECT TO COLLECTIVE BARGAINING. THE STATE SHOULD NOT IMPOSE ANY ARTIFICIAL BARRIERS IN THE NEGOTIATION OF EMPLOYEE BENEFITS.

4) IN GENERAL, AS 21.48 REQUIRES THAT THE PREMIUM CANNOT BE ENTIRELY PAID BY EMPLOYEE CONTRIBUTIONS. THE PROPOSED LANGUAGE REMOVES THIS REQUIREMENT AS THIS RESTRICTION CAN IN EFFECT BE MADE MEANINGLESS IF THE EMPLOYER CONTRIBUTES ONLY 1¢ TOWARD PREMIUM COST FOR EACH EMPLOYEE.

RENDED TITLE: CSHE 426(L&C)
 ACT RELATING TO GROUP LIFE INSURANCE, AND PROVIDING
 FOR AN EFFECTIVE DATE
 PRIME SPONSOR: HAYES.

COSPONSORS:
 CURRENT STATUS: 4/12/04 CHAPTER 0032 SLA 04

DATE	SEQ	PAGE	LEGISLATIVE ACTION
05/25/83	01	1528	FIRST READING -- COMMITTEE REPORTS
06/11/83	02	1668	L&C -- 0302, NR05
06/11/83	03	1668	L&C F/NOTE EQUALS ZERO
01/16/84	04	2271	SECOND READING
01/16/84	05	2271	L&C CS ADOPTED BY UNAN CONSENT
01/16/84	06	2271	ADVANCED TO 3RD READING BY UNAN CONSENT
01/16/84	07	2271	THIRD READING
01/16/84	08	2271	PASSED BY DIV 36-00-04
01/16/84	09	2272	EFFECTIVE DATE VOTE SAME AS PASSAGE
01/16/84	10	2272	NOTICE OF RECONSIDERATION GIVEN
01/18/84	11	2301	RECONSIDERATION NOT TAKEN UP
03/27/84	20	3071	TRANSMITTED TO GOVERNOR
04.12/04	21	3310	SIGNED BY GOVERNOR-CHOCOS, EFF 04/12/04

DATE	SEQ	PAGE	LEGISLATIVE ACTION
01/19/84	12	1793	FIRST READING COMMITTEE REPORTS
03/02/84	13	2230	L&C -- 0P03
01/26/84	14	2464	RLC - OTHERS TAKEN UP IMMEDIATELY
01/26/84	15	2464	SECOND READING
01/26/84	16	2464	ADVANCED TO 3RD READING BY UNAN CONSENT
03/26/84	17	2464	THIRD READING
03/26/84	18	2464	PASSED BY DIV 17-00-04
03/26/84	19	2465	EFFECTIVE DATE VOTE SAME AS PASSAGE

COMMITTEE REPORT

SENATE

FURTHER:

Date: _____

Mr. President:

The Committee on _____ has had _____

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

Lance Wells & Associates
National Bank of Alaska Building
301 West Northern Lights Blvd., Suite 600
Pouch 6273
Anchorage, Alaska 99502

Lance Wells
Paul Barton

APR 8 1983

(907) 279-7684

March 29, 1983

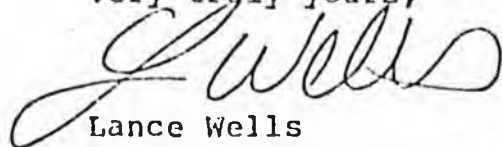
Representative Joe Hayes
c/o Wally Kubley
Baranof Hotel Room 206
Juneau, AK 99801

RE: GROUP LIFE INSURANCE BILL OVERVIEW

Dear Representative Hayes:

At the present time, Alaska law prohibits associations from entering into group life insurance programs. As you probably know, significant advantages can be gained by grouping individuals associated through common work or other common groups in order to increase the volume and obtain volume discounts in the purchase of insurance. The bill with which you have been presented was prepared by the Department of Insurance and they are supportive of the measure. If this bill becomes law it will allow the pilots and other associations in the state to participate in group life insurance programs which will result in significant decrease in premiums for their respective members.

Very truly yours,



Lance Wells
Executive Director

LW:cs

cc: Kent Lee Woodman
Board Members of AACCA

Testimony notes. HB 426

Administration favors bill

The bill liberalizes constitution of a group for purposes of group life insurance.

The ceiling on amounts of group life insurance for dependants is removed. Current maximum ranges from \$100 for a family member under age 6 months to \$2,000 at age 5 or older.

Premium contribution requirements by employer/policyholder are eliminated.

Provides expanded availability of group life insurance by giving a broader base of our population the means of acquiring life insurance on a more economical basis.

Examples of groups newly eligible would be groups such as:
bar associations;
commercial fishermen's associations;
medical associations; and,
pilots associations.

MEMORANDUM

State of Alaska

TO: Kenneth C. Moore, Director

DATE: November 26, 1982

FILE NO:

TELEPHONE NO:

FROM: Jim Jordan 

SUBJECT: Group Life Insurance
Proposed Legislaed Changes

Attached, please find the draft of the Act which amends AS 21.48, Group Life Insurance.

The proposed amendments to AS 21.48 accomplish the following:

- 1) The definition regarding who constitutes a duly formed group for the purposes of group life insurance is liberalized;
- 2) The ceiling on amounts of group life insurance for dependents is removed;
- 3) The group definitions applicable to group disability insurance contracts are indirectly liberalized pursuant to AS 21.54.060(4);
- 4) The provisions requiring some premium contribution by an employer/policyholder are eliminated; and
- 5) AS 21.48.060, debtor groups, and AS 21.48.070, credit union groups, remain intact and unchanged due to their unique character and relationship to credit life and credit disability (AS 21.57).

Of course, the underlying intent of the proposal is to provide for expanded availability of group life insurance. Conceivably, a broader based portion of our population will have expanded means of acquiring life insurance coverage on an economical basis.

In my opinion, this proposal will not require increased appropriations for administration. In fact it may result in increased premium tax revenue. Master group contracts heretofore delivered in other states, covering Alaskan residents, in order to circumvent unfavorable provisions in our law, may, in the future, be issued in this state. By so doing, taxable, Alaska premiums could increase.

It should be noted that some unfavorable federal income tax implications could arise in the area of dependent group life. For amounts of dependent group life insurance provided by an employer in excess of \$2,000, the premiums paid by the employer for such coverage would be taxed as income to the employee.

Opposition, if any, to this proposal would most likely come from the life insurance agent specializing in the sale of individual life insurance products. This opposition would be primarily "protectionist" in nature and easily countered.

Let me know if you would like to discuss this proposal in greater detail.

MEMORANDUM

State of Alaska

TO: Mr. Jeff Day DATE: May 18, 1983
Assistant to the Speaker
THRU: Kenneth C. Moore FILE NO:
Director of Insurance
THRU: Richard Lyon TELEPHONE NO:
Commissioner of Commerce &
FROM: Economic Development SUBJECT: Proposed Group Life
FROM: Jim Jordan Insurance Legislation
Insurance Market Analyst III

Per our telephone conversation of May 10, 1983, the following will serve to explain certain defects in the current law which the proposed legislation is intended to rectify.

AS 21.48.010-230 set forth the various criteria regarding group life insurance. Similarly, AS 21.54.010-070 sets forth the criteria which apply to group disability insurance. Each of these chapters respectively establishes what types of entities or collections of persons constitutes a duly formed group. It is only these defined entities that may have a group master contract issued to it within the state. Most frequently, group life insurance and group accident and health insurance is marketed and issued as a "package".

AS 21.48 is constructed to define those eligible groups of persons within very narrow parameters. Conversely AS 21.54 is constructed so that a broader range of entities form duly constituted groups. In other words, it is possible for some types of groups to be proper groups for the purposes of group accident and health but not be eligible for group life insurance. An example of this situation is an "association" group for which group accident and health coverage may be legally written (AS 21.54.060(2)) but may not be eligible for group life insurance (AS 21.48.040).

This holds true for associations that are comprised of members who may not be necessarily employers. Examples of such associations could be bar associations, medical associations, pilots associations, or commercial fishermen's associations. When interested in obtaining group insurance coverages, these types of associations are able to obtain coverage. This is accomplished by joining other associations outside of Alaska that have such coverages provided via group master contract delivered in other jurisdictions. Alaska's insurance laws do not extend extra-territorially, so residents covered under these arrangements lose, to a certain degree, the local regulatory protection. (However, they may go to the insurance department in the state in which the master contract is delivered for consumer assistance.) Additionally, such arrangements may also result in less premium taxes being collected in Alaska.

AS 21.48.090 imposes maximum amounts of group life insurance which may be extended to the dependents of covered employees or members of a group. The amount is scheduled and increases by the age of the family member from \$100 at under the age of 6 months to a maximum of \$2,000 at

ages 5 years and older. These amounts were established by law in 1966 and certainly inflationary pressures alone would dictate the maximum amounts of coverage be increased. The proposed language would remove all maximums. Group insurance is primarily an employee benefit and may be subject to collective bargaining. It was felt that the insurance laws should not impose any artificial barriers in the negotiation or determination of employee benefits. Again, an employer may provide amounts of dependents group life insurance greater than that allowed by Alaska law by joining a multiple employer trust located in state allowing higher amounts. (We know this has been done.) Many states exist which have no such maximum for dependents group life insurance. One of the reasons for limiting the amount of dependent group life to \$2,000 is due to federal income tax implications. In the situation where an employer pays the entire premium for dependents group life insurance, the IRS has ruled that so long as the coverage amount is incidental, no additional taxable income is incurred by the employee. The amount determined by the IRS as being incidental is up to a maximum of \$2,000. (The same holds true for the amounts of group life insurance provided to employees except that no federal income tax liability accrues until the amounts of coverage exceeds \$50,000.)

In general, AS 21.48 requires that the premium can not be entirely paid by employee contributions. The proposed language removes this requirement. This change was included for several reasons. First, an employer can in effect make this meaningless by contributing only 1¢ toward the premium cost for each employee. Second, some employee benefit programs contain a basic amount of group life insurance paid for entirely by the employer and an optional amount paid for entirely the employee. Current construction of AS 21.48 forces such coverages to be underwritten by one insurer in one master group contract. This may impede competition to a certain degree, particularly for larger employers. An example of this could be the State of Alaska plan for its employees where the various segments of the benefit package go out to competitive bid. One insurer may submit the lowest bid for the optional group life but may not be the lowest bidder on the basic group life. Therefore, the state could not award the contract for the optional group life to that insurer who is the lowest bidder and award a separate contract to another insurer who was the lowest bidder on the basic group life. Third, again,, an employer may circumvent this situation by joining an association or multiple employer trust situated in another state. Last, AS 21.54 imposes no such requirement for group accident and health coverages.

It is felt that the proposed changes would help facilitate the extension of life insurance protection to a broader section of our population with no material loss in regulatory protection. Typically, group insurance is less costly than individual insurance contracts due to the administrative economies realized. Therefore, this proposal should help to provide a broader base of coverage at a cost more beneficial to the Alaskan resident.

Also, for your information, the proposed language is patterned after Colorado's group life law.

Please let me know if I may be of any further assistance.

Sincerely,

James J. Jordan
Insurance Market Analyst

JJJ/gw

Group Life
Insurance

HOUSE BILL NO. 426, by Rep. Hayes. Amends laws governing the issuance of group life insurance policies (AS 21.48) to provide that no policy may be delivered in Alaska insuring the lives of more than one individual unless "(1) the policyholder was formed for purposes other than obtaining insurance, or is a trust established by one or more employers or labor unions; (2) the policy covers at least two individuals at the date of issue; (3) an individual eligible for coverage is subject to uniformly applied standards of insurability imposed by the insurer; (4) amounts of group life insurance are determined based on some plan that will preclude individual selection; and (5) the group life insurance contract is in compliance with the other applicable provisions of this chapter." Currently, the section (AS 21.48.010) reads that no life insurance policy may be delivered in Alaska insuring the lives of more than one individual unless delivered to one of the groups as provided for in AS 21.48.020 - 060 (employee groups, labor union groups, trustee groups, public employee groups, or debtor groups), and unless in compliance with the other applicable provisions of AS 21.48.

Adds to AS 21.48.010: "Insurance under a group life insurance policy may be extended to insure dependents. Notwithstanding AS 21.48.070 [Credit Union Group], only one certificate need be issued for delivery to an insured person if a statement concerning a dependent's coverage is included in the certificate. . . . In this section, 'dependents' means the spouse and dependent children of an employee or member of the group." (The bill repeals existing law dealing with coverage for dependents. Existing law contains more explicit requirements for issuance of such coverage.)

Repeals AS 21.48.020 (Employee Groups), AS 21.48.030 (Labor Union Groups), AS 21.48.040 (Trustee Groups), AS 21.48.050 (Public Employee Associations), and AS 21.48.090 (Dependent's Coverage).

Provides for an immediate effective date.

The L&C substitute states that "A group life insurance policy may not be delivered in this state insuring the lives of more than one individual unless (1) the policyholder was formed for purposes other than obtaining insurance, or is a trust established by one or more employers or labor unions or by one or more employers and labor unions; . . . (3) an individual eligible for coverage is subject to uniformly applied standards of insurability as may be imposed by the insurer; . . ." (underlined language added by L&C).

One other technical change is made in section 2 of the bill. States that Insurance under a group life insurance policy may be extended to insure dependents, and notwithstanding AS 21.48.170 (Group Life Insurance. Certificate), only one certificate need be issued for delivery to an insured if a statement concerning a dependent's coverage is included in the certificate (statute cited previously was AS 21.48.070 (Group Life Insurance. Credit Union Group)).

Summary



Speaker of the House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

Official Business

MEMORANDUM

April 28, 1983

To: Don Koch
Division of Insurance 3720

From: Jeff Day *JD* 3721
Assistant to the Speaker 3740

Re: Proposed Group Life Insurance legislation

Attached is proposed legislation which I briefly mentioned to you before. I have not requested formal drafting of this yet. I have been told, and you will see by a notation, that Division of Insurance supports this and basically wrote it.

I need that confirmed and I also need to know why this is needed and what it will accomplish. I wanted you to look it over and give me your thoughts or opinions.

Thanks.

MEMORANDUM

State of Alaska

TO: Kenneth C. Moore
Director, Division of Insurance

DATE: May 26, 1983

FILE NO:

TELEPHONE NO:

FROM: Jim Jordan
Insurance Market Analyst

SUBJECT: HB 426 - comments

Handwritten: STELLA ROOM (HIT)

Handwritten initials: JY

In the most part, the bill as introduced is substantially the same as my original draft. Some re-ordering was done but does not change the substance. However, I would recommend that four changes be made. Two of the changes, if not made, would make no difference in the meaning but are suggested to add more clarity. However, the other two suggested changes need to be made.

Suggested Amendments

1. p. 1., line 10; immediately following the word "A" add the word "group". (Not critical but would add more clarity.)
2. p. 1., line 14; following the word "unions" add the following words ", or by one or more employers and labor unions".

(This is a necessary change to recognize the combination of employers and labor unions which represent the employees of that employer(s).)

3. p. 1., line 18; between the words "insurability" and "imposed" insert the words "as may be".

(This is not critical but it adds more clarity. Without the amendment, it might appear that an insurer must apply evidence of insurability standards. Many group life contracts are issued without any requirements that evidence of insurability or good health be provided for each group member. It is a basic tenet of group insurance that with a large enough group of insureds a sufficient spread of risk is realized, thus obviating the necessity of individually, medically underwriting each person. I don't believe we want to impose this on the public or insurers when it is an actuarially sound principal.)

4. p. 1., line 28; change the cite "AS 21.48.070" to the correct cite "AS 21.48.170".

(This is a necessary change. The citation in HR 426 is incorrect.)

HB 426 leaves in the specific criteria for debtor groups (AS 21.48.060) and for credit union groups (AS 21.48.070). The original draft did the same thing. This was done because of the unique nature of these types of groups and their specific relationship to AS 21.57. This is particularly the case for debtor groups.

I am attaching a marked up copy of HB 426, which includes the suggested amendments, as well as copies of my memoranda of November 26, 1982 to you and of May 18, 1983 to Jeff Day, and of my original draft.

1 IN THE HOUSE

BY HAYES

2

HOUSE BILL NO. 426

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to group life insurance; and provid-
7 ing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 21.48.010(a) is amended to read:

10 (a) ^{group} A [NO] life insurance policy may not be delivered in this
11 state insuring the lives of more than one individual unless

12 (1) the policyholder was formed for purposes other than
13 obtaining insurance, or is a trust established by one or more
14 employers or labor unions; ^{or by one or more employers and labor unions}

15 (2) the policy covers at least two individuals at the date
16 of issue;

17 (3) an individual eligible for coverage is subject to
18 uniformly applied standards of insurability; ^{as may be} imposed by the insurer;

19 (4) amounts of group life insurance are determined based on
20 some plan that will preclude individual selection; and

21 (5) the group life insurance contract is in compliance with
22 the other applicable provisions of this chapter [DELIVERED TO ONE OF
23 THE GROUPS AS PROVIDED FOR IN SECS. 20 - 60 OF THIS CHAPTER, AND
24 UNLESS IN COMPLIANCE WITH THE OTHER APPLICABLE PROVISIONS OF THIS
25 CHAPTER].

26 * Sec. 2. AS 21.48.010 is amended by adding new subsections to read:

27 (c) Insurance under a group life insurance policy may be
28 extended to insure dependents. Notwithstanding AS 21.48.070¹⁷⁰, only one
29 certificate need be issued for delivery to an insured person if a

1 statement concerning a dependent's coverage is included in the certif-
2 icate.

3 (d) In this section, "dependents" means the spouse and dependent
4 children of an employee or member of the group.

5 * Sec. 3. AS 21.48.020 - 21.48.050 and AS 21.48.090 are repealed.

6 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
7 10.070(c).

MEMORANDUM

State of Alaska

TO: Kenneth C. Moore, Director

DATE: November 26, 1982

FILE NO:

TELEPHONE NO:

FROM: Jim Jordan 

SUBJECT: Group Life Insurance
Proposed Legislated Changes

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Of course, the underlying intent of the proposal is to provide for expanded availability of group life insurance. Conceivably, a broader based portion of our population will have expanded means of acquiring life insurance coverage on an economical basis.

In my opinion, this proposal will not require increased appropriations for administration. In fact it may result in increased premium tax revenue. Master group contracts heretofore delivered in other states, covering Alaskan residents, in order to circumvent unfavorable provisions in our law, may, in the future, be issued in this state. By so doing, taxable, Alaska premiums could increase.

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Let me know if you would like to discuss this proposal in greater detail.

MEMORANDUM

State of Alaska

TO: Mr. Jeff Day
Assistant to the Speaker
DATE: May 18, 1983

THRU: Kenneth C. Moore
Director of Insurance
FILE NO:

THRU: Richard Lyon
Commissioner of Commerce &
Economic Development
TELEPHONE NO:

FROM: Jim Jordan
Insurance Market Analyst III
SUBJECT: Proposed Group Life
Insurance Legislation

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This holds true for associations that are comprised of members who may not be necessarily employers. Examples of such associations could be bar associations, medical associations, pilots associations, or commercial fishermen's associations. When interested in obtaining group insurance coverages, these types of associations are able to obtain coverage. This is accomplished by joining other associations outside of Alaska that have such coverages provided via group master contracts delivered in other jurisdictions. Alaska's insurance laws do not extend extra-territorially, so residents covered under these arrangements lose, to a certain degree, the local regulatory protection. (However, they may go to the insurance department in the state in which the master contract is delivered for consumer assistance.) Additionally, such arrangements may also result in less premium taxes being collected in Alaska.

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ages 5 years and older. These amounts were established by law in 1966 and certainly inflationary pressures alone would dictate the maximum amounts of coverage be increased. The proposed language would remove all maximums. Group insurance is primarily an employee benefit and may be subject to collective bargaining. It was felt that the insurance laws should not impose any artificial barriers in the negotiation or determination of employee benefits. Again, an employer may provide amounts of dependents group life insurance greater than that allowed by Alaska law by joining a multiple employer trust located in state allowing higher amounts. (We know this has been done.) Many states exist which have no such maximum for dependents group life insurance. One of the reasons for limiting the amount of dependent group life to \$2,000 is due to federal income tax implications. In the situation where an employer pays the entire premium for dependents group life insurance, the IRS has ruled that so long as the coverage amount is incidental, no additional taxable income is incurred by the employee. The amount determined by the IRS as being incidental is up to a maximum of \$2,000. (The same holds true for the amounts of group life insurance provided to employees except that no federal income tax liability accrues until the amounts of coverage exceeds \$50,000.)

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Please let me know if I may be of any further assistance.

Sincerely,

James J. Jordan
Insurance Market Analyst

JJJ/gw