# Group Insurance

Category: Opinion 1 November 2017
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The required provisions for group life insurance policies are discussed in Section 234 of the Amended Insurance Code. It had certainly gone a long way since it was first issued in 1911, and since it was denounced in 1913 in a resolution by a group of life insurers, fearing that it will ruin individual insurance, as “a menace to legal reserve life insurance, a discrimination against regularly examined policy holders, unfair in principle, and dangerous in practice.” In 1917, after gaining popularity, the life insurers would repeal this resolution.

Group insurance has been defined in various ways. Let us take a look at four definitions. First, group insurance has been defined as insurance “provided to members of a formal group such as employees of a firm or members of an association. Group insurance is distinguished from individual insurance in which single policies are sold to one person at a time and from social insurance (i.e., social security), which is sponsored by the government.” It is also defined as a “life insurance offered by an employer or large-scale entity (i.e. an association) to its workers or members. Group life insurance is typically offered as a piece of a larger employer or membership benefit package. By purchasing coverage through a provider on a ‘wholesale’ basis for its members, the coverage costs each individual worker/ member much less than if they had to purchase an individual policy. People who elect coverage through the group policy receive a ‘certificate of credible coverage’ which will be necessary to provide to a subsequent insurance company in the event that the individual leaves the company or organization and terminates their coverage.”

A third definition is that it “is a type of insurance in which a single contract covers an entire group of people. Typically, the policyowner is an employer or an entity such as a labor organization, and the policy covers the employees or members of the group. Group (life) insurance is often provided as part of a complete employee benefit package. In most cases, the cost of group coverage is far less than what the employees or members would pay for a similar amount of individual protection. As the policyowner, the employer or other entity keeps the actual insurance policy, known as the master contract or Master Policy. All of those who are covered typically receive a certificate (“Certificate of Coverage”) of insurance that serves as proof of insurance but is not actually the insurance policy.”

Finally, a fourth definition is that adopted during the 1918 National Convention of Insurance Commissioners: “group life insurance is that form of life insurance covering not less than fifty employees with or without medical examination written under a policy issued to the employer, the premium on which is to be paid by the employer or by the employer and employees jointly, and insuring only all of his employees or all of any class or classes thereof determined by conditions pertaining to the employment, for amounts of insurance based upon some plan which will preclude individual selection, for the benefit of persons other than the employer; provided, however, that when the premium is to be paid by the employer and employees jointly and the benefits of the policy are offered to all eligible employees, not less than seventy-five percent of such employees may be so insured."

**History**

The first group insurance was offered for the American retail company Montgomery Ward & Company, based in Chicago, in 1911. The company sought insurers that could provide benefits without any physical examination. Montgomery Ward was the first to negotiate with an insurer for a disability income coverage which was placed with the London Guarantee and Accident Company of New York in 1911. This insurance contract provided, after a three-day waiting period, loss of time benefits for employees under age 70 equal to one-half of an employee's weekly wage, subject to a minimum benefit of $5 per week and a maximum benefit of $28.85 per week. There was no maximum time limit for payments. This plan is generally regarded as the first group health insurance plan. While recognized as the first in group health insurance, the first group life insurance was actually issued by Equitable Life Assurance Society in 1911. It was issued for the employees of Pantasote Leather company in Passaic, New Jersey. This first group life insurance equalled a year's salary for each worker. On July 1, 1912, Equitable insured Montgomery Ward's 2,900 employees for almost 6 million dollars in group life.

Group accidental death and dismemberment insurance, which was first written about 1917, was the next group form to appear in the marketplace. However, group accident policy had been litigated upon as early as 1892 in *Enright v. Standard Life & Accident Insurance Company* (91 Mich. 238).

**Premiums and Coverage**

The insured usually gets this insurance coverage as part of an employment package or some other arrangement. It becomes part of the compensation package for the employee. Other employers require some contributions from the employees which is deducted from the wages. Some associations or employers require the employees or members to pay the premiums themselves. This is called a contributory plan. The premiums are generally lower than compared to individual policies because the administrative costs for groups of people would be much lower. After a group insurance has been in force for a period of time, the premiums can be based on the experience of that particular group. The coverage is usually determined by the employer

**Underwriting and Master Policy**

The risk is characterized by the group itself and not by the individual members. Thus, there is no extensive underwriting for each employee or member. However, any member of a group who leaves that group may switch to an individual policy. The

Master Policy is given to the representative of the group or to the administrator, such as an employer.

## Nature of employer’s role

In *Elfstrom v. New York Life Insurance Company*, the California Supreme Court ruled that in group insurance policies, the employer is the agent of the insurer citing that “the employee has no knowledge of or control over the employer’s actions in handling the policy or its administration.” This was adopted in *Pineda et al. v. Court of Appeals et al.* (G.R. No. 105562, September 27, 1993) which held: “although the employer may be the titular or named insured, the insurance is actually related to the life and health of the employee. Indeed, the employee is in the position of a real party to the master policy, and even in a non-contributory plan, the payment by the employer of the entire premium is a part of the total compensation paid for the services of the employee.”

## Types of Group Insurance

Group insurance may offer life insurance, health insurance or other types of personal insurance such as a group accidental death or dismemberment or a group travel accident insurance. The most common form is the Group Life Insurance. It is usually offered as a term insurance, in force only for a specified period of time. A group may range from a size of two to a minimum of ten, others require a minimum of twenty-five.

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