

## CHAPTER I

### CHARACTERISTICS OF GROUP INSURANCE

#### THE GROUP

**U**NDER the limitation of the adopted rules, group insurance generally may not be written on less than fifty people, although some carriers permit coverage for at least 25 people for health and accident participation. The group selected may be the entire personnel of an organization or a particular class arbitrarily chosen according to the conditions of employment, such as those employees who have served a definite period of employment, workers in a particular department, or any other division which in any case precludes the possibility of individual selection. If the premium payments are to be borne jointly by the employer and the labor force, not less than 75% of the eligible employees must apply for and accept insurance.

The reason for these limitations is to prevent adverse selection which would finally result in an unsatisfactory mortality experience. In the contributory plan, the consent of at least 75% of eligible employees is required, because it may be assumed to be practically impossible to receive a one hundred per cent response. If a lower proportion were used, it would in many cases lead to an adverse mortality experience because, in general, only the less desirable risks would apply for participation in the group insurance program.

The employees covered must be in the service of a particular organization, so that in the main similar employment conditions shall prevail. Other groups, such as fraternal societies, have been denied insurance policies, because this condition was not fulfilled, but recently in the state of New York an amendment of the statutory definition of group life insurance permits its application to units of naval and land militia and to labor unions, under certain conditions.

#### MEDICAL EXAMINATIONS

Medical examination of applicants for group insurance is not required by the insurance carrier, whereas in ordinary