

1 IN THE SENATE BY SENATORS BRADSHAW, GILBERT AND HOPSON
2 SENATE BILL NO. 96

3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIRST LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act to provide for issuance of group
7 life insurance; to set a minimum number of
8 policyholders; to provide group credit in-
9 surance; to provide group insurance for
10 unions; to provide for group life insurance
11 standard provisions and conversion privileges."

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

13 Section 1. No policy of group life insurance shall be de-
14 livered in this state unless it conforms to one of the following
15 descriptions:

16 (1) A policy issued to an employer, or to the trustees
17 of a fund established by an employer, which employer or trustees
18 shall be deemed the policyholder, to insure employees of the em-
19 ployer for the benefit of persons other than the employer, subject
20 to the following requirements:

21 (a) The employees eligible for insurance under the
22 policy shall be all of the employees of the employer, or all
23 of any class or classes thereof determined by conditions per-
24 taining to their employment. The policy may provide that the
25 term "employees" shall include the employees of one or more
26 subsidiary corporations, and the employees, individual pro-
27 prietors, and partners of one or more affiliated corporations,
28 proprietors or partnerships if the business of the employer
29 and of such affiliated corporations, proprietors or partner-

1 ships is under common control through stock ownership or
2 contract. The policy may provide that the term "employees"
3 shall include the individual proprietor or partners if the
4 employer is an individual proprietor or a partnership. The
5 policy may provide that the term "employees" shall include
6 retired employees. No director of a corporate employer shall
7 be eligible for insurance under the policy unless such person
8 is otherwise eligible as a bona fide employee of the corpora-
9 tion by performing services other than the usual duties of a
10 director. No individual proprietor or partner shall be eligi-
11 ble for insurance under the policy unless he is actively
12 engaged in and devotes a substantial part of his time to the
13 conduct of the business of the proprietor or partnership.

14 (b) The premium for the policy shall be paid by
15 the policyholder, either wholly from the employer's funds or
16 funds contributed by him, or partly from such funds and partly
17 from funds contributed by the insured employees. No policy
18 may be issued on which the entire premium is to be derived
19 from funds contributed by the insured employees. A policy
20 on which part of the premium is to be derived from funds
21 contributed by the insured employees may be placed in force
22 only if at least 75% of the then eligible employees, ex-
23 cluding any as to whom evidence of individual insurability
24 is not satisfactory to the insurer, elect to make the re-
25 quired contributions. A policy on which no part of the
26 premium is to be derived from funds contributed by the
27 insured employees must insure all eligible employees, or all
28 except any as to whom evidence of individual insurability
29 is not satisfactory to the insurer.

1 (c) The policy must cover at least 10 employees
2 at date of issue.

3 (d) The amounts of insurance under the policy must
4 be based upon some plan precluding individual selection either
5 by the employees or by the employer or trustees.

6 (2) A policy issued to a creditor, who shall be deemed
7 the policyholder, to insure debtors of the creditor, subject to
8 the following requirements:

9 (a) The debtors eligible for insurance under the
10 policy shall be all of the debtors of the creditor whose in-
11 debtedness is repayable either (i) in installments or (ii) in
12 one sum at the end of a period not in excess of eighteen
13 months from the initial date of debt, or all of any class or
14 classes thereof determined by conditions pertaining to the
15 indebtedness or to the purchase giving rise to the indebted-
16 ness. The policy may provide that the term "debtors" shall
17 include the debtors of one or more subsidiary corporations,
18 and the debtors of one or more affiliated corporations,
19 proprietors or partnerships if the business of the policy-
20 holder and of such affiliated corporations, proprietors or
21 partnerships is under common control through stock ownership,
22 contract, or otherwise. No debtor shall be eligible unless
23 the indebtedness constitutes an irrevocable obligation to re-
24 pay which is binding upon him during his lifetime at the time
25 the insurance becomes effective upon his life.

26 (b) The premium for the policy shall be paid by
27 the policyholder, either from the creditor's funds, or from
28 charges collected from the insured debtors, or from both. A
29 policy on which part or all of the premium is to be derived

1 from the collection from the insured debtors of identifiable
2 charges not required of uninsured debtors shall not include,
3 in the class or classes of debtors eligible for insurance,
4 debtors under obligations outstanding at its date of issue
5 without evidence of individual insurability unless at least
6 75% of the then eligible debtors elect to pay the required
7 charges. A policy on which no part of the premium is to be
8 derived from the collection of such identifiable charges must
9 insure all eligible debtors, or all except any as to whom
10 evidence of individual insurability is not satisfactory to
11 the insurer.

12 (c) The policy may be issued only if the group of
13 eligible debtors is then receiving new entrants at the rate
14 of at least 100 persons yearly, or may reasonably be expected
15 to receive at least 100 new entrants during the first policy
16 year, and only if the policy reserves to the insurer the
17 right to require evidence of individual insurability if less
18 than 75% of the new entrants become insured. The policy may
19 exclude from the classes eligible for insurance classes of
20 debtors determined by age.

21 (d) The amount of insurance on the life of any
22 debtor shall at no time exceed the amount owed by him which
23 is repayable in installments to the creditor, or \$10,000,
24 whichever is less. Where the indebtedness is repayable in
25 one sum to the creditor, the insurance on the life of any
26 debtor shall in no instance be in effect for a period in ex-
27 cess of eighteen months except that such insurance may be
28 continued for an additional period not exceeding six months
29 in the case of default, extension or recasting of the loan.

1 The amount of the insurance on the life of any debtor shall
2 at no time exceed the amount of the unpaid indebtedness, or
3 \$10,000, whichever is less.

4 (e) The insurance shall be payable to the policy-
5 holder. Such payment shall reduce or extinguish the unpaid
6 indebtedness of the debtor to the extent of such payment.

7 (3) A policy issued to a labor union, which shall be
8 deemed the policyholder, to insure members of such union for the
9 benefit of persons other than the union or any of its officials,
10 representatives or agents, subject to the following requirements:

11 (a) The members eligible for insurance under the
12 policy shall be all of the members of the union, or all of
13 any class or classes thereof determined by conditions per-
14 taining to their employment, or to membership in the union,
15 or both.

16 (b) The premium for the policy shall be paid by
17 the policyholder, either wholly from the union's funds, or
18 partly from such funds and partly from funds contributed by
19 the insured members specifically for their insurance. No
20 policy may be issued on which the entire premium is to be
21 derived from funds contributed by the insured members
22 specifically for their insurance. A policy on which part of
23 the premium is to be derived from funds contributed by the
24 insured members specifically for their insurance may be placed
25 in force only if at least 75% of the then eligible members,
26 excluding any as to whom evidence of individual insurability
27 is not satisfactory to the insurer, elect to make the re-
28 quired contributions. A policy on which no part of the
29 premium is to be derived from funds contributed by the in-

1 sured members specifically for their insurance must insure
2 all eligible members, or all except any as to whom evidence
3 of individual insurability is not satisfactory to the insurer.

4 (c) The policy must cover at least 25 members at
5 date of issue.

6 (d) The amounts of insurance under the policy must
7 be based upon some plan precluding individual selection either
8 by the members or by the union.

9 (4) A policy issued to the trustees of a fund establish-
10 ed by two or more employers in the same industry or by one or more
11 labor unions, or by one or more employers and one or more labor
12 unions, which trustees shall be deemed the policyholder, to insure
13 employees of the employers or members of the unions for the
14 benefit of persons other than the employers or the unions, sub-
15 ject to the following requirements:

16 (a) The persons eligible for insurance shall be
17 all of the employees of the employers or all of the members
18 of the unions, or all of any class or classes thereof determin-
19 ed by conditions pertaining to their employment, or to member-
20 ship in the unions, or to both. The policy may provide that
21 the term "employees" shall include retired employees, and the
22 individual proprietor or partners if an employer is an
23 individual proprietor or a partnership. No director of a
24 corporate employer shall be eligible for insurance under the
25 policy unless such person is otherwise eligible as a bona fide
26 employee of the corporation by performing services other than
27 the usual duties of a director. No individual proprietor or
28 partner shall be eligible for insurance under the policy
29 unless he is actively engaged in and devotes a substantial

1 part of his time to the conduct of the business of the
2 proprietor or partnership. The policy may provide that the
3 term "employees" shall include the trustees or their employees,
4 or both, if their duties are principally connected with such
5 trusteeship.

6 (b) The premium for the policy shall be paid by
7 the trustees wholly from funds contributed by the employer or
8 employers of the insured persons, or by the union or unions,
9 or by both. No policy may be issued on which any part of the
10 premium is to be derived from funds contributed by the insured
11 persons specifically for their insurance. The policy must
12 insure all eligible persons, or all except any as to whom
13 evidence of individual insurability is not satisfactory to
14 the insurer.

15 (c) The policy must cover at date of issue at
16 least 100 persons and not less than an average of five persons
17 per employer unit; and if the fund is established by the
18 members of an association of employers the policy may be issued
19 only if (i) either (a) the participating employers constitute
20 at date of issue at least 60% of those employer members whose
21 employees are not already covered for group life insurance or
22 (b) the total number of persons covered at date of issue ex-
23 ceeds 600; and (ii) the policy shall not require that, if a
24 participating employer discontinues membership in the associa-
25 tion, the insurance of his employees shall cease solely by
26 reason of such discontinuance.

27 (d) The amounts of insurance under the policy must
28 be based upon some plan precluding individual selection either
29 by the insured persons or by the policyholder, employers, or

1 unions.

2 Sec. 2. No such policy of group life insurance may be issued
3 to an employer, or labor union or to the trustees of a fund
4 established in whole or in part by an employer or a labor union,
5 which provides term insurance on any person which, together with
6 any other term insurance under any group life insurance policy or
7 policies issued to the employer or employers of such person or to
8 a labor union or labor unions of which such person is a member or
9 to the trustees of a fund or funds established in whole or in part
10 by such employer or employers or such labor union or labor unions,
11 exceeds \$20,000, unless 150% of the annual compensation of such
12 person from his employer or employers exceeds \$20,000, in which
13 event all such term insurance shall not exceed \$40,000 or 150%
14 of such annual compensation, whichever is the lesser.

15 Sec. 3. No policy of group life insurance shall be delivered
16 in this state unless it contains in substance the following pro-
17 visions, or provisions which in the opinion of the Commissioner are
18 more favorable to the persons insured, or at least as favorable to
19 the persons insured and more favorable to the policyholder, provid-
20 ed, however, (a) that provisions (6) to (10) inclusive shall not
21 apply to policies issued to a creditor to insure debtors of such
22 creditor; (b) that the standard provisions required for individual
23 life insurance policies shall not apply to group life insurance
24 policies; and (c) that if the group life insurance policy is on a
25 plan of insurance other than the term plan, it shall contain a
26 non-forfeiture provision or provisions which in the opinion of the
27 Commissioner is or are equitable to the insured persons and to the
28 policyholder, but nothing herein shall be construed to require that
29 group life insurance policies contain the same non-forfeiture pro-

1 visions as are required for individual life insurance policies:

2 (1) A provision that the policyholder is entitled to a
3 grace period of thirty-one days for the payment of any premium due
4 except the first, during which grace period the death benefit
5 coverage shall continue in force, unless the policyholder shall
6 have given the insurer written notice of discontinuance in advance
7 of the date of discontinuance and in accordance with the terms of
8 the policy. The policy may provide that the policyholder shall be
9 liable to the insurer for the payment of a pro rata premium for
10 the time the policy was in force during such grace period.

11 (2) A provision that the validity of the policy shall
12 not be contested, except for nonpayment of premiums, after it has
13 been in force for two years from its date of issue; and that no
14 statement made by any person insured under the policy relating to
15 his insurability shall be used in contesting the validity of the
16 insurance with respect to which such statement was made after such
17 insurance has been in force prior to the contest for a period of
18 two years during such person's lifetime nor unless it is contained
19 in a written instrument signed by him.

20 (3) A provision that a copy of the application, if any,
21 of the policyholder shall be attached to the policy when issued,
22 that all statements made by the policyholder or by the persons
23 insured shall be deemed representations and not warranties, and
24 that no statement made by any person insured shall be used in any
25 contest unless a copy of the instrument containing the statement
26 is or has been furnished to such person or to his beneficiary.

27 (4) A provision setting forth the conditions, if any,
28 under which the insurer reserves the right to require a person
29 eligible for insurance to furnish evidence of individual insura-

1 bility satisfactory to the insurer as a condition to part or all
2 of his coverage.

3 (5) A provision specifying an equitable adjustment of
4 premiums or of benefits or of both to be made in the event the
5 age of a person insured has been misstated, such provision to
6 contain a clear statement of the method of adjustment to be used.

7 (6) A provision that any sum becoming due by reason of
8 the death of the person insured shall be payable to the beneficiary
9 designated by the person insured, subject to the provisions of the
10 policy in the event there is no designated beneficiary, as to all
11 or any part of such sum, living at the death of the person insured,
12 and subject to any right reserved by the insurer in the policy and
13 set forth in the certificate to pay at its option a part of such
14 sum not exceeding \$500 to any person appearing to the insurer to be
15 equitably entitled thereto by reason of having incurred funeral or
16 other expenses incident to the last illness or death of the person
17 insured.

18 (7) A provision that the insurer will issue to the
19 policyholder for delivery to each person insured an individual
20 certificate setting forth a statement as to the insurance protec-
21 tion to which he is entitled, to whom the insurance benefits are
22 payable, and the rights and conditions set forth in (8), (9) and
23 (10) following.

24 (8) A provision that if the insurance, or any portion
25 of it, on a person covered under the policy ceases because of
26 termination of employment or of membership in the class or classes
27 eligible for coverage under the policy, such person shall be
28 entitled to have issued to him by the insurer, without evidence of
29 insurability, an individual policy of life insurance without dis-

1 ability or other supplementary benefits, provided application for
2 the individual policy shall be made, and the first premium paid to
3 the insurer, within thirty-one days after such termination, and
4 provided further that,

5 (a) The individual policy shall, at the option of
6 such person be on any one of the forms, except term insurance,
7 then customarily issued by the insurer at the age and for the
8 amount applied for;

9 (b) the individual policy shall be in an amount
10 not in excess of the amount of life insurance which ceases
11 because of such termination, provided that any amount of in-
12 surance which shall have matured on or before the date of
13 such termination as an endowment payable to the person insur-
14 ed, whether in one sum or in installments or in the form of
15 an annuity, shall not, for the purposes of this provision, be
16 included in the amount which is considered to cease because of
17 such termination; and

18 (c) the premium on the individual policy shall be
19 at the insurer's then customary rate applicable to the form
20 and amount of the individual policy, to the class of risk to
21 which such person then belongs, and to his age attained on
22 the effective date of the individual policy.

23 (9) A provision that if the group policy terminates or
24 is amended so as to terminate the insurance of any class of insured
25 persons, every person insured thereunder at the date of such term-
26 ination whose insurance terminates and who has been so insured for
27 at least five years prior to such termination date shall be entitled
28 to have issued to him by the insurer an individual policy of life
29 insurance, subject to the same conditions and limitations as are

1 provided by (8) above, except that the group policy may provide
2 that the amount of such individual policy shall not exceed the
3 smaller of (a) the amount of the person's life insurance protec-
4 tion ceasing because of the termination or amendment of the group
5 policy, less the amount of any life insurance for which he is or
6 becomes eligible under any group policy issued or reinstated by
7 the same or another insurer within thirty-one days after such
8 termination, and (b) \$2,000.

9 (10) A provision that if a person insured under the
10 group policy dies during the period within which he would have
11 been entitled to have an individual policy issued to him in
12 accordance with (8) or (9) above and before such an individual
13 policy shall have become effective, the amount of life insurance
14 which he would have been entitled to have issued to him under
15 such individual policy shall be payable as a claim under the group
16 policy, whether or not application for the individual policy or
17 the payment of the first premium therefor has been made.

18 (11) In the case of a policy issued to a creditor to
19 insure debtors of such creditor, a provision that the insurer will
20 furnish to the policyholder for delivery to each debtor insured
21 under the policy a form which will contain a statement that the
22 life of the debtor is insured under the policy and that any death
23 benefit paid thereunder by reason of his death shall be applied
24 to reduce or extinguish the indebtedness.
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