HOUSE BILL No. 2728

By Committee on Insurance

AN ACT concerning group life insurance; relating to eligible employees' election to contribute; minimum number of persons covered under policy; amending K.S.A. 2011 Supp. 40-433 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2011 Supp. 40-433 is hereby amended to read as follows: 40-433. No policy of group life insurance shall be delivered in this state unless it conforms to one of the following descriptions:

(1) A policy issued by an insurance company organized under the laws of the state of Kansas on its employees and agents, which agents for the purpose of this act only shall be deemed employees, the beneficiaries under such policies to be persons designated by each insured, or a policy issued to an employer, or to the trustees of a fund established by an employer, which employer or trustees shall be deemed the policyholder, to insure employees of the employer for the benefit of persons other than the employer, both subject to the following requirements:

(a) The employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof determined by conditions pertaining to their employment. The policy may provide that the term "employees" shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors, and partners of one or more affiliated corporations, proprietors or partnerships if the business of the employer and of such affiliated corporations, proprietors or partnerships is under common control through stock ownership, contract or otherwise. The policy may provide that the term "employees" shall include the individual proprietor or partners if the employer is an individual proprietor or a partnership. The policy may provide that the term "employees" shall include retired employees. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or partner shall be eligible for insurance under the policy unless the proprietor or partner is actively engaged in and devotes a substantial part of their time to the conduct of the business of the proprietor or partnership. A policy issued to insure the employees of a
(b) The premium for the policy may be paid by the policyholder, either wholly from the employer's funds or funds contributed by the employer, or partly from such funds and partly from funds contributed by the insured employees or entirely by the employees at their option. No policy shall be issued unless 50% of the then eligible employees, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contribution. A policy on which no part of the premium is to be derived from funds contributed by the insured employees shall insure all eligible employees, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer or except those who reject the coverage in writing.

(c) The policy shall cover at least two employees at date of issue.

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

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

(a) The debtors eligible for insurance under the policy shall be all of the debtors of the creditor whose indebtedness is repayable in installments, or all of any class or classes thereof determined by conditions pertaining to the indebtedness or to the purchase giving rise to the indebtedness.

(b) The premium for the policy shall be paid by the policyholder, either from the creditor's funds or from charges collected from the insured debtors, or from both. A policy on which part or all of the premium is to be derived from the collection from the insured debtors of identifiable charges not required of uninsured debtors shall not include, in the class or classes of debtors eligible for insurance, debtors under obligations outstanding at its date of issue without evidence of individual insurability unless at least 75% of the then eligible debtors elect to pay the required charges. A policy on which no part of the premium is to be derived from the collection of such identifiable charges shall insure all eligible debtors, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

(c) The policy may be issued only if the group of eligible debtors is then receiving new entrants at the rate of at least 100 persons yearly, or may reasonably be expected to receive at least 100 new entrants during the first policy year, and only if the policy reserves to the insurer the right to require evidence of individual insurability if less than 75% of the new entrants become insured.

(d) The amount of insurance on the life of any debtor shall at no time
exceed the amount owed by that debtor which is repayable in installments
to the creditor.

(e) The insurance shall be payable to the policyholder. Such payment
shall reduce or extinguish the unpaid indebtedness of the debtor to the
extent of such payment.

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

(a) The members eligible for insurance under the policy shall be all of
the members of the union, or all of any class or classes thereof determined
by conditions pertaining to their employment, or to membership in the
union, or both.

(b) The premium for the policy may be paid by the policyholder,
either wholly from the union's funds, or partly from such funds and partly
from funds contributed by the insured members specifically for their
insurance or entirely by the insured members at their option. *A policy on
which part of the premium is to be derived from funds contributed by the
insured members specifically for their insurance may be placed in force
only if at least 50% of the then eligible members, excluding any as to
whom evidence of individual insurability is not satisfactory to the insurer,
elect to make the required contribution. A policy on which no part of the
premium is to be derived from funds contributed by the insured members
specifically for their insurance shall insure all eligible members, or all
except any as to whom evidence of individual insurability is not
satisfactory to the insurer or except those who reject coverage in writing.

(c) The policy shall cover at least 15 members at date of issue.

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

(4) A policy issued to the trustees of a fund established in this state by
two or more employers if a majority of the employees to be insured of
each employer are located within the state, or to the trustees of a fund
established by one or more labor unions, or by one or more employers and
one or more labor unions, which trustees shall be deemed the policyholder,
to insure employees of the employers or members of the unions for the
benefit of persons other than the employers or the unions, subject to the
following requirements:

(a) The persons eligible for insurance shall be all of the employees of
the employers or all of the members of the unions, or all of any class or
classes thereof determined by conditions pertaining to their employment,
or to membership in the unions, or to both. The policy may provide that
the term "employees" shall include retired employees and the individual
proprietor or partners if any employer is an individual proprietor or a partnership. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or partner shall be eligible for insurance under the policy unless the proprietor or partner is actively engaged in and devotes a substantial part of their time to the conduct of the business of the proprietor or partnership. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship.

(b) The premium for the policy may be paid by the trustees either wholly from funds contributed by the employer or employers of the insured persons, or by the union or unions, or by both, or partly from such funds and partly from funds contributed by the insured employees or wholly from funds contributed by the employees or members at their option. The policy shall insure all eligible persons, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer or except those who reject coverage in writing.

(c) The policy shall cover at date of issue at least 50 persons and not less than an average of five persons per employer unit.

(d) The amounts of insurance under the policy shall be based upon some plan precluding individual selection either by the insured persons or by the policyholder, employers, or union.

(5) A policy issued to an association which has been organized and is maintained for purposes other than that of obtaining insurance, insuring at least 25 members, employees, or employees of members of the association for the benefit of persons other than the association or its officers. The term "employees" as used herein shall be deemed to include retired employees. The premiums for the policies shall be paid by the policyholder, either wholly from association funds, or funds contributed by the members of such association or by employees of such members or any combination thereof. The amounts of insurance under the policy shall be based upon some plan precluding individual selection either by the insured person or by the association or by the member.

(6) Any policy issued pursuant to this section may be extended to insure the employees against loss due to the death of their spouses, their children, their grandchildren, their spouse's children, their spouse's grandchildren, their parents, their spouse's parents, or any class or classes thereof, subject to the following requirements:

(a) The premium for the insurance may be paid by the policyholder, either from the employer's funds or from funds contributed by the insured employees, or from both. The insurance with respect to spouses, the
employee's children, the employee's grandchildren, the employee's
spouse's children, the employee's spouse's grandchildren, the employee's
parents and the employee's spouse's parents may be placed in force only if
at least 50% of the then eligible employees, excluding any as to whose
family members' evidence of insurability is not satisfactory to the insurer,
elect to make the required contribution. If no part of the premium is to be
derived from funds contributed by the employees, all eligible employees,
excluding any as to whose family members' evidence of insurability is not
satisfactory to the insurer, shall be insured with respect to their spouses,
their children, their grandchildren, their spouse's children, their spouse's
grandchildren, their parents, or their spouse's parents.

(b) The amounts of insurance shall be based upon some plan
precluding individual selection either by the employees or by the
policyholder or employer and shall not exceed with respect to any spouse,
child or parent, 100% of the insurance on the life of such insured
employee.

(c) Upon termination of the insurance with respect to the spouse
of an employee by reason of the employee's termination of employment or
death, the spouse insured pursuant to this section shall have the same
conversion rights as to the insurance on such spouse's life as is provided
for the employee under K.S.A. 40-434, and amendments thereto.

(d) Notwithstanding the provisions of K.S.A. 40-434, and
amendments thereto, only one certificate need be issued for delivery to an
insured person if a statement concerning any dependent's coverage is
included in such certificate.

(7) A policy may be issued to any other group which the
commissioner of insurance finds is the proper subject of a group life
insurance policy or contract. Any such group shall be subject to any
appropriate conditions or provisions relating thereto which the
commissioner may establish or require, consistent with the provisions of
this act, and such conditions and provisions shall be included in the policy
or contract.

Sec. 2. K.S.A. 2011 Supp. 40-433 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its
publication in the statute book.