SENATE BILL No. 85

By Committee on Financial Institutions and Insurance

AN ACT concerning group life insurance; removing mandatory participation requirements; amending K.S.A. 2010 Supp. 40-433 and repealing the existing section.

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

Section 1. K.S.A. 2010 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 public body may provide that the term...
"employees" shall include elected or appointed officials.

(b) The premium for the policy shall 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. No policy shall be issued on which the entire premium is to be derived from funds contributed by the insured employees. A policy on which part of the premium is to be derived from funds contributed by the insured employees may be placed in force only if at least 75% 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 contributions or entirely by the employees at their option. 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
to membership in the union, or both.

(b) The premium for the policy shall 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. No policy shall be issued on which the entire premium is to be
derived from funds contributed by the insured members specifically for
their insurance. 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 75% 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 contributions. 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 25 members at date of issue.

(4) 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. No policy shall be issued on which the entire premium is to be derived from funds contributed by the insured persons. 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 100 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.

(e) (d) The requirements of paragraphs (b) and (d) of this subsection governing employer contributions and amounts of insurance shall not apply to a voluntary term life insurance policy issued on a group basis.

(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. If any part of the premium is to
be derived from funds contributed by the insured employees, the
insurance with respect to spouses, their children, their grandchildren,
their spouse's children, their spouse's grandchildren, their parents and
their spouse's parents may be placed in force only if at least 75% 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, 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 50% of the insurance on the life of such insured
employee covering an employee's spouse, their children, their
grandchildren, their spouse's children, their spouse's grandchildren, their
parents or their spouse's parents shall not exceed 100% of the amount of
insurance on the life of the 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
deadth, 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.

(e) The requirements of paragraphs (a) and (b) of this subsection
governing participation, contribution by an employer and amounts of-
insurance for dependents shall not apply to a voluntary term life insurance policy issued on a group basis.

(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. 2010 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.