

## GROUP LIFE INSURANCE DEFINITION AND GROUP LIFE INSURANCE STANDARD PROVISIONS MODEL ACT

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### Section 1. Group Life Insurance Definitions

Except as provided in Section 2, no policy of group life insurance shall be written in this state unless it conforms to one of the following descriptions:

- A. 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, subject to the following requirements:

- (1) 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. The policy 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, proprietorships or partnerships if the business of employer and of the affiliated corporations, proprietorships or partnerships is under common control. The policy may provide that the term "employees" shall include the individual proprietor or partners if the employer is an individual proprietorship or partnership. The policy may provide that the term "employees" may include retired employees, former employees and directors of a corporate employer. A policy issued to insure the employees of a public body may provide that the term "employees" shall include elected or appointed officials.

contributed by the insured employees, or from both. Except as provided in Paragraph (3), a policy on which no part of the premium is to be derived from funds contributed the insured employees shall insure all eligible employees, except those who reject coverage in writing.

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- (1) The debtors eligible for insurance under the policy shall be all of the debtors of the creditor or creditors, or all of any class or classes thereof. The policy may provide that the term "debtors" shall include:
  - (a) Borrowers of money or purchasers or lessees of goods, services or property for which payment is arranged through a credit transaction;
  - (b) The debtors of one or more subsidiary corporations; and
  - (c) The debtors of one or more affiliated corporations, proprietorships or partnerships if the business of the policyholder and of the affiliated corporations, proprietorships or partnerships is under common control.
- (2) The premium for the policy shall be paid either from the creditor's funds, or from charges collected from the insured debtors, or from both. Except as provided in Paragraph (3), a policy on which no part of the premium is to be derived from the funds contributed by insured debtors specifically for their insurance shall insure all eligible debtors.
- (3) An insurer may exclude any debtors as to whom evidence of individual insurability is not satisfactory to the insurer.
- (4) The amount of the insurance on the life of any debtor shall at no time exceed the greater of the scheduled or actual amount of unpaid indebtedness to the creditor, except that insurance written in connection with open end credit having a credit limit exceeding \$10,000 may be in an amount not exceeding the credit limit.
- (5)

for their insurance shall insure all eligible members, except those who reject the coverage in writing.

- (3) An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.
- D. A policy issued to a trust or to the trustees of a fund established or adopted by two (2) or more employers, or by one or more labor unions or similar employee organizations, or by one or more employers and one or more labor unions or similar employee organizations, which trust or trustees shall be deemed the policyholder, to insure employees of the employers or members of the unions or organizations for the benefit of persons other than the employers or the unions or organizations, subject to the following requirements:
- (1) The persons eligible for insurance shall be all of the employees of the employers or all of the members of the unions or organizations, ~~or of~~ any class or classes thereof. 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, proprietorships or partnerships if the business of the employer and of the affiliated corporations, proprietorships or partnerships is under common control. The policy may provide that the term "employees" shall include the individual proprietor or partners if ~~the~~ employer is an individual proprietorship or partnership. The policy may provide that the term "employees" shall include retired employees, former employees and directors of a corporate employer. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with the trusteeship.
  - (2) The premium for the policy shall be paid from funds contributed by the employer or employers of the insured persons, or by the union or ~~union~~ similar employee organizations, or by both, or from funds contributed by the insured persons or from both the insured persons and the employers or unions or similar employee organizations. Except as provided in Paragraph (3), a policy on which ~~of the~~ premium is to be derived from funds contributed by the insured persons specifically for their insurance shall insure all eligible persons, except those who reject the coverage in writing.
  - (3) An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.
- E. A policy issued to an association or to a trust or to the trustees of a fund established, created, or maintained for the benefit of members of one or more ~~associations~~ associations. The association or

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- C. The premium for the policy shall be paid either from the policyholder's funds or from funds contributed by the covered persons, or from both.
- D. An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

Section 3. Notice of Compensation

- A. With respect to a program of insurance which, if issued on a group basis, would not qualify under Section 1 of this Act, the insurer shall cause to be distributed to prospective insureds a written notice that compensation will or may be paid, if compensation of any kind will or may be paid to:
  - (1) A policyholder or sponsoring or endorsing entity in the case of a group policy; or
  - (2) A sponsoring or endorsing entity in the case of individual, blanket or franchise policies marketed by means of direct response solicitation.
- B. The notice shall be distributed:
  - (1) Whether compensation is direct or indirect; and
  - (2) Whether the compensation is paid to or retained by the policyholder or sponsoring or endorsing entity, or paid to or retained by a third party at the direction of the policyholder or sponsori

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- E. The policy shall contain a provision specifying an equitable adjustment of premiums or benefits, or both, to be made in the event the age of a person insured has been misstated. The provision to contain a clear statement of the method of adjustment to be made.
- F. The policy shall contain a provision that any sum becoming due by reason of the death of the person insured shall be payable to the beneficiary designated by the person





## Section 6. Supplementary Bill Relating to Conversion Privileges

If an individual insured under a group life insurance policy hereafter delivered in this state becomes entitled under the terms of the policy to have an individual policy of life insurance issued without evidence of insurability, subject to making of application and payment of the first premium within the period specified in the policy, and if the individual is not given notice of the existence of the right at least fifteen (15) days prior to the expiration date of the period, then in that event the individual shall have an additional period within which to exercise the right, but nothing herein contained shall be construed to continue any insurance beyond the period provided in the policy. This additional period shall expire fifteen (15) days next after the individual is given notice but in no event shall the additional period extend beyond sixty (60) days after the expiration date of the period provided in the policy. Written notice presented to the individual or mailed by the policyholder to the last known address of the individual or mailed by the insurer to the last known address of the individual as furnished by the policyholder shall constitute notice for the purpose of this paragraph.

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*Chronological Summary of Actions (all references are to the Proceedings of the NAIC).*

1917 Proc. (adopted).  
 1946 Proc. 334, 338-344, 352 (amended).  
 1948 Proc. 459-460 (amended).  
 1954 Proc. I 114, 117, 136 (amended).  
 1955 Proc. I 124, 128-129, 132 (amended).  
 1956 Proc. II 355, 358, 361-369, 394 (adopted new model).  
 1957 Proc. I 131, 134, 163 (amended).  
 1981 Proc. I 47, 51, 421, 516, 528-533 (amended and reprinted).  
 1983 Proc. I 6, 35, 447, 667, 678-683 (amended and reprinted).  
 1984 Proc. I 6, 31, 374, 377 (amended).  
 1985 Proc. I 19, 37, 550-551, 552-557 (amended).  
 1988 Proc. I 9, 21-22, 828, 851-852 (amended).