
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 64

Session of
1991

INTRODUCED BY LESCOVITZ, CAWLEY AND COLAIZZO, JANUARY 15, 1991

REFERRED TO COMMITTEE ON INSURANCE, JANUARY 15, 1991

AN ACT

1 Relating to group insurance; describing permitted policies and
2 restrictions thereon; prescribing standard policy provisions;
3 and making repeals.

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9 The General Assembly of the Commonwealth of Pennsylvania
10 hereby enacts as follows:

11 CHAPTER 1

12 PRELIMINARY PROVISIONS

13 Section 101. Short title.

14 This act shall be known and may be cited as the Group
15 Insurance Act.

16 Section 102. Definitions.

17 The following words and phrases when used in this act shall
18 have the meanings given to them in this section unless the
19 context clearly indicates otherwise:

20 "Commissioner." The Insurance Commissioner of the
21 Commonwealth.

22 "Group insurance." Any policy of group life insurance, group
23 health and accident insurance, blanket accident and health
24 insurance or a combination thereof.

25 "Policy." Any policy of group insurance defined herein.

26 CHAPTER 3

27 POLICY PROVISIONS

28 Section 301. General limitation.

29 Except as provided in section 308, no policy of group
30 insurance shall be delivered in this Commonwealth unless it

1 conforms to one of the descriptions set forth in sections 302
2 through 307.

3 Section 302. Policies for employers or trustees.

4 A policy issued to employers or to the trustees of a fund
5 established by an employer, which employer or trustees shall be
6 deemed the policyholder, to insure employees of the employer for
7 the benefit of persons other than the employer, shall be subject
8 to the following requirements:

9 (1) The employees eligible for insurance under the
10 policy shall be all of the employees of the employer or all
11 of any class or classes of those employees. The policy may
12 provide that the term "employees" shall include the employees
13 of one or more subsidiary corporations and the employees,
14 individual proprietors and partners of one or more affiliated
15 corporations, proprietorships or partnerships if the business
16 of the employer and of the affiliated corporations,
17 proprietorships or partnerships is under common control. The
18 policy may provide that the term "employees" shall include
19 the individual proprietor or partners if the employer is an
20 individual proprietorship or partnership. The policy may
21 provide that the term "employees" shall include retired
22 employees and directors of a corporate employer. A policy
23 issued to insure the employees of a public body may provide
24 that the term "employees" shall include elected or appointed
25 officials.

26 (2) The premium for the policy shall be paid either from
27 the employer's funds or from funds contributed by the insured
28 employees, or from both. A policy on which no part of the
29 premium is to be derived from funds contributed by the
30 insured employees must insure all eligible employees, except

1 for those who reject that coverage in writing.

2 (3) An insurer may exclude from coverage any person as
3 to whom evidence of individual insurability is not
4 satisfactory to the insurer.

5 Section 303. Policies for creditors or trustees.

6 A policy issued to a creditor, which creditor shall be deemed
7 the policyholder, to insure debtors of the creditor or
8 creditors, to cover first real estate mortgages only, shall be
9 subject to the following requirements:

10 (1) The debtors eligible for insurance under the policy
11 shall be all of the debtors of the creditor or creditors or
12 all of any class or classes thereof.

13 (2) The premium for the policy shall be paid either from
14 the creditor's funds or from charges collected from the
15 insured debtors, or both. A policy on which no part of the
16 premium is to be derived from funds contributed by insured
17 debtors specifically for their insurance must insure all
18 eligible debtors.

19 (3) The amount of the insurance on the life of any
20 debtor shall at no time exceed the greater of the scheduled
21 or actual amount of unpaid indebtedness to the creditor.

22 (4) The insurance may be payable to the creditor or any
23 successor to the right, title and interest of the creditor.
24 Such payment shall reduce or extinguish the unpaid
25 indebtedness of the debtor to the extent of such payment.

26 (5) An insurer may exclude from coverage any person as
27 to whom evidence of individual insurability is not
28 satisfactory to the insurer.

29 Section 304. Policies for employee organizations.

30 A policy issued to a labor union or similar employee

1 organization, which shall be deemed to be the policyholder, to
2 insure members of such union or organization for the benefit of
3 persons other than the union or organization or any of its
4 officials, representatives or agents, shall be subject to the
5 following requirements:

6 (1) The members eligible for insurance under the policy
7 shall be all of the members of the union or organization or
8 all of any class or classes thereof.

9 (2) The premium for the policy shall be paid either from
10 funds of the union or organization or from funds contributed
11 by the insured members specifically for their insurance, or
12 from both. A policy on which no part of the premium is to be
13 derived from funds contributed by the insured members
14 specifically for their insurance must insure all eligible
15 members, except those who reject the coverage in writing.

16 (3) An insurer may exclude from coverage any person as
17 to whom evidence of individual insurability is not
18 satisfactory to the insurer.

19 Section 305. Policies for trusts for various organizations.

20 A policy issued to a trust or to the trustees of a fund
21 established by two or more employers, by one or more labor
22 unions or similar employee organizations, or by one or more
23 employers and one or more labor unions or similar employee
24 organizations, where the trust or trustees are deemed the
25 policyholder, to insure employees of the employers or members of
26 the unions or organizations for the benefit of persons other
27 than the employers or the unions or organizations, shall be
28 subject to the following requirements:

29 (1) The persons eligible for insurance shall be all of
30 the employees of the employers or all of the members of the

1 unions or organizations or all of any class or classes
2 thereof. The policy may provide that the term "employees"
3 shall include retired employees, the individual proprietor or
4 partners if an employer is an individual proprietorship or a
5 partnership, and directors of a corporate employer. The
6 policy may provide that the term "employees" shall include
7 the trustees or their employees, or both, if their duties are
8 principally connected with such trusteeship.

9 (2) The premium for the policy shall be paid from funds
10 contributed by the employer or employers of the insured
11 persons, by the union or unions or similar employee
12 organizations, or by both, or from funds contributed by the
13 insured persons or from both the insured persons and the
14 employer or union or similar employee organization. A policy
15 on which no part of the premium is to be derived from funds
16 contributed by the insured persons specifically for their
17 insurance must insure all eligible persons, except those who
18 reject the coverage in writing.

19 (3) An insurer may exclude from coverage any person as
20 to whom evidence of individual insurability is not
21 satisfactory to the insurer.

22 Section 306. Policies for associations.

23 (a) Policy issued.--A policy may be issued to an
24 association, a trust or to the trustees of a fund established,
25 created or maintained for the benefit of members of one or more
26 associations, where the association, trust or trustees shall be
27 deemed the policyholder, to insure the members of the
28 association or associations. The association or associations
29 shall:

30 (1) Have a minimum of 100 persons.

1 (2) Have been organized and maintained in good faith for
2 purposes other than that of obtaining insurance.

3 (3) Have been in active existence for at least two
4 years.

5 (4) Have a constitution and bylaws which provide that
6 the association or associations hold regular meetings not
7 less than annually to further purposes of the members, the
8 association or associations.

9 (5) Collect dues or solicit contributions from members
10 and the members shall have voting privileges and
11 representation on the governing board and committees.

12 (b) Policy requirements.--The policy shall be subject to the
13 following requirements:

14 (1) The persons eligible for insurance shall be all of
15 the members of the association or associations, employees
16 thereof or employees of members or one or more of the
17 preceding or all of any class or classes for the benefit of
18 persons other than the employees' employer.

19 (2) The premium for the policy shall be paid from funds
20 contributed by the association or associations, by employer
21 members or by both, or from funds contributed by the covered
22 persons or from both the covered persons and the association,
23 associations or employer members.

24 (3) A policy on which no part of the premium is to be
25 derived from funds contributed by the covered persons
26 specifically for their insurance must insure all eligible
27 persons, except those who reject such coverage in writing.

28 (4) An insurer may exclude from coverage any person as
29 to whom evidence of individual insurability is not
30 satisfactory to the insurer.

1 Section 307. Policies for credit unions.

2 A policy issued to a credit union or to a trustee or trustees
3 designated by two or more credit unions, where the credit union,
4 trustee or trustees are deemed the policyholder, to insure
5 members of such credit union or credit unions for the benefit of
6 persons other than the credit union or credit unions, trustee or
7 trustees or any of their officials, shall be subject to the
8 following requirements:

9 (1) The members eligible for insurance shall be all of
10 the members of the credit union or credit unions or all of
11 any class or classes thereof.

12 (2) The premium for the policy shall be paid by the
13 policyholder from the credit union's funds and must insure
14 all eligible members.

15 (3) An insurer may exclude from coverage any person as
16 to whom evidence of individual insurability is not
17 satisfactory to the insurer.

18 Section 308. Other groups.

19 Group life, accident and health insurance offered to a
20 resident of this Commonwealth under a group accident and health
21 insurance policy issued to a group other than one described in
22 sections 302 through 307 shall be subject to the following
23 requirements:

24 (1) No such group accident and health insurance policy
25 shall be delivered in this Commonwealth unless the
26 commissioner finds that:

27 (i) The issuance of such group policy is not
28 contrary to the best interest of the public.

29 (ii) The issuance of such group policy would result
30 in economies of acquisition or administration.

1 (iii) The benefits are reasonable in relation to the
2 premiums charged.

3 (2) No such group accident and health insurance may be
4 offered in this Commonwealth by an insurer under a policy
5 issued in another state unless this Commonwealth or another
6 state, having requirements substantially similar to those
7 contained under paragraph (1), has made a determination that
8 such requirements have been met; however, the commissioner
9 may disapprove any certificate or other evidence of coverage
10 under any such group policy when he has probable cause to
11 believe that benefits are not reasonable in relation to the
12 premiums charged. Upon any disapproval, the commissioner
13 shall notify the insurer in writing, and within 30 days from
14 the date of mailing such notice to the insurer, the insurer
15 may make written application to the commissioner for a
16 hearing thereon and the hearing shall be held within 30 days
17 after receipt of the application. The procedure before the
18 commissioner shall be in accordance with the adjudication
19 procedure set forth in 2 Pa.C.S. § 103 (relating to
20 administrative agency law), and the insurer shall be entitled
21 to the judicial review as provided for in said law.

22 (3) Any person, corporation, insurance company,
23 exchange, order or society that shall, either as principal or
24 agent, issue or cause to be issued any policy or contract of
25 insurance or certificate or other evidence of coverage within
26 this Commonwealth, contrary to this section, commits a
27 misdemeanor and shall, upon conviction, be sentenced to pay a
28 fine of not more than \$500.

29 (4) Upon satisfactory evidence of the violation of this
30 section by any such person, corporation, insurance company,

1 exchange, order or society, the commissioner may, in his
2 discretion, pursue any one or more of the following courses
3 of action:

4 (i) Suspend or revoke the license of such offending
5 person, corporation, insurance company, exchange, order
6 or society.

7 (ii) Refuse, for a period not to exceed one year
8 thereafter, to issue a new license to such person,
9 corporation, insurance company, exchange, order or
10 society.

11 (iii) Impose a fine of not more than \$1,000 for each
12 and every act in violation of this act.

13 CHAPTER 5

14 GENERAL PROVISIONS

15 Section 501. Regulations.

16 The commissioner is hereby authorized to adopt such rules and
17 regulations as may be necessary to carry out the provisions of
18 this act.

19 Section 502. Conversion privileges.

20 (a) Group life conversion privilege.--If any individual
21 insured under a group life insurance policy in this Commonwealth
22 becomes entitled, under the terms of such policy, to have an
23 individual policy of life insurance issued without evidence of
24 insurability, subject to making of application and payment of
25 the first premium within the period specified, and if the
26 individual is not given notice of the existence of such right at
27 least 15 days prior to the expiration date of such period, the
28 individual shall have an additional period within which to
29 exercise such right. Nothing herein contained shall be construed
30 to continue any insurance beyond the period provided in such

1 policy. This additional period shall expire 15 days next after
2 the individual is given such notice, but in no event shall such
3 additional period extend beyond 60 days next after the
4 expiration date of the period provided in such policy. Written
5 notice presented to the individual or mailed by the policyholder
6 to the last known address of the individual or mailed by the
7 insurer to the last known address of the individual, as
8 furnished by the policyholder, shall constitute notice for the
9 purpose of this section.

10 (b) Group accident and health conversion privilege.--A group
11 policy delivered or issued for delivery in this Commonwealth
12 which provides hospital, surgical or major medical expense
13 insurance or any combination of these coverages, on an expense-
14 incurred basis, but not a policy which provides indemnity
15 benefits or benefits for specific diseases or for accidental
16 injuries only, shall provide that an employee or member whose
17 insurance under the group policy has been terminated for any
18 reason, including discontinuance of the group policy in its
19 entirety or with respect to an insured class and who has been
20 continuously insured under the group policy (and under any group
21 policy providing similar benefits which it replaces) for at
22 least three months immediately prior to termination, shall be
23 entitled to have issued to him by the insurer a policy of health
24 insurance (hereafter referred to as the converted policy). An
25 employee or member shall not be entitled to have a converted
26 policy issued to him if termination of his insurance under the
27 group policy occurred because he failed to pay any required
28 contribution or any discontinued group coverage was replaced by
29 similar group coverage within 31 days. Issuance of a converted
30 policy shall be subject to the following conditions:

1 (1) Written application for the converted policy shall
2 be made and the first premium paid to the insurer not later
3 than 31 days after such termination.

4 (2) The converted policy shall be issued without
5 evidence of insurability.

6 (3) The premium on the individual policy shall be at the
7 insurer's then customary rate applicable to the form and
8 amount of the individual policy, to the class of risk to
9 which that person then belongs and to that person's age
10 attained on the effective date of the individual policy.

11 (4) The effective date of the converted policy shall be
12 the day following the termination of insurance under the
13 group policy.

14 (5) The converted policy shall cover the employee or
15 member and dependents who were covered by the group policy on
16 the date of termination of insurance. At the option of the
17 insurer, a separate converted policy may be issued to cover
18 any dependent.

19 (6) The insurer shall not be required to issue a
20 converted policy covering any person if that person is or
21 could be covered by Medicare under Title XVIII of the Social
22 Security Act (Public Law 74-271, 42 U.S.C. Ch.7 Subch.
23 XVIII). Furthermore, the insurer shall not be required to
24 issue a converted policy covering any person if:

25 (i) (A) that person is covered for similar benefits
26 by another hospital, surgical, medical or major
27 medical expense insurance policy or hospital or
28 medical service subscriber contract or medical
29 practice or other prepayment plan or by any other
30 plan or program;

1 (B) that person is eligible for similar benefits
2 (whether or not covered therefor) under any
3 arrangement of coverage for individuals in a group,
4 whether on an insured or uninsured basis; or

5 (C) similar benefits are provided for or
6 available to that person, pursuant to or in
7 accordance with the requirements of any Federal or
8 State law; and

9 (ii) the benefits provided under the sources
10 referred to in subparagraph (i)(A) for such person or
11 benefits provided or available under the sources referred
12 to in subparagraph (i)(B) and (C) for such person,
13 together with the benefits provided by the converted
14 policy, would result in overinsurance according to the
15 insurer's standards. The insurer's standards must bear
16 some reasonable relationship to actual health care costs
17 in the area in which the insured lives at the time of
18 conversion and must be filed with the commissioner prior
19 to their use in denying coverage.

20 (7) A converted policy may include a provision whereby
21 the insurer may request information in advance of any premium
22 due date of such policy of any person covered as to whether:

23 (i) that person is covered for similar benefits by
24 another hospital, surgical, medical or major medical
25 expense insurance policy, or hospital or medical service
26 subscriber contract, or medical practice or other
27 prepayment plan or by any other plan or program;

28 (ii) that person is covered for similar benefits
29 under any arrangement of coverage for individuals in a
30 group whether on an insured or uninsured basis; or

1 (iii) similar benefits are provided for or are
2 available to that person, pursuant to or in accordance
3 with the requirements of any Federal or State law. The
4 converted policy may provide that the insurer may refuse
5 to renew the policy or the coverage of any person insured
6 for the following reasons only:

7 (A) Either the benefits provided under the
8 sources referred to in subparagraphs (i) and (ii) for
9 that person or benefits provided or available under
10 the sources referred to in this subparagraph for such
11 person, together with the benefits provided by the
12 converted policy, would result in overinsurance
13 according to the insurer standards on file with the
14 commissioner or the converted policyholder fails to
15 provide the requested information.

16 (B) Fraud or material misrepresentation in
17 applying for any benefits under the converted policy.

18 (C) Eligibility of the insured person for
19 coverage by Medicare under Title XVIII of the Social
20 Security Act or under any other Federal or State law
21 providing for benefits similar to those provided by
22 the converted policy.

23 (D) Other reasons approved by the commissioner.

24 (8) An insurer shall not be required to issue a
25 converted policy which provides benefits in excess of those
26 provided under the group policy from which conversion is
27 made.

28 (9) No converted policy shall exclude a preexisting
29 condition not excluded by the group policy. The converted
30 policy may provide that any hospital, surgical or medical

1 benefits payable may be reduced by the amount of any such
2 benefits payable under the group policy after the termination
3 of the individual's insurance. The converted policy may also
4 include provisions so that during the first policy year the
5 benefits payable under the converted policy, together with
6 the benefits payable under the group policy, shall not exceed
7 those that would have been payable had the individual
8 insurance under the group policy remained in effect.

9 (10) If the group insurance policy from which conversion
10 is made insures the employee or member for basic hospital or
11 surgical expense insurance, the employee or member shall be
12 entitled to obtain a converted policy providing, at his
13 option, coverage on an expense-incurred basis under any of
14 the plans meeting the following requirements:

15 (i) Plan A:

16 (A) Hospital room and board daily expense
17 benefits in a maximum dollar amount approximating the
18 average semiprivate rate charged in metropolitan
19 areas of this Commonwealth, for a maximum duration of
20 70 days.

21 (B) Miscellaneous hospital expense benefits of a
22 maximum amount of ten times the hospital room and
23 board daily expense benefits.

24 (C) Surgical operation expense benefits
25 according to a surgical schedule consistent with
26 those customarily offered by the insurer under group
27 or individual health insurance policies and providing
28 a maximum benefit of \$800.

29 (ii) Plan B:

30 (A) Hospital room and board daily expense

benefits in a maximum dollar amount equal to 75% of the maximum dollar amount determined for Plan A, for a maximum duration of 70 days.

(B) Miscellaneous hospital expense benefits of a maximum amount of ten times the hospital room and board daily expense benefits.

(C) Surgical operation expense benefits according to a surgical schedule consistent with those customarily offered by the insurer under group or individual health insurance policies and providing a maximum benefit of \$600.

(iii) Plan C:

(A) Hospital room and board daily expense benefits in a maximum dollar amount equal to 50% of the maximum dollar amount determined for Plan A, for a maximum duration of 70 days.

(B) Miscellaneous hospital benefits of a maximum amount of ten times the hospital room and board daily expense benefits.

(C) Surgical operation expense benefits according to a surgical schedule consistent with those customarily offered by the insurer under group or individual health insurance policies and providing a maximum benefit of \$400.

The maximum dollar amounts in Plan A shall be determined by the commissioner and may be redetermined by him, from time to time, as to converted policies issued subsequent to such redetermination. Redetermination shall not be made more often than once in three years. The maximum dollar amounts in Plans A, B and C shall be rounded to the nearest multiple of \$10.

1 (11) Subject to the provisions and conditions of this
2 act, if the group insurance policy from which conversion is
3 made insures the employee or member for major medical expense
4 insurance, the employee or member shall be entitled to obtain
5 a converted policy providing catastrophic or major medical
6 coverage under a plan meeting the following requirements:

7 (i) A maximum benefit at least equal to either, at
8 the option of the insurer, clause (A) or (B):

9 (A) The smaller of the following amounts: the
10 maximum benefit provided under the group policy or a
11 maximum payment of \$250,000 per covered person for
12 all covered medical expenses incurred during the
13 covered person's lifetime.

14 (B) The smaller of the following amounts: the
15 maximum benefit provided under the group policy or a
16 maximum payment of \$250,000 for each unrelated injury
17 or sickness.

18 (ii) Payment of benefits at the rate of 80% of
19 covered medical expenses which are in excess of the
20 deductible, until 20% of the expenses in a benefit period
21 reaches \$1,000, after which benefits will be paid at the
22 rate of 100% during the remainder of the benefit period.
23 Payment of benefits for outpatient treatment of mental
24 illness, if provided in the converted policy, may be at a
25 lesser rate but not less than 50%.

26 (iii) A deductible for each benefit period which, at
27 the option of the insurer, shall be:

28 (A) the sum of the benefits deductible and \$100;

29 (B) a cash deductible, not to exceed \$1,000;

30 (C) the greater of the benefits deductible or

1 \$500; or

2 (D) the corresponding deductible in the group
3 policy.

4 The term "benefits deductible" means the value of any
5 benefits provided on an expense-incurred basis which are
6 provided with respect to covered medical expenses by any
7 other hospital, surgical or medical insurance policy, or
8 hospital or medical service subscriber contract, or
9 medical practice or other prepayment plan, or any other
10 plan or program, whether on an insured or uninsured
11 basis, or in accordance with the requirements of any
12 Federal or State law and, if, pursuant to paragraph (12),
13 the converted policy provides both basic hospital or
14 surgical coverage and major medical coverage, the value
15 of such basic benefits.

16 (iv) If the maximum benefit is determined by
17 subparagraph (i)(B), the insurer may require that the
18 deductible be satisfied during a period of not less than
19 three months if the deductible is \$100 or less, and not
20 less than six months if the deductible exceeds \$100.

21 (v) The benefit period shall be each calendar year
22 when the maximum benefit is determined by subparagraph
23 (i)(A) or 24 months when the maximum benefit is
24 determined by subparagraph (i)(B).

25 (vi) The term "covered medical expenses," as used in
26 this paragraph, shall include at least, in the case of
27 hospital room and board charges, the lesser of the dollar
28 amount in Plan A and the average semiprivate room and
29 board rate for the hospital in which the individual is
30 confined and twice such amount for charges in an

1 intensive care unit. Any surgical schedule shall be
2 consistent with those customarily offered by the insurer
3 under group or individual health insurance policies and
4 must provide at least a \$1,200 maximum benefit.

5 (12) The conversion privilege required by this act
6 shall, if the group insurance policy insures the employee or
7 member for basic hospital or surgical expense insurance as
8 well as major medical expense insurance, make available the
9 plans of benefits set forth in paragraphs (10) and (11). At
10 the option of the insurer, such plans of benefits may be
11 provided under one policy. The insurer may also, in lieu of
12 the plans of benefits set forth in paragraphs (10) and (11),
13 provide a policy of comprehensive medical expense benefits
14 without first dollar coverage. Said policy shall conform to
15 the requirements of paragraph (11); however, an insurer
16 electing to provide such a policy shall make available a low
17 deductible option, not to exceed \$100, a high deductible
18 option between \$500 and \$1,000 and a third deductible option
19 midway between the high and low deductible options.

20 (13) The insurer may, at its option, also offer
21 alternative plans for group health conversion in addition to
22 those required by this act.

23 (14) In the event coverage would be continued under the
24 group policy on an employee following his retirement prior to
25 the time he is or could be covered by Medicare, he may elect,
26 in lieu of such continuation of group insurance, to have the
27 same conversion rights as would apply had his insurance
28 terminated at retirement by reason of termination of
29 employment or membership.

30 (15) The converted policy may provide for reduction of

1 coverage on any person upon his eligibility for coverage by
2 Medicare under Title XVIII of the Social Security Act or
3 under any other Federal or State law providing for benefits
4 similar to those provided by the converted policy.

5 (16) The conversion privilege shall also be available:

6 (i) to the surviving spouse, if any, at the death of
7 the employee or member, with respect to the spouse and
8 such children whose coverage under the group policy
9 terminates by reason of such death, otherwise to each
10 surviving child whose coverage under the group policy
11 terminates by reason of such death, or, if the group
12 policy provides for continuation of dependents' coverage
13 following the employee's or member's death, at the end of
14 such continuation;

15 (ii) to the spouse of the employee or member upon
16 termination of coverage of the spouse, while the employee
17 or member remains insured under the group policy, by
18 reason of ceasing to be a qualified family member under
19 the group policy, with respect to the spouse and such
20 children whose coverage under the group policy terminates
21 at the same time; or

22 (iii) to a child solely with respect to himself upon
23 termination of his coverage by reason of ceasing to be a
24 qualified family member under the group policy, if a
25 conversion privilege is not otherwise provided with
26 respect to such termination.

27 (17) If the benefit levels required in paragraph (10)
28 exceed the benefit levels provided under the group policy,
29 the conversion policy may offer benefits which are
30 substantially similar to those provided under the group

1 policy in lieu of those required in paragraph (10).

2 (18) The insurer may elect to provide group insurance
3 coverage in lieu of the issuance of a converted individual
4 policy.

5 (19) A notification of the conversion privilege shall be
6 included in each certificate of coverage. Each certificate
7 holder in the insured group shall be given written notice of
8 such conversion privilege and its duration within 15 days
9 before or after the date of termination of group coverage;
10 however, if the notice is given more than 15 days but less
11 than 90 days after the date of termination of group coverage,
12 the time allowed for the exercise of such privilege of
13 conversion shall be extended for 15 days after the giving of
14 the notice. If notice is not given within 90 days after the
15 date of termination of group coverage, the time allowed for
16 the exercise of such conversion privilege shall expire at the
17 end of such 90 days. Written notice by the contract holder
18 given to the certificate holder or mailed to the certificate
19 holder at his last known address or written notice by the
20 insurer mailed to the certificate holder at the last address
21 furnished to the insurer by the contract holder shall be
22 deemed full compliance with the provisions of this paragraph
23 for the giving of notice. A group contract issued by an
24 insurer may contain a provision to the effect that notice of
25 such conversion privilege and its duration shall be given by
26 the contract holder to each certificate holder upon
27 termination of his group coverage.

28 (20) Where the contract holder is the employer of the
29 certificate holder, the insurer shall give written notice of
30 termination of the group contract to any organization or

1 organizations representing such certificate holder for the
2 purpose of collective bargaining, and the employer shall
3 provide to the insurer a written list of such organizations
4 within ten days after the date the policy is issued and,
5 thereafter, within ten days of the beginning or termination
6 of representation by any such organization of any certificate
7 holder or holders. The list shall identify the collective
8 bargaining unit and the group insurance contract to which the
9 request relates. There shall be no liability on the part of,
10 and no cause of action shall arise against, any labor
11 organization representing the employees of a contract holder
12 for the purposes of collective bargaining due to any action
13 it takes or fails to take as to the written notice required
14 to be given by the insurer under this paragraph unless shown
15 to have been done in bad faith with malice in fact by any
16 such organization. Compliance or noncompliance with the
17 provisions of this paragraph shall in no way affect the
18 rights, duties or obligations of the contract holder, insurer
19 or certificate holder.

20 Section 503. Group life standard policy provisions.

21 (a) Required policy provisions.--A policy of group life
22 insurance shall not be delivered or issued for delivery in this
23 Commonwealth unless it contains in substance the provisions
24 listed in subsections (a) through (k), or provisions which in
25 the opinion of the commissioner are more favorable to the
26 persons insured, or at least as favorable to the persons insured
27 and more favorable to the policyholder, with the exception that:

28 (1) Subsections (g) through (k), inclusive, shall not
29 apply to policies issued to a creditor to insure debtors of
30 such creditor.

1 (2) The standard provisions required for individual life
2 insurance policies shall not apply to group life insurance
3 policies.

4 (3) If the group life insurance policy is on a plan of
5 insurance other than the term plan, it shall contain a
6 nonforfeiture provision or provisions which, in the opinion
7 of the commissioner is, or are, equitable to the insured
8 persons and to the policyholder, but nothing herein shall be
9 construed to require that group life insurance policies
10 contain the same nonforfeiture provisions as are required for
11 individual life insurance policies.

12 (b) Grace period.--The contract shall contain a provision
13 that the policyholder is entitled to a grace period of 31 days
14 for the payment of any premium due except the first, during
15 which grace period the death benefit coverage shall continue in
16 force, unless the policyholder shall have given the insurer
17 written notice of discontinuance in advance of the date of
18 discontinuance and in accordance with the terms of the policy.
19 The policy may provide that the policyholder shall be liable to
20 the insurer for the payment of a pro rata premium for the time
21 the policy was in force during such grace period.

22 (c) Contest of policy.--The policy shall contain a provision
23 that:

24 (1) The validity of the policy shall not be contested,
25 except for nonpayment of premiums, after it has been in force
26 for two years from its date of issue.

27 (2) No statement made by any person insured under the
28 policy relating to that person's insurability shall be used
29 in contesting the validity of the insurance with respect to
30 which such statement was made after the insurance has been in

1 force prior to the contest for a period of two years during
2 that person's lifetime nor unless it is contained in a
3 written instrument signed by that person.

4 (d) Copy of statements.--The policy shall contain a
5 provision that:

6 (1) A copy of the application, if any, of the
7 policyholder shall be attached to the policy when issued.

8 (2) All statements made by the policyholder or by the
9 persons insured shall be deemed representations and not
10 warranties.

11 (3) No statement made by any person insured shall be
12 used in any contest unless a copy of the instrument
13 containing the statement is or has been furnished to such
14 person or to that person's beneficiary.

15 (e) Evidence of insurability.--The policy shall contain a
16 provision setting forth the conditions, if any, under which the
17 insurer reserves the right to require a person eligible for
18 insurance to furnish evidence of individual insurability
19 satisfactory to the insurer as a condition to part or all of the
20 coverage.

21 (f) Equitable adjustment.--The contract shall contain a
22 provision specifying an equitable adjustment of premiums or of
23 benefits, or of both, to be made in the event the age of a
24 person insured has been misstated, such provision to contain a
25 clear statement of the method of adjustment to be used.

26 (g) Payment to beneficiaries.--The contract shall contain a
27 provision that any sum due by reason of the death of the person
28 insured shall be payable to the beneficiary designated by the
29 person insured, subject to the provisions of the policy, in the
30 event there is no designated beneficiary living at the death of

1 the person insured, as to all or any part of such sum, and
2 subject to any right reserved by the insurer in the policy and
3 set forth in the certificate to pay at its option a part of such
4 sum not exceeding \$250 to any person appearing to the insurer to
5 be equitably entitled hereto by reason of having incurred
6 funeral or other expenses incident to the last illness or death
7 of the person insured.

8 (h) Individual certificates.--The contract shall contain a
9 provision that the insurer will issue to the policyholder, for
10 delivery to each person insured, an individual certificate
11 setting forth a statement as to the insurance protection to
12 which the insured is entitled, to whom the insurance benefits
13 are payable, and the rights and conditions set forth in
14 subsections (i), (j) and (k).

15 (i) Individual policies.--The contract shall contain a
16 provision that if the insurance, or any portion of it, on a
17 person covered under the policy ceases because of termination of
18 employment or of membership in the class or classes eligible for
19 coverage under the policy, such person shall be entitled to have
20 issued to him by the insurer, without evidence of insurability,
21 an individual policy of life insurance without disability or
22 other supplementary benefits, if application for the individual
23 policy is made and the first premium paid to the insurer, within
24 31 days after termination, and with the requirements that:

25 (1) The individual policy shall, at the option of such
26 person, be on any one of the forms, except term insurance,
27 then customarily issued by the insurer at the age and for the
28 amount applied for.

29 (2) The individual policy shall be in an amount not in
30 excess of the amount of life insurance which ceases because

1 of such termination, less, in the case of a person whose
2 membership in the class or classes eligible for coverage
3 terminates but who continues in employment in another class,
4 the amount of any life insurance for which such person is or
5 becomes eligible under any other group policy within 31 days
6 after such termination; however, any amount of insurance
7 which shall have matured on or before the date of such
8 termination as an endowment payable to the person insured,
9 whether in one sum or in installments or in the form of an
10 annuity, shall not, for the purpose of this provision, be
11 included in the amount which is considered to cease because
12 of such termination.

13 (3) The premium on the individual policy shall be at the
14 insurer's then customary rate applicable to the form and
15 amount of the individual policy, to the class of risk to
16 which such person then belongs and to his age attained on the
17 effective date of the individual policy.

18 (j) Termination.--The policy shall contain a provision that
19 if the group policy terminates or is amended so as to terminate
20 the insurance of any class of insured persons, every person
21 insured thereunder at the date of such termination whose
22 insurance terminates and who has been so insured for at least
23 five years prior to such termination shall be entitled to have
24 issued to the insured by the insurer an individual policy of
25 life insurance, subject to the same conditions and limitations
26 as are provided by subsection (i), except that the group policy
27 may provide that the amount of such individual policy shall not
28 exceed the smaller of:

29 (1) the amount of the person's life insurance protection
30 ceasing because of the termination or amendment of the group

1 policy, less the amount of any life insurance for which the
2 insured is or becomes eligible under any group policy issued
3 or reinstated by the same or another insurer within 31 days
4 after such termination; or

5 (2) \$2,000.

6 (k) Past group coverage.--The contract shall contain a
7 provision that if a person insured under the group policy dies
8 during the period within which that person would have been
9 entitled to have an individual policy issued in accordance with
10 subsection (i) or (j) and before such an individual policy shall
11 have become effective, the amount of life insurance to which
12 that person would have been entitled under the individual policy
13 shall be payable as a claim under the group policy, whether or
14 not application for the individual policy or the payment of the
15 first premium therefor has been made.

16 (l) Assignment.--Notwithstanding any provision of law, a
17 person whose life is insured under any policy of group life
18 insurance, whether or not such policy is otherwise subject to
19 this act, is permitted to make an assignment of all or any part
20 of the incidents of ownership in such insurance, including,
21 without limitation, any right to designate a beneficiary or
22 beneficiaries thereunder and any right to have an individual
23 policy issued upon termination either of employment or of said
24 policy or group life insurance; however, the insurer and the
25 group policyholder may prohibit or restrict an assignment by
26 appropriate policy provisions. This section shall be construed
27 as declaring the law as it existed prior to its enactment and
28 not as modifying it.

29 Section 504. Group accident and health standard policy
30 provisions.

1 (a) Accident and health policies.--Each group accident and
2 health policy shall contain, in substance, the following
3 provisions:

4 (1) That, in the absence of fraud, all statements made
5 by any applicant or applicants or the policyholder or by an
6 insured person shall be deemed representations and not
7 warranties and that no statement made for the purpose of
8 effecting insurance shall avoid such insurance or reduce
9 benefits, unless contained in a written instrument signed by
10 the policyholder or the insured person, a copy of which has
11 been furnished to such policyholder or to such person or the
12 beneficiary.

13 (2) That the insurer will furnish to the policyholder,
14 for delivery to each employee or member of the insured group,
15 an individual certificate setting forth, in summary form, a
16 statement of the essential features of the insurance coverage
17 of such employee or member and to whom benefits thereunder
18 are payable. If dependents are included in the coverage, only
19 one certificate need be issued for each family unit.

20 (3) That eligible new employees or members or
21 dependents, as the case may be, may be added from time to
22 time to the group originally insured in accordance with the
23 terms of the policy.

24 (b) Direct payment to provider.--Any group accident and
25 health policy may provide that all or any portion of any
26 indemnities provided by any such policy, on account of hospital,
27 nursing, medical or surgical services, may, at the insurer's
28 option, be paid directly to the hospital or person rendering
29 such services, but the policy may not require that the service
30 be rendered by a particular hospital or person. Payment so made

1 shall discharge the insurer's obligation with respect to the
2 amount of insurance so paid.

3 (c) Dependent coverage.--A policy delivered or issued for
4 delivery on or after January 1, 1968, under which coverage of a
5 dependent of an employee or other member of the insured group
6 terminates at a specified age shall, with respect to an
7 unmarried child covered by the policy prior to the attainment of
8 the age of 19 who is incapable of self-sustaining employment by
9 reason of mental retardation or physical handicap and who became
10 so incapable prior to attainment of age 19 and who is chiefly
11 dependent upon such employee or member for support and
12 maintenance, not terminate while the insurance of the employee
13 or member remains in force and the dependent remains in such
14 condition, if the insured employee or member has, within 31 days
15 of the dependent's attainment of the termination age, submitted
16 proof of the dependent's incapacity. The foregoing provisions of
17 this subsection shall not require an insurer to insure a
18 dependent who is a mentally retarded or physically handicapped
19 child of an employee or other member of the insured group where
20 such dependent does not satisfy the conditions of the group
21 policy as to any requirements for evidence of insurability or
22 other provisions as may be stated in the group policy required
23 for coverage thereunder to take effect. In any such case, the
24 terms of the policy shall apply with regard to the coverage or
25 exclusion from coverage of such dependent.

26 Section 505. Provisions of group insurance policy.

27 The commissioner shall have the power and duty to develop
28 appropriate regulations for a standard group insurance policy.

29 CHAPTER 9

30 MISCELLANEOUS PROVISIONS

1 Section 901. Repeals.

2 (a) Absolute repeal.-- The following acts and parts of acts
3 are repealed:

4 Act of May 11, 1949 (P.L.1210, No.367), referred to as the
5 Group Life Insurance Policy Law.

6 (b) Inconsistent repeals.--The following acts and parts of
7 acts are repealed insofar as they are inconsistent with this
8 act:

9 Act of May 17, 1921 (P.L.682, No.284), known as The Insurance
10 Company Law of 1921.

11 Act of May 17, 1921 (P.L.789, No.285), known as The Insurance
12 Department Act of one thousand nine hundred and twenty-one.

13 Section 902. Effective date.

14 This act shall take effect in 180 days.