

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 704 Session of  
1993

INTRODUCED BY SCANLON, MUSTO, WILLIAMS, AFFLERBACH, SCHWARTZ AND  
O'PAKE, MARCH 23, 1993

REFERRED TO BANKING AND INSURANCE, MARCH 23, 1993

AN ACT

1 Amending the act of May 11, 1949 (P.L.1210, No.367), entitled  
2 "An act relating to group life insurance; describing  
3 permitted policies and restrictions thereon, the premium  
4 basis thereof and rights thereunder; limiting the amount of  
5 such insurance; prescribing standard policy provisions; and  
6 requiring notice of conversion privileges," further providing  
7 for life insurance.

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

10 Section 1. Section 1(4) and (7) of the act of May 11, 1949  
11 (P.L.1210, No.367), referred to as the Group Life Insurance  
12 Policy Law, added October 5, 1978 (P.L.1059, No.247), are  
13 amended and the section is amended by adding clauses to read:

14 Section 1. Types Permitted.--No policy of group life  
15 insurance shall be delivered in this State unless it conforms to  
16 one of the following descriptions and to the requirements as to  
17 each set forth in sections two, three, four and five of this  
18 act.

19 \* \* \*

20 (4) A policy issued to the trustees of a fund established by

1 an insurer for two or more employers in the same industry or by  
2 two or more employers in the same industry or by an insurer for  
3 one or more labor unions, or by one or more labor unions or by  
4 an insurer for one or more employers and one or more labor  
5 unions or by one or more employers and one or more labor unions  
6 or by an insurer for one or more associations meeting the  
7 qualifications as defined in clause (5.1) or by one or more  
8 associations meeting the qualifications as defined in clause  
9 (5.1), which trustees shall be deemed the policyholder, to  
10 insure employees of the employers or members of the unions or  
11 such association for the benefit of persons other than the  
12 employers or the unions or members, employees thereof, and  
13 employees of the associations for the benefit of persons other  
14 than the employers or the unions or the associations.

15 \* \* \*

16 (5.1) A policy issued to an association, which shall have a  
17 constitution and bylaws and which has been organized by other  
18 than an insurer, is maintained in good faith for purposes other  
19 than that of obtaining insurance, has been in active existence  
20 for at least two years, operates from offices other than the  
21 insurer's and is controlled by principals other than the  
22 insurer's.

23 (5.2) A policy issued to a group, other than one described  
24 in clauses (1) through (5.1), and under which the Insurance  
25 Commissioner finds that:

26 (i) the issuance of such group policy is not contrary to the  
27 best interest of the public;

28 (ii) the issuance of such group policy would result in  
29 economies of acquisition or administration; and

30 (iii) the benefits are reasonable in relation to the

1 premiums charged.

2 \* \* \*

3 (7) A policy issued in accordance with clause (1), (3), (4)  
4 [or (5)], (5) or (5.1) may include provisions for the payment by  
5 the insurer of life insurance benefits upon the death of the  
6 spouse of the insured employe or member, and upon the death of  
7 one or more of his or her children dependent upon him or her for  
8 support and maintenance: Provided, however, That such insurance  
9 upon the life of the spouse shall not exceed ten thousand  
10 dollars (\$10,000) or one-half of the amount of insurance on the  
11 life of the insured employe or member as provided in such  
12 policy, whichever is less, and such insurance upon the life of  
13 each dependent child shall not exceed five thousand dollars  
14 (\$5,000) or one-third of the amount of insurance on the life of  
15 the insured employe or member as provided in such policy,  
16 whichever is less.

17 Section 2. Section 2(2) and (4) of the act, amended March  
18 23, 1972 (P.L.144, No.53), are amended to read:

19 Section 2. Policies Issued to Employers or Trustees of  
20 Employer Funds.--A policy issued to an employer, or to the  
21 trustees of a fund established by an employer, to insure  
22 employes of the employer for the benefit of persons other than  
23 the employer shall be subject to the following requirements:

24 \* \* \*

25 (2) The premium for the policy shall be paid by the  
26 policyholder, either wholly from the employer's funds or funds  
27 contributed by him, or [partly from such funds and partly from  
28 funds contributed by the insured employes. No policy may be  
29 issued on which the entire premium is to be derived from funds  
30 contributed by the insured employes] wholly from funds

1 contributed by the insured employees or from both. A policy on  
2 which part of the premium is to be derived from funds  
3 contributed by the insured employees may be placed in force only  
4 if at least [seventy-five] fifty per cent of the then eligible  
5 employees, excluding any as to whom evidence of individual  
6 insurability is not satisfactory to the insurer, elect to make  
7 the required contributions. A policy on which no part of the  
8 premium is to be derived from funds contributed by the insured  
9 employees must insure all eligible employees, or all except any as  
10 to whom evidence of individual insurability is not satisfactory  
11 to the insurer.

12 \* \* \*

13 [(4) The amounts of insurance under the policy must be based  
14 upon some plan precluding individual selection either by the  
15 employees or by the employer or trustees.]

16 Section 3. Section 3(2), (3) and (4) of the act, amended  
17 July 11, 1991 (P.L.86, No.19), are amended to read:

18 Section 3. Policies Issued to Creditors.--A policy issued to  
19 a creditor to insure debtors of the creditor shall be subject to  
20 the following requirements:

21 \* \* \*

22 (2) The premium for the policy shall be paid by the  
23 policyholder, either from the creditor's funds, or from charges  
24 collected from the insured debtors, or from both. [A policy on  
25 which part or all of the premium is to be derived from the  
26 collection from the insured debtors of identifiable charges not  
27 required of uninsured debtors shall not include, in the class or  
28 classes of debtors eligible for insurance, debtors under  
29 obligations outstanding at its date of issue without evidence of  
30 individual insurability unless at least seventy-five per cent of

1 the then eligible debtors elect to pay the required charges.] A  
2 policy on which no part of the premium is to be derived from the  
3 collection of such identifiable charges must insure all eligible  
4 debtors, or all except any as to whom evidence of individual  
5 insurability is not satisfactory to the insurer.

6 [(3) The policy may be issued only if the group of eligible  
7 debtors is then receiving new entrants at the rate of at least  
8 one hundred persons yearly, or may reasonably be expected to  
9 receive at least one hundred new entrants during the first  
10 policy year, and only if the policy reserves to the insurer the  
11 right to require evidence of individual insurability if less  
12 than seventy-five per cent of the new entrants become insured.]

13 (4) The amount of insurance on the life of any debtor shall  
14 at no time exceed the amount owed by him which is repayable in  
15 installments to the creditor[, or one hundred thousand dollars  
16 (\$100,000), whichever is less].

17 \* \* \*

18 Section 4. Section 4(2) and (4) of the act, amended July 31,  
19 1968 (P.L.939, No.287) and March 23, 1972 (P.L.144, No.53), are  
20 amended to read:

21 Section 4. Policies Issued to Labor Unions, Credit Unions,  
22 Police Fraternities, Firemen's Fraternities or Teachers'  
23 Associations or Federations.--A policy issued to a labor union,  
24 a credit union, a police fraternity, a firemen's fraternity or a  
25 teachers' association or federation, to insure members of such  
26 union, fraternity, association or federation for the benefit of  
27 persons other than the union, fraternity or federation or any of  
28 its officials, representatives or agents, shall be subject to  
29 the following requirements:

30 \* \* \*

1       (2) The premium for the policy shall be paid by the  
2 policyholder, either wholly from the union's funds, the  
3 fraternity's funds, association's funds or federation's funds,  
4 or [partly from such funds and partly from funds contributed by  
5 the insured members specifically for their insurance. No policy  
6 may be issued on which the entire premium is to be derived from  
7 funds contributed by the insured members specifically for their  
8 insurance. A policy on which part of the premium is to be  
9 derived from funds contributed by the insured members  
10 specifically for their insurance may be placed in force only if  
11 at least seventy-five per cent of the then eligible members,  
12 excluding any as to whom evidence of individual insurability is  
13 not satisfactory to the insurer, elect to make the required  
14 contributions.] wholly from funds contributed by the insured  
15 members or from both. A policy on which no part of the premium  
16 is to be derived from funds contributed by the insured members  
17 specifically for their insurance must insure all eligible  
18 members, or all except any as to whom evidence of individual  
19 insurability is not satisfactory to the insurer.

20       \* \* \*

21       [(4) The amounts of insurance under the policy must be based  
22 upon some plan precluding individual selection either by the  
23 members or by the union, fraternity, association or federation.]

24       Section 5. Section 5 of the act, amended March 23, 1972  
25 (P.L.144, No.53) and December 10, 1974 (P.L.901, No.296), is  
26 amended to read:

27       Section 5. Policies Issued to Trustees of Joint Funds.--A  
28 policy issued to the trustees of a fund established by an  
29 insurer for two or more employers in the same industry or by two  
30 or more employers in the same industry or by an insurer for one

1 or more labor unions, or by one or more labor unions or by an  
2 insurer for one or more employers and one or more labor unions,  
3 or by one or more employers and one or more labor unions or by  
4 an insurer for one or more associations meeting the  
5 qualifications as defined in clause (5.1) of section 1, or by  
6 one or more associations meeting the qualifications as defined  
7 in clause (5.1) of section 1, to insure employees of the  
8 employers or members of the unions or members, employees thereof,  
9 and employees of the associations for the benefit of persons  
10 other than the employers or the unions, or such associations,  
11 shall be subject to the following requirements:

12 (1) The persons eligible for insurance shall be all of the  
13 employees of the employers or all of the members of the unions,  
14 or members, employees thereof, and employees of the associations  
15 or all of any class or classes thereof determined by conditions  
16 pertaining to their employment, or to membership in the unions  
17 or associations, or to both. The policy may provide that the  
18 term "employees" shall include retired employees, and the  
19 individual proprietor or partners if an employer is an  
20 individual proprietor or a partnership. The policy may provide  
21 that the term "employees" shall include the trustees or their  
22 employees, or both, if their duties are principally connected  
23 with such trusteeship.

24 (2) The premium for the policy shall be paid by the trustees  
25 wholly from funds contributed by the employer or employers of  
26 the insured persons, or by the union or unions, or by the  
27 associations, or by both, or partly from such funds and partly  
28 from funds contributed by the insured persons. [A policy on  
29 which part of the premium is to be derived from funds  
30 contributed by the insured persons specifically for their

1 insurance may be placed in force only if at least seventy-five  
2 per cent of the then eligible persons, excluding any as to whom  
3 evidence of insurability is not satisfactory to the insurer,  
4 elect to make the required contributions.] A policy on which no  
5 part of the premium is to be derived from funds contributed by  
6 the insured persons specifically for their insurance must insure  
7 all eligible persons, or all except any as to whom evidence of  
8 individual insurability is not satisfactory to the insurer.

9 [(3) The policy must cover at date of issue at least one  
10 hundred persons and not less than an average of five persons per  
11 employer unit; and if the fund is established by the members of  
12 an association of employers the policy may be issued only if (i)  
13 either (a) the participating employers constitute at date of  
14 issue at least sixty per cent of those employer members whose  
15 employes are not already covered for group life insurance or (b)  
16 the total number of persons covered at date of issue exceeds six  
17 hundred; and (ii) the policy shall not require that, if a  
18 participating employer discontinues membership in the  
19 association, the insurance of his employes shall cease solely by  
20 reason of such discontinuance.

21 (4) The amounts of insurance under the policy must be based  
22 upon some plan precluding individual selection either by the  
23 insured persons or by the policyholder, employers, or unions.]

24 Section 6. The act is amended by adding sections to read:

25 Section 5.1. Policies Issued to Associations.--A policy  
26 issued to an association, which shall have a constitution and  
27 bylaws and which has been organized by other than an insurer, is  
28 maintained in good faith for purposes other than that of  
29 obtaining insurance, has been in active existence for at least  
30 two years, operates from offices other than the insurer's and is



controlled by principals other than the insurer's, shall be  
subject to the following requirements:

(1) The persons eligible for insurance shall be all of the  
members of the association, employes thereof, or employes of  
members of the preceding or all of any class or classes for the  
benefit of persons other than the association.

(2) The premium for the policy shall be paid by the  
policyholder either wholly from funds contributed by the  
association or by employer members, or by both, or wholly from  
funds contributed by the insured persons or partly from such  
funds and partly from funds contributed by the association or  
employer member. A policy on which no part of the premium is to  
be derived from funds contributed by the insured persons must  
insure all eligible persons, or all except any as to whom  
evidence of individual insurability is not satisfactory to the  
insurer.

(3) At the date of issue, the policy must cover at least  
twenty-five members, employes, or employes of members.

Section 5.2. Policies Issued to Other Groups.--A policy  
issued to a group, other than one described in clauses (1)  
through (5.1) of section 1, and which meets the requirements of  
clause (5.2) of section 1, shall also meet the requirements of  
this section. The premium for the policy shall be paid by the  
policyholder either wholly from the policyholder's funds or  
funds contributed by the policyholder, or wholly from funds  
contributed by the insured persons, or both. A policy on which  
no part of the premium is to be derived from funds contributed  
by the insured persons must insure all eligible persons, or all  
except any as to whom evidence of individual insurability is not  
satisfactory to the insurer.

1     Section 7.2. Out-of-State Coverage.--(a) No insurer shall  
2 issue in this Commonwealth group life insurance coverage  
3 provided under a group policy issued in another state or deliver  
4 or issue for delivery in this Commonwealth a certificate of  
5 group life insurance evidencing coverage under a group policy  
6 issued in another state unless such coverage is in compliance  
7 with the requirements of this act or any other applicable act.  
8 The provisions of this act shall not apply if a group policy is  
9 issued to:

10     (1) An out-of-State trustee of a fund where Commonwealth  
11 residents shall not at any time comprise twenty-five per cent or  
12 more of the total certificate holders, or where Commonwealth  
13 residents shall not at any time comprise the largest share of  
14 the total certificate holders, whichever is less.

15     (2) An out-of-State single employer.

16     (3) A trustee of a fund established by any person acting  
17 directly as an employer having its principal office located in a  
18 state other than this Commonwealth.

19     (4) An association, organized or domiciled in a state other  
20 than this Commonwealth, which has a constitution and bylaws, has  
21 been organized by other than an insurer, is maintained in good  
22 faith for purposes other than that of obtaining insurance, has  
23 been in active existence for at least two years, operates from  
24 offices other than the insurer's, and is controlled by  
25 principals other than the insurer's.

26     (5) A union-negotiated out-of-State trust.

27     (6) Other groups as may be determined by the Insurance  
28 Commissioner at his discretion.

29     (b) (1) Clause (1) of subsection (a) shall apply only if  
30 the insurer supplies to the Insurance Commissioner certification

1 as to its insured trusts and, for each trust, the percentage of  
2 Commonwealth certificate holders or the number of Commonwealth  
3 certificate holders compared to the total number of certificate  
4 holders.

5 (2) The initial certification shall be supplied no later  
6 than the effective date of this section, and thereafter, no  
7 later than by March 1 of each year. The certification shall be  
8 filed along with the annual statement but shall not be made a  
9 part thereof.

10 (c) (1) All group policies, certificates, amendments,  
11 endorsements and enrollment forms shall be filed with the  
12 Insurance Commissioner for approval. The insurer shall also file  
13 with the Insurance Commissioner evidence of approval in the  
14 state where the group policy is issued.

15 (2) Forms so filed for approval shall be deemed approved at  
16 the expiration of sixty days after filing, unless earlier  
17 approved or disapproved by the Insurance Commissioner. The  
18 Insurance Commissioner, by written notice to the insurer, may  
19 within such sixty-day period extend the period for approval or  
20 disapproval for an additional sixty days.

21 (3) Such approval shall become void upon any subsequent  
22 notice of disapproval from the Insurance Commissioner, or upon  
23 any subsequent withdrawal of license or refusal of the Insurance  
24 Commissioner to relicense any such company, association, or  
25 exchange, or upon the subsequent passage of an act which would  
26 no longer make such contracts a fit subject for approval, except  
27 that this provision shall not affect contracts issued prior  
28 thereto.

29 (4) Upon any disapproval, the Insurance Commissioner shall  
30 notify the insurer in writing, specifying the reason for such

disapproval; and within thirty days from the date of mailing  
such notice to the insurer, the insurer may make written  
application to the Insurance Commissioner for a hearing thereon.  
The hearing shall be scheduled within a reasonable period of  
time following receipt of the application. The procedure before  
the Insurance Commissioner shall be in accordance with 2 Pa.C.S.  
(relating to administrative law and procedure) and the insurer  
shall be entitled to the judicial review as provided for in that  
title.

(5) Upon satisfactory evidence of the violation of this  
section by any such person, corporation, insurance company,  
exchange, order or society, the Insurance Commissioner may, in  
his discretion, pursue any one or more of the following courses  
of action:

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

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

(iii) Impose a civil penalty of not more than one thousand  
dollars (\$1,000) for each violation of this subsection.

(d) As used in this section, the term "out-of-State single  
employer" means any person acting directly as an employer and  
having its principal office located in a state other than this  
Commonwealth. "Out-of-State trustee of a fund" means a trustee  
of a fund established by an insurer for or established by two or  
more persons acting directly as employers in the same industry  
and the trustee having its principal office located in a state  
other than this Commonwealth. "Out-of-State coverage" means  
insurance coverage issued in this Commonwealth and provided

under a group policy issued in a state other than this Commonwealth. A "union-negotiated out-of-State trust" means a trust established under a collective bargaining agreement and which is located in a state other than this Commonwealth.

Section 7.3. Notice of Compensation.--(a) In the case of a policy issued on a group basis, if compensation of any kind will or may be paid to a policyholder or sponsoring or endorsing entity, the insurer shall cause to be distributed to prospective insureds in a written notice that compensation will or may be paid.

(b) Such notice shall be distributed:

(1) whether compensation is direct or indirect; and

(2) whether such 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 sponsoring or endorsing entity, or any entity affiliated therewith by way of ownership, contract, or employment.

(c) The notice required by this section shall be placed on or accompany any application or enrollment form provided to prospective insureds.

(d) As used in this section, a "sponsoring or endorsing entity" means an organization which has arranged for the offering of a program of insurance in a manner which communicates that eligibility for participation in the program is dependent upon affiliation with such organization or that it encourages participation in the program.

Section 7. Section 8 of the act is repealed.

Section 8. The act is amended by adding sections to read:

Section 8.1. Policy and Certificate Issued Prior to the Effective Date.--The provisions of this amendatory act shall not

1 invalidate or otherwise affect any group policy legally issued  
2 prior to the effective date of this section or certificate in  
3 effect prior to the effective date of this section. All such  
4 group policies or certificates may remain in full force and  
5 effect until three years after the effective date of this  
6 section is enacted, notwithstanding the fact that they do not  
7 comply with the provisions of this act.

8 Section 8.2. Newly Issued Group Policy.--Any group policy  
9 issued on or after the effective date of this section shall  
10 comply with the provisions of this act.

11 Section 8.3. Newly Issued Certificate Under Policy Issued  
12 Prior to the Effective Date.--Certificates issued on or after  
13 the effective date of this section under a group policy legally  
14 issued prior to the effective date of this section shall comply  
15 with the provisions of this act no later than three years after  
16 the act is enacted if issued to: an employer or trustees of a  
17 fund established by an employer, trustees of a fund established  
18 by two or more employers none of whom has joined after the  
19 effective date of this section, labor union, police fraternity,  
20 firemen's fraternity, teachers' association or federation and a  
21 unit of the National Guard or Naval Militia. Any other  
22 certificates issued on or after the effective date of this  
23 section under a group policy issued prior to the effective date  
24 of this section shall comply with the provisions of this act.

25 Section 8.4. Newly Issued Certificate Under Newly Issued  
26 Policy.--Any certificate issued under a group policy issued on  
27 or after the effective date of this section shall comply with  
28 the provisions of this act.

29 Section 9. This act shall take effect in 90 days.