
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2432 Session of
1976

INTRODUCED BY STAHL, COHEN, ZEARFOSS, SCHMITT, TAYLOR AND
A. K. HUTCHINSON, MAY 26, 1976

REFERRED TO COMMITTEE ON CONSUMER PROTECTION, MAY 26, 1976

AN ACT

1 Relating to group annuity contracts, describing types permitted,
2 prescribing standard contract provisions; providing for
3 existing policies and providing for rules and regulations.

4 The General Assembly of the Commonwealth of Pennsylvania
5 hereby enacts as follows:

6 Section 1. Short Title.--This act shall be known, and may be
7 cited as the "Pennsylvania Group Annuity Act."

8 Section 2. Definitions.--As used in this act:

9 "Annuitant" means any person upon whose continued life the
10 group annuity contract is dependent.

11 "Group annuity contract" shall mean any policy or contract
12 whereby annuities are payable dependent upon the continuance of
13 the lives of more than one person.

14 "Holder of group annuity contract" shall mean the party or
15 parties to whom or to which a group annuity contract is issued.

16 Section 3. Types Permitted.--A group contract may be
17 delivered or issued for delivery in the Commonwealth provided it
18 conforms to one of the following descriptions of group

1 annuitants:

2 (a) Under a contract issued to an employer, the stipulated
3 payments on which, to be remitted by the employer, are to be
4 paid either wholly by the employer or jointly by the employer
5 and his or its employees, providing a plan of retirement
6 annuities which permits all of the employees of such employer or
7 of any specified class or classes thereof to become annuitants.
8 Any such group of employees may include retired employees, and
9 may include officers and managers as employees, and may include
10 the employees of subsidiary or affiliated corporations of a
11 corporation employer, and may include the individual
12 proprietors, partners and employees of affiliated individuals
13 and firms controlled by the holder through stock ownership,
14 contract or otherwise.

15 (b) Under a contract issued to an employers' association
16 providing a plan of retirement annuities which permits all of
17 the employees of such employers or of any specified class or
18 classes thereof to become annuitants, and which requires that
19 the stipulated payments under such contract, to be remitted by
20 such employers' association, shall be paid either wholly by each
21 employer with respect to his or its employees, or jointly by the
22 employer and his or its employees, or from gifts or other
23 voluntary contributions received by such employers' association.
24 Such employers' association may provide for the representation
25 of annuitants on its board of directors.

26 (c) Under a contract issued to a labor union providing a
27 plan of retirement annuities which permits all of the members of
28 such union or of any specified class or classes thereof to
29 become annuitants, and which requires that the stipulated
30 payments under such contract, to be remitted by such union,

1 shall be paid wholly from funds, contributed by such union, the
2 employer or employers of the persons covered under the contract,
3 or both, or partly from such funds and partly from funds
4 contributed by the persons covered under the contract.

5 (d) Under a contract issued to the trustees of a fund
6 established by an employer, or by an employers' association, or
7 by one or more labor unions, or by one or more employers and one
8 or more labor unions, which trustees shall be deemed the
9 contract holder, providing a plan of retirement annuities which
10 permits all of the employees of the employers or all of the
11 members of the unions, or all of any class or classes thereof,
12 to become annuitants. The stipulated payments under such
13 contract, to be remitted by the trustees, shall not be derived
14 wholly from funds contributed by the persons covered thereunder.
15 The contract may provide that the term "employees" shall include
16 retired employees, officers and managers of an employer.

17 (e) Under a contract issued to an association of persons
18 having a common interest, calling or profession who constitute a
19 homogeneous group, which association has a constitution and
20 bylaws and is organized and maintained in good faith for
21 purposes other than obtaining annuities or to trustees of a fund
22 established by such an association providing a plan of
23 retirement annuities which permits all members of the
24 association and their employees or of any specified class or
25 classes thereof to become annuitants. The stipulated payments
26 under such contract, to be remitted by the association or
27 trustees, may be derived in whole or in part from funds
28 contributed by the individuals covered thereunder.

29 (f) Anything in this act to the contrary notwithstanding,
30 any group annuity contract may provide for readjustment of the

1 rate of premium consideration or deposit based on the experience
2 thereunder at the end of the first contract year or of any
3 subsequent year, and such readjustment may be made retroactive
4 only for such contract year. Any such rate readjustment shall be
5 computed on a basis which is equitable to all group annuity
6 contracts.

7 Section 4. Standard Contract Provisions.--No group annuity
8 contract shall be delivered or issued for delivery in this
9 Commonwealth and no certificate shall be used in connection
10 therewith unless it contains in substance the following
11 provisions to the extent that such provisions are applicable to
12 such contract or to such certificate, as the case may be, or
13 provisions which in the opinion of the Insurance Commissioner
14 are more favorable to annuitants, or not less favorable to
15 annuitants and more favorable to the holders:

16 (a) A provision in such contract that there shall be a
17 period of grace, either of 30 days or of one month, within which
18 any stipulated payment to be remitted by the holder to the
19 insurer, falling due after one year from the date of issue, may
20 be made, subject, at the option of the insurer, to an interest
21 charge thereon at a rate, to be specified in the contract, which
22 shall not exceed 6% per annum for the number of days of grace
23 elapsing before such payment.

24 (b) A provision in such contract specifying the document or
25 documents which shall constitute the entire contract between the
26 parties; the document or documents so specified shall be only
27 (i) the contract and amendments thereto and riders and
28 endorsement, (ii) the contract and amendments thereto and riders
29 and endorsements together with the application of the holder of
30 which a copy is attached thereto, or (iii) the contract and

1 amendments thereto and riders and endorsements together with the
2 application of the holder of which a copy is attached thereto
3 and the individual applications of annuitants on file with the
4 insurer and referred to therein.

5 (c) A provision in such contract, with an appropriate
6 reference thereto in the certificate, for the equitable
7 adjustment of the benefits payable under the contract or of the
8 stipulated payments thereunder, if it be found that the sex,
9 age, service, salary or any other fact determining the amount of
10 any stipulated payment or the amount or date or dates of payment
11 of any benefit with respect to any annuitant covered thereby,
12 has been misstated.

13 (d) A provision or provisions in such contract, with an
14 appropriate reference thereto in the certificate, specifying the
15 nature and basis of ascertainment of the benefits which will be
16 available to an annuitant who contributes to the cost of the
17 annuity and the conditions of payment thereof in the event of
18 either the termination of employment of the annuitant, except by
19 death, or the discontinuance of stipulated payments under the
20 contract. Such provision or provisions shall, in either of such
21 events, make available to an annuitant who contributes to the
22 cost of the annuity a paid-up annuity payable commencing at a
23 fixed date in an amount at least equal to that purchased by the
24 contributions of the annuitant, determinable as of the
25 respective dates of payment of the several contributions, as
26 shown by a schedule included in the contract for the purpose,
27 based upon the same mortality table, rate of interest and
28 loading formula used in computing the stipulated payments under
29 such contract. Such provision or provisions may, by way of
30 exception to the foregoing, provide that if the amount of the

1 annuity determined as aforesaid from such fixed commencement
2 date would be less than \$60 annually, the insurer may at its
3 option, in lieu of granting such paid-up annuity, pay a cash
4 surrender value at least equal to that hereinafter provided. If
5 a cash surrender value, in lieu of such paid-up annuity, is
6 allowed to the annuitant by the terms of such contract, it may
7 be either in a single sum or in equal installments over a period
8 of not more than 12 months and it shall be at least equal to
9 either (1) or (2), whichever is less: (1) the amount of reserve
10 attributable to the annuitant's contributions less a surrender
11 charge not exceeding 35% of the average annual contribution made
12 by the annuitant; or (2) the amount which would be payable as a
13 death benefit at the date of surrender. Such contract shall also
14 provide that in case of the death of the annuitant, before the
15 commencement date of the annuity, the insurer shall pay a death
16 benefit at least equal to the aggregate amount of the
17 annuitant's contributions, without interest. If any benefits are
18 available to the holder in either of such events the contract
19 shall contain a provision or provisions specifying the nature
20 and basis of ascertainment of such benefits.

21 (e) A provision in such contract that the insurer will issue
22 to the holder of the contract for delivery to each annuitant who
23 contributes thereunder an individual certificate setting forth a
24 statement in substance of the benefits to which he is entitled
25 under such contract.

26 Section 5. Existing Policies.--The provisions of this act
27 shall not invalidate or otherwise affect any annuity contract
28 actually entered into with a contract holder prior to the
29 effective date of this act. All such contracts may remain in
30 full force and effect notwithstanding the fact that such

1 contracts do not comply with the provisions of this act.
2 However, after the effective date of this act, previously
3 submitted and approved forms of policies, contracts,
4 certificates, applications, riders and endorsements must be
5 resubmitted for compliance with the provisions of this act and
6 formal approval by the Insurance Commissioner in accordance with
7 section 354 of the act of May 17, 1921 (P.L.682, No.284), known
8 as "The Insurance Company Law of 1921."

9 Section 6. Rules and Regulations.--The Insurance
10 Commissioner is hereby authorized to make, promulgate, and
11 enforce such rules and regulations as he may deem necessary and
12 proper and for public convenience or necessity and in the public
13 interest and for the public welfare in the administration of
14 this act.

15 Section 7. Effective Date.--This act shall take effect in 90
16 days.