
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 128 Session of
1989

INTRODUCED BY LESCOVITZ, CAWLEY, TRELLO, DALEY AND COLAIZZO,
JANUARY 25, 1989

REFERRED TO COMMITTEE ON INSURANCE, JANUARY 25, 1989

AN ACT

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

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

7 Section 1. Short title.

8 This act shall be known and may be cited as the Group
9 Insurance Act.

10 Section 2. Definitions.

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

14 "Commissioner." The Insurance Commissioner of the
15 Commonwealth.

16 "Group insurance." Any policy of group life insurance, group
17 health and accident insurance, blanket accident and health
18 insurance or a combination thereof.

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

20 Section 3. General limitation.

21 Except as provided in section 10, no policy of group
22 insurance shall be delivered in this Commonwealth unless it
23 conforms to one of the descriptions set forth in sections 4
24 through 9.

25 Section 4. Policies for employers or trustees.

26 A policy issued to employers or to the trustees of a fund
27 established by an employer, which employer or trustees shall be
28 deemed the policyholder, to insure employees of the employer for
29 the benefit of persons other than the employer, shall be subject
30 to the following requirements:

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

18 (2) The premium for the policy shall be paid either from
19 the employer's funds or from funds contributed by the insured
20 employees, or from both. A policy on which no part of the
21 premium is to be derived from funds contributed by the
22 insured employees must insure all eligible employees, except
23 for those who reject that coverage in writing.

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

27 Section 5. Policies for creditors or trustees.

28 A policy issued to a creditor, which creditor shall be deemed
29 the policyholder, to insure debtors of the creditor or
30 creditors, to cover first real estate mortgages only, shall be

1 subject to the following requirements:

2 (1) The debtors eligible for insurance under the policy
3 shall be all of the debtors of the creditor or creditors or
4 all of any class or classes thereof.

5 (2) The premium for the policy shall be paid either from
6 the creditor's funds or from charges collected from the
7 insured debtors, or both. A policy on which no part of the
8 premium is to be derived from funds contributed by insured
9 debtors specifically for their insurance must insure all
10 eligible debtors.

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

14 (4) The insurance may be payable to the creditor or any
15 successor to the right, title and interest of the creditor.
16 Such payment shall reduce or extinguish the unpaid
17 indebtedness of the debtor to the extent of such payment.

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

21 Section 6. Policies for employee organizations.

22 A policy issued to a labor union or similar employee
23 organization, which shall be deemed to be the policyholder, to
24 insure members of such union or organization for the benefit of
25 persons other than the union or organization or any of its
26 officials, representatives or agents, shall be subject to the
27 following requirements:

28 (1) The members eligible for insurance under the policy
29 shall be all of the members of the union or organization or
30 all of any class or classes thereof.

1 (2) The premium for the policy shall be paid either from
2 funds of the union or organization or from funds contributed
3 by the insured members specifically for their insurance, or
4 from both. A policy on which no part of the premium is to be
5 derived from funds contributed by the insured members
6 specifically for their insurance must insure all eligible
7 members, except those who reject the coverage in writing.

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

11 Section 7. Policies for trusts for various organizations.

12 A policy issued to a trust or to the trustees of a fund
13 established by two or more employers, by one or more labor
14 unions or similar employee organizations, or by one or more
15 employers and one or more labor unions or similar employee
16 organizations, where the trust or trustees are deemed the
17 policyholder, to insure employees of the employers or members of
18 the unions or organizations for the benefit of persons other
19 than the employers or the unions or organizations, shall be
20 subject to the following requirements:

21 (1) The persons eligible for insurance shall be all of
22 the employees of the employers or all of the members of the
23 unions or organizations or all of any class or classes
24 thereof. The policy may provide that the term "employees"
25 shall include retired employees, the individual proprietor or
26 partners if an employer is an individual proprietorship or a
27 partnership, and directors of a corporate employer. The
28 policy may provide that the term "employees" shall include
29 the trustees or their employees, or both, if their duties are
30 principally connected with such trusteeship.

1 (2) The premium for the policy shall be paid from funds
2 contributed by the employer or employers of the insured
3 persons, by the union or unions or similar employee
4 organizations, or by both, or from funds contributed by the
5 insured persons or from both the insured persons and the
6 employer or union or similar employee organization. A policy
7 on which no part of the premium is to be derived from funds
8 contributed by the insured persons specifically for their
9 insurance must insure all eligible persons, except those who
10 reject the coverage in writing.

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

14 Section 8. Policies for associations.

15 (a) Policy issued.--A policy may be issued to an
16 association, a trust or to the trustees of a fund established,
17 created or maintained for the benefit of members of one or more
18 associations, where the association, trust or trustees shall be
19 deemed the policyholder, to insure the members of the
20 association or associations. The association or associations
21 shall:

22 (1) Have a minimum of 100 persons.

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

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

27 (4) Have a constitution and bylaws which provide that
28 the association or associations hold regular meetings not
29 less than annually to further purposes of the members, the
30 association or associations.

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

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

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

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

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

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

Section 9. Policies for credit unions.

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

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

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

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

10 Section 10. Other groups.

11 Group life, accident and health insurance offered to a
12 resident of this Commonwealth under a group accident and health
13 insurance policy issued to a group other than one described in
14 sections 4 through 9 shall be subject to the following
15 requirements:

16 (1) No such group accident and health insurance policy
17 shall be delivered in this Commonwealth unless the
18 commissioner finds that:

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

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

23 (iii) The benefits are reasonable in relation to the
24 premiums charged.

25 (2) No such group accident and health insurance may be
26 offered in this Commonwealth by an insurer under a policy
27 issued in another state unless this Commonwealth or another
28 state, having requirements substantially similar to those
29 contained under paragraph (1), has made a determination that
30 such requirements have been met; however, the commissioner

1 may disapprove any certificate or other evidence of coverage
2 under any such group policy when he has probable cause to
3 believe that benefits are not reasonable in relation to the
4 premiums charged. Upon any disapproval, the commissioner
5 shall notify the insurer in writing, and within 30 days from
6 the date of mailing such notice to the insurer, the insurer
7 may make written application to the commissioner for a
8 hearing thereon and the hearing shall be held within 30 days
9 after receipt of the application. The procedure before the
10 commissioner shall be in accordance with the adjudication
11 procedure set forth in 2 Pa.C.S. § 103 (relating to
12 administrative agency law), and the insurer shall be entitled
13 to the judicial review as provided for in said law.

14 (3) Any person, corporation, insurance company,
15 exchange, order or society that shall, either as principal or
16 agent, issue or cause to be issued any policy or contract of
17 insurance or certificate or other evidence of coverage within
18 this Commonwealth, contrary to this section, commits a
19 misdemeanor and shall, upon conviction, be sentenced to pay a
20 fine of not more than \$500.

21 (4) Upon satisfactory evidence of the violation of this
22 section by any such person, corporation, insurance company,
23 exchange, order or society, the commissioner may, in his
24 discretion, pursue any one or more of the following courses
25 of action:

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

29 (ii) Refuse, for a period of not to exceed one year
30 thereafter, to issue a new license to such person,

1 corporation, insurance company, exchange, order or
2 society.

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

5 Section 11. Regulations.

6 The commissioner is hereby authorized to adopt such rules and
7 regulations as may be necessary to carry out the provisions of
8 this act.

9 Section 12. Conversion privileges.

10 (a) Group life conversion privilege.--If any individual
11 insured under a group life insurance policy in this Commonwealth
12 becomes entitled, under the terms of such policy, to have an
13 individual policy of life insurance issued without evidence of
14 insurability, subject to making of application and payment of
15 the first premium within the period specified, and if the
16 individual is not given notice of the existence of such right at
17 least 15 days prior to the expiration date of such period, the
18 individual shall have an additional period within which to
19 exercise such right. Nothing herein contained shall be construed
20 to continue any insurance beyond the period provided in such
21 policy. This additional period shall expire 15 days next after
22 the individual is given such notice, but in no event shall such
23 additional period extend beyond 60 days next after the
24 expiration date of the period provided in such policy. Written
25 notice presented to the individual or mailed by the policyholder
26 to the last known address of the individual or mailed by the
27 insurer to the last known address of the individual, as
28 furnished by the policyholder, shall constitute notice for the
29 purpose of this section.

30 (b) Group accident and health conversion privilege.--A group

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

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

24 (2) The converted policy shall be issued without
25 evidence of insurability.

26 (3) The premium on the individual policy shall be at the
27 insurer's then customary rate applicable to the form and
28 amount of the individual policy, to the class of risk to
29 which that person then belongs and to that person's age
30 attained on the effective date of the individual policy.

1 (4) The effective date of the converted policy shall be
2 the day following the termination of insurance under the
3 group policy.

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

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

15 (i) (A) that person is covered for similar benefits
16 by another hospital, surgical, medical or major
17 medical expense insurance policy or hospital or
18 medical service subscriber contract or medical
19 practice or other prepayment plan or by any other
20 plan or program;

21 (B) that person is eligible for similar benefits
22 (whether or not covered therefor) under any
23 arrangement of coverage for individuals in a group,
24 whether on an insured or uninsured basis; or

25 (C) similar benefits are provided for or
26 available to that person, pursuant to or in
27 accordance with the requirements of any state or
28 Federal law; and

29 (ii) the benefits provided under the sources
30 referred to in subparagraph (i)(A) for such person or

1 benefits provided or available under the sources referred
2 to in subparagraph (i)(B) and (C) for such person,
3 together with the benefits provided by the converted
4 policy, would result in overinsurance according to the
5 insurer's standards. The insurer's standards must bear
6 some reasonable relationship to actual health care costs
7 in the area in which the insured lives at the time of
8 conversion and must be filed with the commissioner prior
9 to their use in denying coverage.

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

13 (i) that person is covered for similar benefits by
14 another hospital, surgical, medical or major medical
15 expense insurance policy, or hospital or medical service
16 subscriber contract, or medical practice or other
17 prepayment plan or by any other plan or program;

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

21 (iii) similar benefits are provided for or are
22 available to that person, pursuant to or in accordance
23 with the requirements of any state or Federal law. The
24 converted policy may provide that the insurer may refuse
25 to renew the policy or the coverage of any person insured
26 for the following reasons only:

27 (A) Either the benefits provided under the
28 sources referred to in subparagraphs (i) and (ii) for
29 that person or benefits provided or available under
30 the sources referred to in this subparagraph for such

1 person, together with the benefits provided by the
2 converted policy, would result in overinsurance
3 according to the insurer standards on file with the
4 commissioner or the converted policyholder fails to
5 provide the requested information.

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

8 (C) Eligibility of the insured person for
9 coverage by Medicare under Title XVIII of the Social
10 Security Act or under any other Federal or State law
11 providing for benefits similar to those provided by
12 the converted policy.

13 (D) Other reasons approved by the commissioner.

14 (8) An insurer shall not be required to issue a
15 converted policy which provides benefits in excess of those
16 provided under the group policy from which conversion is
17 made.

18 (9) No converted policy shall exclude a preexisting
19 condition not excluded by the group policy. The converted
20 policy may provide that any hospital, surgical or medical
21 benefits payable may be reduced by the amount of any such
22 benefits payable under the group policy after the termination
23 of the individual's insurance. The converted policy may also
24 include provisions so that during the first policy year the
25 benefits payable under the converted policy, together with
26 the benefits payable under the group policy, shall not exceed
27 those that would have been payable had the individual
28 insurance under the group policy remained in effect.

29 (10) If the group insurance policy from which conversion
30 is made insures the employee or member for basic hospital or

1 surgical expense insurance, the employee or member shall be
2 entitled to obtain a converted policy providing, at his
3 option, coverage on an expense-incurred basis under any of
4 the plans meeting the following requirements:

5 (i) Plan A:

6 (A) Hospital room and board daily expense
7 benefits in a maximum dollar amount approximating the
8 average semiprivate rate charged in metropolitan
9 areas of this Commonwealth, for a maximum duration of
10 70 days.

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

14 (C) Surgical operation expense benefits
15 according to a surgical schedule consistent with
16 those customarily offered by the insurer under group
17 or individual health insurance policies and providing
18 a maximum benefit of \$800.

19 (ii) Plan B:

20 (A) Hospital room and board daily expense
21 benefits in a maximum dollar amount equal to 75% of
22 the maximum dollar amount determined for Plan A, for
23 a maximum duration of 70 days.

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

27 (C) Surgical operation expense benefits
28 according to a surgical schedule consistent with
29 those customarily offered by the insurer under group
30 or individual health insurance policies and providing

1 a maximum benefit of \$600.

2 (iii) Plan C:

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

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

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

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

21 (11) Subject to the provisions and conditions of this
22 act, if the group insurance policy from which conversion is
23 made insures the employee or member for major medical expense
24 insurance, the employee or member shall be entitled to obtain
25 a converted policy providing catastrophic or major medical
26 coverage under a plan meeting the following requirements:

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

29 (A) The smaller of the following amounts: the
30 maximum benefit provided under the group policy or a

1 maximum payment of \$250,000 per covered person for
2 all covered medical expenses incurred during the
3 covered person's lifetime.

4 (B) The smaller of the following amounts: the
5 maximum benefit provided under the group policy or a
6 maximum payment of \$250,000 for each unrelated injury
7 or sickness.

8 (ii) Payment of benefits at the rate of 80% of
9 covered medical expenses which are in excess of the
10 deductible, until 20% of the expenses in a benefit period
11 reaches \$1,000, after which benefits will be paid at the
12 rate of 100% during the remainder of the benefit period.
13 Payment of benefits for outpatient treatment of mental
14 illness, if provided in the converted policy, may be at a
15 lesser rate but not less than 50%.

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

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

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

20 (C) the greater of the benefits deductible or
21 \$500; or

22 (D) the corresponding deductible in the group
23 policy.

24 The term "benefits deductible" means the value of any
25 benefits provided on an expense-incurred basis which are
26 provided with respect to covered medical expenses by any
27 other hospital, surgical or medical insurance policy, or
28 hospital or medical service subscriber contract, or
29 medical practice or other prepayment plan, or any other
30 plan or program, whether on an insured or uninsured

1 basis, or in accordance with the requirements of any
2 state or Federal law and, if, pursuant to paragraph (12),
3 the converted policy provides both basic hospital or
4 surgical coverage and major medical coverage, the value
5 of such basic benefits.

6 (iv) If the maximum benefit is determined by
7 subparagraph (i)(B), the insurer may require that the
8 deductible be satisfied during a period of not less than
9 three months if the deductible is \$100 or less, and not
10 less than six months if the deductible exceeds \$100.

11 (v) The benefit period shall be each calendar year
12 when the maximum benefit is determined by subparagraph
13 (i)(A) or 24 months when the maximum benefit is
14 determined by subparagraph (i)(B).

15 (vi) The term "covered medical expenses," as used in
16 this paragraph, shall include at least, in the case of
17 hospital room and board charges, the lesser of the dollar
18 amount in Plan A and the average semiprivate room and
19 board rate for the hospital in which the individual is
20 confined and twice such amount for charges in an
21 intensive care unit. Any surgical schedule shall be
22 consistent with those customarily offered by the insurer
23 under group or individual health insurance policies and
24 must provide at least a \$1,200 maximum benefit.

25 (12) The conversion privilege required by this act
26 shall, if the group insurance policy insures the employee or
27 member for basic hospital or surgical expense insurance as
28 well as major medical expense insurance, make available the
29 plans of benefits set forth in paragraphs (10) and (11). At
30 the option of the insurer, such plans of benefits may be

1 provided under one policy. The insurer may also, in lieu of
2 the plans of benefits set forth in paragraphs (10) and (11),
3 provide a policy of comprehensive medical expense benefits
4 without first dollar coverage. Said policy shall conform to
5 the requirements of paragraph (11); however, an insurer
6 electing to provide such a policy shall make available a low
7 deductible option, not to exceed \$100, a high deductible
8 option between \$500 and \$1,000 and a third deductible option
9 midway between the high and low deductible options.

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

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

20 (15) The converted policy may provide for reduction of
21 coverage on any person upon his eligibility for coverage by
22 Medicare under Title XVIII of the Social Security Act or
23 under any other Federal or State law providing for benefits
24 similar to those provided by the converted policy.

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

26 (i) to the surviving spouse, if any, at the death of
27 the employee or member, with respect to the spouse and
28 such children whose coverage under the group policy
29 terminates by reason of such death, otherwise to each
30 surviving child whose coverage under the group policy

1 terminates by reason of such death, or, if the group
2 policy provides for continuation of dependents' coverage
3 following the employee's or member's death, at the end of
4 such continuation;

5 (ii) to the spouse of the employee or member upon
6 termination of coverage of the spouse, while the employee
7 or member remains insured under the group policy, by
8 reason of ceasing to be a qualified family member under
9 the group policy, with respect to the spouse and such
10 children whose coverage under the group policy terminates
11 at the same time; or

12 (iii) to a child solely with respect to himself upon
13 termination of his coverage by reason of ceasing to be a
14 qualified family member under the group policy, if a
15 conversion privilege is not otherwise provided with
16 respect to such termination.

17 (17) If the benefit levels required in paragraph (10)
18 exceed the benefit levels provided under the group policy,
19 the conversion policy may offer benefits which are
20 substantially similar to those provided under the group
21 policy in lieu of those required in paragraph (10).

22 (18) The insurer may elect to provide group insurance
23 coverage in lieu of the issuance of a converted individual
24 policy.

25 (19) A notification of the conversion privilege shall be
26 included in each certificate of coverage. Each certificate
27 holder in the insured group shall be given written notice of
28 such conversion privilege and its duration within 15 days
29 before or after the date of termination of group coverage;
30 however, if the notice is given more than 15 days but less

1 than 90 days after the date of termination of group coverage,
2 the time allowed for the exercise of such privilege of
3 conversion shall be extended for 15 days after the giving of
4 the notice. If notice is not given within 90 days after the
5 date of termination of group coverage, the time allowed for
6 the exercise of such conversion privilege shall expire at the
7 end of such 90 days. Written notice by the contract holder
8 given to the certificate holder or mailed to the certificate
9 holder at his last known address or written notice by the
10 insurer mailed to the certificate holder at the last address
11 furnished to the insurer by the contract holder shall be
12 deemed full compliance with the provisions of this paragraph
13 for the giving of notice. A group contract issued by an
14 insurer may contain a provision to the effect that notice of
15 such conversion privilege and its duration shall be given by
16 the contract holder to each certificate holder upon
17 termination of his group coverage.

18 (20) Where the contract holder is the employer of the
19 certificate holder, the insurer shall give written notice of
20 termination of the group contract to any organization or
21 organizations representing such certificate holder for the
22 purpose of collective bargaining, and the employer shall
23 provide to the insurer a written list of such organizations
24 within ten days after the date the policy is issued and,
25 thereafter, within ten days of the beginning or termination
26 of representation by any such organization of any certificate
27 holder or holders. The list shall identify the collective
28 bargaining unit and the group insurance contract to which the
29 request relates. There shall be no liability on the part of,
30 and no cause of action shall arise against, any labor

1 organization representing the employees of a contract holder
2 for the purposes of collective bargaining due to any action
3 it takes or fails to take as to the written notice required
4 to be given by the insurer under this paragraph unless shown
5 to have been done in bad faith with malice in fact by any
6 such organization. Compliance or noncompliance with the
7 provisions of this paragraph shall in no way affect the
8 rights, duties or obligations of the contract holder, insurer
9 or certificate holder.

10 Section 13. Group life standard policy provisions.

11 (a) Required policy provisions.--A policy of group life
12 insurance shall not be delivered or issued for delivery in this
13 Commonwealth unless it contains in substance the provisions
14 listed in subsections (a) through (k), or provisions which in
15 the opinion of the commissioner are more favorable to the
16 persons insured, or at least as favorable to the persons insured
17 and more favorable to the policyholder, with the exception that:

18 (1) Subsections (g) through (k), inclusive, shall not
19 apply to policies issued to a creditor to insure debtors of
20 such creditor.

21 (2) The standard provisions required for individual life
22 insurance policies shall not apply to group life insurance
23 policies.

24 (3) If the group life insurance policy is on a plan of
25 insurance other than the term plan, it shall contain a
26 nonforfeiture provision or provisions which, in the opinion
27 of the commissioner is, or are, equitable to the insured
28 persons and to the policyholder, but nothing herein shall be
29 construed to require that group life insurance policies
30 contain the same nonforfeiture provisions as are required for

individual life insurance policies.

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

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

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

(2) No statement made by any person insured under the policy relating to that person's insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after the insurance has been in force prior to the contest for a period of two years during that person's lifetime nor unless it is contained in a written instrument signed by that person.

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

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

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

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

5 (e) Evidence of insurability.--The policy shall contain a
6 provision setting forth the conditions, if any, under which the
7 insurer reserves the right to require a person eligible for
8 insurance to furnish evidence of individual insurability
9 satisfactory to the insurer as a condition to part or all of the
10 coverage.

11 (f) Equitable adjustment.--The contract shall contain a
12 provision specifying an equitable adjustment of premiums or of
13 benefits, or of both, to be made in the event the age of a
14 person insured has been misstated, such provision to contain a
15 clear statement of the method of adjustment to be used.

16 (g) Payment to beneficiaries.--The contract shall contain a
17 provision that any sum due by reason of the death of the person
18 insured shall be payable to the beneficiary designated by the
19 person insured, subject to the provisions of the policy, in the
20 event there is no designated beneficiary living at the death of
21 the person insured, as to all or any part of such sum, and
22 subject to any right reserved by the insurer in the policy and
23 set forth in the certificate to pay at its option a part of such
24 sum not exceeding \$250 to any person appearing to the insurer to
25 be equitably entitled hereto by reason of having incurred
26 funeral or other expenses incident to the last illness or death
27 of the person insured.

28 (h) Individual certificates.--The contract shall contain a
29 provision that the insurer will issue to the policyholder, for
30 delivery to each person insured, an individual certificate

1 setting forth a statement as to the insurance protection to
2 which the insured is entitled, to whom the insurance benefits
3 are payable, and the rights and conditions set forth in
4 subsections (i), (j) and (k).

5 (i) Individual policies.--The contract shall contain a
6 provision that if the insurance, or any portion of it, on a
7 person covered under the policy ceases because of termination of
8 employment or of membership in the class or classes eligible for
9 coverage under the policy, such person shall be entitled to have
10 issued to him by the insurer, without evidence of insurability,
11 an individual policy of life insurance without disability or
12 other supplementary benefits, if application for the individual
13 policy is made and the first premium paid to the insurer, within
14 31 days after termination, and with the requirements that:

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

19 (2) The individual policy shall be in an amount not in
20 excess of the amount of life insurance which ceases because
21 of such termination, less, in the case of a person whose
22 membership in the class or classes eligible for coverage
23 terminates but who continues in employment in another class,
24 the amount of any life insurance for which such person is or
25 becomes eligible under any other group policy within 31 days
26 after such termination; however, any amount of insurance
27 which shall have matured on or before the date of such
28 termination as an endowment payable to the person insured,
29 whether in one sum or in installments or in the form of an
30 annuity, shall not, for the purpose of this provision, be

1 included in the amount which is considered to cease because
2 of such termination.

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

8 (j) Termination.--The policy shall contain a provision that
9 if the group policy terminates or is amended so as to terminate
10 the insurance of any class of insured persons, every person
11 insured thereunder at the date of such termination whose
12 insurance terminates and who has been so insured for at least
13 five years prior to such termination shall be entitled to have
14 issued to the insured by the insurer an individual policy of
15 life insurance, subject to the same conditions and limitations
16 as are provided by subsection (i), except that the group policy
17 may provide that the amount of such individual policy shall not
18 exceed the smaller of:

19 (1) the amount of the person's life insurance protection
20 ceasing because of the termination or amendment of the group
21 policy, less the amount of any life insurance for which the
22 insured is or becomes eligible under any group policy issued
23 or reinstated by the same or another insurer within 31 days
24 after such termination; or

25 (2) \$2,000.

26 (k) Past group coverage.--The contract shall contain a
27 provision that if a person insured under the group policy dies
28 during the period within which that person would have been
29 entitled to have an individual policy issued in accordance with
30 subsection (i) or (j) and before such an individual policy shall

1 have become effective, the amount of life insurance to which
2 that person would have been entitled under the individual policy
3 shall be payable as a claim under the group policy, whether or
4 not application for the individual policy or the payment of the
5 first premium therefor has been made.

6 (1) Assignment.--Notwithstanding any provision of law, a
7 person whose life is insured under any policy of group life
8 insurance, whether or not such policy is otherwise subject to
9 this act, is permitted to make an assignment of all or any part
10 of the incidents of ownership in such insurance, including,
11 without limitation, any right to designate a beneficiary or
12 beneficiaries thereunder and any right to have an individual
13 policy issued upon termination either of employment or of said
14 policy or group life insurance; however, the insurer and the
15 group policyholder may prohibit or restrict an assignment by
16 appropriate policy provisions. This section shall be construed
17 as declaring the law as it existed prior to its enactment and
18 not as modifying it.

19 Section 14. Group accident and health standard policy
20 provisions.

21 (a) Accident and health policies.--Each group accident and
22 health policy shall contain, in substance, the following
23 provisions:

24 (1) That, in the absence of fraud, all statements made
25 by any applicant or applicants or the policyholder or by an
26 insured person shall be deemed representations and not
27 warranties and that no statement made for the purpose of
28 effecting insurance shall avoid such insurance or reduce
29 benefits, unless contained in a written instrument signed by
30 the policyholder or the insured person, a copy of which has

1 been furnished to such policyholder or to such person or the
2 beneficiary.

3 (2) That the insurer will furnish to the policyholder,
4 for delivery to each employee or member of the insured group,
5 an individual certificate setting forth, in summary form, a
6 statement of the essential features of the insurance coverage
7 of such employee or member and to whom benefits thereunder
8 are payable. If dependents are included in the coverage, only
9 one certificate need be issued for each family unit.

10 (3) That eligible new employees or members or
11 dependents, as the case may be, may be added from time to
12 time to the group originally insured in accordance with the
13 terms of the policy.

14 (b) Direct payment to provider.--Any group accident and
15 health policy may provide that all or any portion of any
16 indemnities provided by any such policy, on account of hospital,
17 nursing, medical or surgical services, may, at the insurer's
18 option, be paid directly to the hospital or person rendering
19 such services, but the policy may not require that the service
20 be rendered by a particular hospital or person. Payment so made
21 shall discharge the insurer's obligation with respect to the
22 amount of insurance so paid.

23 (c) Dependent coverage.--A policy delivered or issued for
24 delivery on or after January 1, 1968, under which coverage of a
25 dependent of an employee or other member of the insured group
26 terminates at a specified age shall, with respect to an
27 unmarried child covered by the policy prior to the attainment of
28 the age of 19 who is incapable of self-sustaining employment by
29 reason of mental retardation or physical handicap and who became
30 so incapable prior to attainment of age 19 and who is chiefly

1 dependent upon such employee or member for support and
2 maintenance, not terminate while the insurance of the employee
3 or member remains in force and the dependent remains in such
4 condition, if the insured employee or member has, within 31 days
5 of the dependent's attainment of the termination age, submitted
6 proof of the dependent's incapacity. The foregoing provisions of
7 this subsection shall not require an insurer to insure a
8 dependent who is a mentally retarded or physically handicapped
9 child of an employee or other member of the insured group where
10 such dependent does not satisfy the conditions of the group
11 policy as to any requirements for evidence of insurability or
12 other provisions as may be stated in the group policy required
13 for coverage thereunder to take effect. In any such case, the
14 terms of the policy shall apply with regard to the coverage or
15 exclusion from coverage of such dependent.

16 Section 15. Provisions of group insurance policy.

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

19 Section 16. Repeals.

20 (a) Absolute repeal.--The act of May 11, 1949 (P.L.1210,
21 No.367), entitled "An act relating to group life insurance;
22 describing permitted policies and restrictions thereon, the
23 premium basis thereof and rights thereunder; limiting the amount
24 of such insurance; prescribing standard policy provisions; and
25 requiring notice of conversion privileges," is repealed.

26 (b) Inconsistent repeals.--The following acts or parts of
27 acts are repealed insofar as they are inconsistent with this
28 act:

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

1 Act of May 17, 1921 (P.L.789, No.285), known as The Insurance
2 Department Act of one thousand nine hundred and twenty-one.
3 Section 17. Effective date.
4 This act shall take effect in 180 days.