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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**HOUSE BILL**

**No. 739**      Session of  
1991

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INTRODUCED BY MICHLOVIC, MAIALE, HALUSKA, FLICK, FREEMAN,  
PISTELLA, RAYMOND, TIGUE, BELARDI, CAPPABIANCA, CIVERA,  
JOHNSON, ITKIN, GEIST, BILLOW, TRELLO, PESCI, JOSEPHS,  
PRESTON AND CAWLEY, MARCH 13, 1991

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REFERRED TO COMMITTEE ON INSURANCE, MARCH 13, 1991

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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 policies issued to creditors.

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

10 Section 1. Section 3 of the act of May 11, 1949 (P.L.1210,  
11 No.367), referred to as the Group Life Insurance Policy Law,  
12 amended November 26, 1978 (P.L.1240, No.293), is amended to  
13 read:

14 Section 3. Policies Issued to Creditors.--A policy issued to  
15 a creditor to insure debtors of the creditor shall be subject to  
16 the following requirements:

17 (1) The debtors eligible for insurance under the policy  
18 shall be all of the debtors of the creditor whose indebtedness  
19 is repayable in instalments, or all of any class or classes

1 thereof determined by conditions pertaining to the indebtedness  
2 or to the purchase giving rise to the indebtedness. The policy  
3 may provide that the term "debtors" shall include the debtors of  
4 one or more subsidiary corporations, and the debtors of one or  
5 more affiliated corporations, proprietors or partnerships if the  
6 business of the policyholder and of such affiliated  
7 corporations, proprietors or partnerships is under common  
8 control through stock ownership, contract, or otherwise.

9 (2) The premium for the policy shall be paid by the  
10 policyholder, either from the creditor's funds, or from charges  
11 collected from the insured debtors, or from both. A policy on  
12 which part or all of the premium is to be derived from the  
13 collection from the insured debtors of identifiable charges not  
14 required of uninsured debtors shall not include, in the class or  
15 classes of debtors eligible for insurance, debtors under  
16 obligations outstanding at its date of issue without evidence of  
17 individual insurability unless at least seventy-five per cent of  
18 the then eligible debtors elect to pay the required charges. A  
19 policy on which no part of the premium is to be derived from the  
20 collection of such identifiable charges must insure all eligible  
21 debtors, or all except any as to whom evidence of individual  
22 insurability is not satisfactory to the insurer.

23 (3) The policy may be issued only if the group of eligible  
24 debtors is then receiving new entrants at the rate of at least  
25 one hundred persons yearly, or may reasonably be expected to  
26 receive at least one hundred new entrants during the first  
27 policy year, and only if the policy reserves to the insurer the  
28 right to require evidence of individual insurability if less  
29 than seventy-five per cent of the new entrants become insured.

30 (4) The amount of insurance on the life of any debtor shall

1 at no time exceed the amount owed by him which is repayable in  
2 instalments to the creditor, or [sixty thousand dollars  
3 (\$60,000)] one hundred thousand dollars (\$100,000), whichever is  
4 less.

5 (5) The insurance shall be payable to the policyholder. Such  
6 payment shall reduce or extinguish the unpaid indebtedness of  
7 the debtor to the extent of such payment.

8 Section 2. This act shall take effect in 60 days.