

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 86

Session of
1981

INTRODUCED BY DeVERTER, KOWALYSHYN, MADIGAN AND L. E. SMITH,
RASCO, MICHLOVIC, JANUARY 19, 1981

AS REPORTED FROM COMMITTEE ON INSURANCE, HOUSE OF
REPRESENTATIVES, AS AMENDED, SEPTEMBER 13, 1982

AN ACT

1 Amending the act of May 17, 1921 (P.L.789, No.285), entitled, as
2 amended, "An act relating to insurance; establishing an
3 insurance department; and amending, revising, and
4 consolidating the law relating to the licensing,
5 qualification, regulation, examination, suspension, and
6 dissolution of insurance companies, Lloyds associations,
7 reciprocal and inter-insurance exchanges, and certain
8 societies and orders, the examination and regulation of fire
9 insurance rating bureaus, and the licensing and regulation of
10 insurance agents and brokers; the service of legal process
11 upon foreign insurance companies, associations or exchanges;
12 providing penalties, and repealing existing laws," further
13 providing for transactions in this Commonwealth involving
14 group or blanket insurance or group annuities, PROHIBITING
15 CERTAIN ADVERTISEMENTS AND PROVIDING PENALTIES. <—

16 The General Assembly of the Commonwealth of Pennsylvania
17 hereby enacts as follows:

18 Section 1. Clauses (5) and (5.1) of subsection (e) of
19 section 208, act of May 17, 1921 (P.L.789, No.285), known as
20 "The Insurance Department Act of one thousand nine hundred and
21 twenty-one," amended or added July 9, 1976 (P.L.912, No.166),
22 are amended to read:

23 Section 208. Certificates of Authority To Do Business.--

1 * * *

2 (e) The provisions of this section shall not apply to the
3 following:

4 * * *

5 (5) [Transactions in this Commonwealth, except group credit
6 life or group credit accident and health insurance transactions,
7 involving group or blanket insurance policies or group annuity
8 contracts where the group policy or contract is issued and
9 delivered pursuant to the group or blanket insurance or group
10 annuity laws of a jurisdiction in which the insurer is
11 authorized to do an insurance business and in which the
12 policyholder is domiciled or has its principal place of business
13 or otherwise has a bona fide situs.] Transactions in this
14 Commonwealth where:

15 (i) The master policy was lawfully issued and delivered in
16 and pursuant to the laws of the state in which the insurer was
17 authorized to do an insurance business and in which the
18 policyholder was domiciled or otherwise had a bona fide situs;
19 and

<—

20 (ii) The insurer complies with clause (5.1).
21 For the purposes of this subsection, insurer shall include any
22 group insurance trust or any other entity owned, established by,
23 affiliated with or controlled by an insurer marketing a master
24 policy underwritten by an insurer; AND

<—

25 (III) THE INSURER DOES NOT COMPLY WITH CLAUSE (5.1) BUT
26 SHALL BE REQUIRED TO SUBMIT CERTIFICATES TO THE INSURANCE
27 DEPARTMENT THIRTY DAYS IN ADVANCE OF THEIR OFFER FOR SALE IN
28 PENNSYLVANIA IF THE INSURED IS A GROUP INSURANCE TRUST OR ANY
29 OTHER ENTITY OWNED, ESTABLISHED BY, AFFILIATED WITH OR
30 CONTROLLED BY AN INSURER SOLELY FOR MARKETING A MASTER POLICY

1 UNDERWRITTEN BY AN INSURER.

2 (5.1) [Transactions in this Commonwealth, except group
3 credit life or group credit accident and health insurance
4 transactions, involving a group or blanket insurance policy or
5 group annuity contract not exempt under the provisions of clause
6 (5) of this subsection, shall nonetheless be exempt from the
7 provisions of this section if:

8 (i) they involve a group which conforms to one of the
9 definitions of eligibility for group coverage contained in the
10 laws of this Commonwealth; and,

11 (ii) the group policy or contract is lawfully issued without
12 this Commonwealth in a jurisdiction in which the insurer is
13 authorized to do an insurance business.

14 It shall be the responsibility of the insurer claiming exemption
15 under this subsection to demonstrate compliance with each of the
16 above conditions.] Any group life, group accident and health

17 insurance, ~~group credit life insurance, group credit accident~~ <—

18 ~~and health insurance,~~ OR blanket accident and health insurance, <—

19 ~~or group annuities~~ offered, delivered or issued for delivery by

20 any insurer to residents of this Commonwealth under a policy of

21 group life or accident and health insurance or ~~group credit life~~ <—

22 ~~insurance, group credit accident and health insurance, blanket~~

23 ~~accident and health insurance or group annuities~~ issued outside <—

24 this Commonwealth shall comply with all laws relating to group

25 insurance issued within this Commonwealth, except:

26 (i) As those laws include a definition of group.

27 (ii) Group insurance issued to ten or more members,

28 employees, of the same employer or employees or members of any

29 trade or professional association or of a labor union or of any

30 other similar association, where such association or union has

1 constitution or by-laws and is formed AND OPERATED in good faith <—
2 for purposes other than that of obtaining insurance, PROVIDES <—
3 SIGNIFICANT BENEFITS TO THE MEMBERSHIP OTHER THAN INSURANCE, and
4 which is not owned by, established by, affiliated with or
5 controlled by the insurer.

6 (iii) Particular policies if the commissioner determines,
7 pursuant to regulation, that application of this section to such
8 policies is inappropriate and not consistent with the purposes
9 of this section.

10 * * *

11 SECTION 2. THE ACT IS AMENDED BY ADDING SECTIONS TO READ: <—

12 SECTION 208.1. IMPROPER ADVERTISING.--NO INSURER SHALL
13 ADVERTISE POLICIES AS BEING AT "GROUP RATES" OR "LOW GROUP
14 RATES" UNLESS SUCH POLICIES ARE LESS EXPENSIVE THAN THE SAME
15 POLICY IF SOLD TO INDIVIDUALS WITHOUT THE GROUP MASS MARKETING
16 TECHNIQUE.

17 SECTION 223. ADDITIONAL FINES.--NOTWITHSTANDING ANY
18 ENFORCEMENT OR PENALTY PROVISIONS UNDER THIS ACT OR THE ACT OF
19 JULY 22, 1974 (P.L.589, NO.205), KNOWN AS THE "UNFAIR INSURANCE
20 PRACTICES ACT," THE INSURANCE COMMISSIONER, UPON A DETERMINATION
21 THAT ANY PROVISION OF CLAUSE (5) OR (5.1) OF SUBSECTION (E) OF
22 SECTION 208 OR SECTION 208.1 HAS BEEN VIOLATED, MAY FINE THE
23 VIOLATOR A SUM NOT TO EXCEED FIVE THOUSAND DOLLARS FOR EACH
24 OFFENSE.

25 Section 2 3. This act shall take effect in 60 days. <—