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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**HOUSE BILL**  
**No. 1070** Session of  
1983

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INTRODUCED BY RAPPAPORT, KOWALYSHYN, PICCOLA, F. E. TAYLOR,  
LESCOVITZ AND VROON, MAY 25, 1983

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REFERRED TO COMMITTEE ON INSURANCE, MAY 25, 1983

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AN ACT

1 Relating to group life insurance; describing permitted policies  
2 and restrictions thereon, the premium basis thereof and  
3 rights thereunder; limiting the amount of such insurance;  
4 prescribing standard policy provisions; requiring notice of  
5 conversion privileges; and repealing certain sections.

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

8 Section 1. Short title.

9 This act shall be known and may be cited as the Group Life  
10 Insurance Reform Act.

11 Section 2. Types of group insurance permitted.

12 Except as provided in section 3, no policy of group life  
13 insurance shall be delivered in this Commonwealth unless it  
14 conforms to one of the following descriptions:

15 (1) A policy issued to an employer or to the trustees of  
16 a fund established by an employer, which employer or trustees  
17 shall be deemed the policyholder, to insure employees of the  
18 employer for the benefit of persons other than the employer,  
19 subject to the following requirements:

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

19           (ii) The premium for the policy shall be paid either  
20 from the employer's funds or from funds contributed by  
21 the insured employees, or from both. Except as provided  
22 in subparagraph (iii), a policy on which no part of the  
23 premium is to be derived from funds contributed by the  
24 insured employees must insure all eligible employees,  
25 except those who reject such coverage in writing.

26           (iii) An insurer may exclude or limit the coverage  
27 on any person as to whom evidence of individual  
28 insurability is not satisfactory to the insurer.

29           (2) A policy issued to a creditor or its parent-holding  
30 company or to a trustee or trustees or agent designated by

1 two or more creditors, which creditor, holding company,  
2 affiliate, trustee, trustees or agent shall be deemed the  
3 policyholder, to insure debtors of the creditor or creditors,  
4 subject to the following requirements:

5 (i) The debtors eligible for insurance under the  
6 policy shall be all of the debtors of the creditor or  
7 creditors or all of any class or classes thereof. The  
8 policy may provide that the term "debtors" shall include:

9 (A) Borrowers of money or purchasers or lessees  
10 of goods, services or property for which payment is  
11 arranged through a credit transaction.

12 (B) The debtors of one or more subsidiary  
13 corporations.

14 (C) The debtors of one or more affiliated  
15 corporations, proprietorships or partnerships if the  
16 business of the policyholder and of such affiliated  
17 corporations, proprietorships or partnerships is  
18 under common control.

19 (ii) The premium for the policy shall be paid either  
20 from the creditor's funds or from charges collected from  
21 the insured debtors, or from both. Except as provided in  
22 subparagraph (iii), a policy on which no part of the  
23 premium is to be derived from funds contributed by  
24 insured debtors specifically for their insurance must  
25 insure all eligible debtors.

26 (iii) An insurer may exclude any debtors as to whom  
27 evidence of individual insurability is not satisfactory  
28 to the insurer.

29 (iv) The amount of the insurance on the life of any  
30 debtor shall not exceed the greater of the scheduled or

1 actual amount of unpaid indebtedness to the creditor.

2 (v) The insurance may be payable to the creditor or  
3 any successor to the right, title and interest of the  
4 creditor. Such payment shall reduce or extinguish the  
5 unpaid indebtedness of the debtor to the extent of such  
6 payment and any excess of the insurance shall be payable  
7 to the estate of the insured.

8 (vi) Notwithstanding the other provisions of this  
9 paragraph, insurance on agricultural credit transaction  
10 commitments may be written up to the amount of the loan  
11 commitment on a nondecreasing or level term plan.

12 Insurance on educational credit transaction commitments  
13 may be written up to the amount of the loan commitment  
14 less the amount of any repayments made on the loan.

15 (3) A policy issued to a labor union or similar employee  
16 organization, which shall be deemed to be the policyholder,  
17 to insure members of such union or organization for the  
18 benefit of persons other than the union or organization or  
19 any of its officials, representatives or agents, subject to  
20 the following requirements:

21 (i) The members eligible for insurance under the  
22 policy shall be all of the members of the union or  
23 organization, or all of any class or classes thereof.

24 (ii) The premium for the policy shall be paid either  
25 from funds of the union or organization or from funds  
26 contributed by the insured members specifically for their  
27 insurance, or from both. Except as provided in  
28 subparagraph (iii), a policy on which no part of the  
29 premium is to be derived from funds contributed by the  
30 insured members specifically for their insurance must

1 insure all eligible members, except those who reject such  
2 coverage in writing.

3 (iii) An insurer may exclude or limit the coverage  
4 on any person as to whom evidence of individual  
5 insurability is not satisfactory to the insurer.

6 (4) A policy issued to a trust or to the trustees of a  
7 fund established or adopted by two or more employers, or by  
8 one or more labor unions or similar employee organizations,  
9 or by one or more employers and one or more labor unions or  
10 similar employee organizations, which trust or trustees shall  
11 be deemed the policyholder, to insure employees of the  
12 employers or members of the unions or organizations for the  
13 benefit of persons other than the employers or the unions or  
14 organizations, subject to the following requirements:

15 (i) The persons eligible for insurance shall be all  
16 of the employees of the employers or all of the members  
17 of the unions or organizations or all of any class or  
18 classes thereof. The policy may provide that the term  
19 "employees" shall include the employees of one or more  
20 subsidiary corporations and the employees, individual  
21 proprietors and partners of one or more affiliated  
22 corporations, proprietorships or partnerships if the  
23 business of the employer and of such affiliated  
24 corporations, proprietorships or partnerships is under  
25 common control. The policy may provide that the term  
26 "employees" shall include the individual proprietor or  
27 partners if the employer is an individual proprietorship  
28 or partnership. The policy may provide that the term  
29 "employees" shall include retired employees, former  
30 employees and directors of a corporate employer. The

1 policy may provide that the term "employees" shall  
2 include the trustees or their employees, or both, if  
3 their duties are principally connected with such  
4 trusteeship.

5 (ii) The premium for the policy shall be paid from  
6 funds contributed by the employer or employers of the  
7 insured persons or by the union or unions or similar  
8 employee organizations, or by both, or from funds  
9 contributed by the insured persons or from both the  
10 insured persons and the employers or unions or similar  
11 employee organizations. Except as provided in  
12 subparagraph (iii), a policy on which no part of the  
13 premium is to be derived from funds contributed by the  
14 insured persons specifically for their insurance must  
15 insure all eligible persons, except those who reject such  
16 coverage in writing.

17 (iii) An insurer may exclude or limit the coverage  
18 on any person as to whom evidence of individual  
19 insurability is not satisfactory to the insurer.

20 (5) A policy issued to an association or to a trust or  
21 to the trustees of a fund established, created or maintained  
22 for the benefit of members of one or more associations. The  
23 association or associations shall have at the outset a  
24 minimum of 100 persons, shall have been organized and  
25 maintained in good faith for purposes other than that of  
26 obtaining insurance, shall have been in active existence for  
27 at least two years and shall have a constitution and bylaws  
28 which provide that:

29 (i) The association or associations hold regular  
30 meetings not less than annually to further purposes of

1 the members.

2 (ii) Except for credit unions, the association or  
3 associations collect dues or solicit contributions from  
4 members.

5 (iii) The members have voting privileges and  
6 representation on the governing board and committees. The  
7 policy shall be subject to the following requirements:

8 (A) The policy may insure members of such  
9 association or associations, employees thereof or  
10 employees of members, or one or more of the preceding  
11 or all of any class or classes thereof for the  
12 benefit of persons other than the employees'  
13 employer.

14 (B) The premium for the policy shall be paid  
15 from funds contributed by the association or  
16 associations or by employer members, or by both, or  
17 from funds contributed by the covered persons or from  
18 both the covered persons and the association,  
19 associations or employer members.

20 (C) Except as provided in clause (D), a policy  
21 on which no part of the premium is to be derived from  
22 funds contributed by the covered persons specifically  
23 for their insurance must insure all eligible persons,  
24 except those who reject such coverage in writing.

25 (D) An insurer may exclude or limit the coverage  
26 on any person as to whom evidence of individual  
27 insurability is not satisfactory to the insurer.

28 (6) A policy issued to a credit union or to a trustee or  
29 trustees or agent designated by two or more credit unions,  
30 which credit union, trustee, trustees or agent shall be

1 deemed the policyholder, to insure members of such credit  
2 union or credit unions for the benefit of persons other than  
3 the credit union or credit unions, trustee or trustees or  
4 agent or any of their officials, subject to the following  
5 requirements:

6 (i) The members eligible for insurance shall be all  
7 of the members of the credit union or credit unions or  
8 all of any class or classes thereof.

9 (ii) The premium for the policy shall be paid by the  
10 policyholder from the credit union's funds and, except as  
11 provided in subparagraph (iii), must insure all eligible  
12 members.

13 (iii) An insurer may exclude or limit the coverage  
14 on any member as to whom evidence of individual  
15 insurability is not satisfactory to the insurer.

16 Section 3. Other groups.

17 (a) Requirements.--Group life insurance offered to a  
18 resident of this Commonwealth under a group life insurance  
19 policy issued to a group, other than one described in section 2,  
20 shall be subject to the following requirements:

21 (1) No such group life insurance policy shall be  
22 delivered in this Commonwealth unless the commissioner finds  
23 that:

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

26 (ii) The issuance of the group policy would result  
27 in economies of acquisition or administration.

28 (iii) The benefits are reasonable in relation to the  
29 premiums charged.

30 (2) No such group life insurance coverage may be offered



1 in this Commonwealth by an insurer under a policy issued in  
2 another state unless this Commonwealth or another state  
3 having requirements substantially similar to those contained  
4 in paragraph (1) has made a determination that such  
5 requirements have been met.

6 (3) The premium for the policy shall be paid either from  
7 the policyholder's funds or from funds contributed by the  
8 covered persons, or from both.

9 (4) An insurer may exclude or limit the coverage on any  
10 person as to whom evidence of individual insurability is not  
11 satisfactory to the insurer.

12 (5) If compensation of any kind will or may be paid to  
13 the policyholder in connection with the group policy, the  
14 insurer shall cause to be distributed to prospective  
15 insureds, a written notice that compensation will or may be  
16 paid. Such notice shall be distributed:

17 (i) whether compensation is direct or indirect; and

18 (ii) whether such compensation is paid to or  
19 retained by the policyholder, or paid to or retained by a  
20 third party at the direction of the policyholder or any  
21 entity affiliated with the policyholder by ownership,  
22 contract or employment.

23 (b) Notice.--The notice required by this subsection shall be  
24 placed on or accompany any document designed for the enrollment  
25 of prospective insureds.

#### 26 Section 4. Dependent group life insurance.

27 Except for a policy issued under section 2(2), a group life  
28 insurance policy may be extended to insure the employees or  
29 members against loss due to the death of their spouses and  
30 dependent children or any class or classes thereof subject to

1 the following:

2 (1) The premium for the insurance shall be paid either  
3 from funds contributed by the employer, union, association or  
4 other person to whom the policy has been issued or from funds  
5 contributed by the covered persons, or from both. Except as  
6 provided in paragraph (2), a policy on which no part of the  
7 premium for the spouse's and dependent child's coverage is to  
8 be derived from funds contributed by the covered persons must  
9 insure all eligible employees or members with respect to  
10 their spouses and dependent children or any class or classes  
11 thereof.

12 (2) An insurer may exclude or limit the coverage on any  
13 spouse or dependent child as to whom evidence of individual  
14 insurability is not satisfactory to the insurer.

15 (3) The amounts of insurance for any covered spouse or  
16 dependent child under the policy may not exceed 50% of the  
17 amount of insurance for which the employee or member is  
18 insured.

19 Section 5. Group life insurance standard provisions.

20 No policy of group life insurance shall be delivered or  
21 issued for delivery in this Commonwealth unless it contains in  
22 substance the following provisions, or provisions which in the  
23 opinion of the commissioner are more favorable to the persons  
24 insured, or at least as favorable to the persons insured and  
25 more favorable to the policyholder: Provided, however, That  
26 paragraphs (6) to (11) inclusive shall not apply to policies  
27 insuring the lives of debtors; that the standard provisions  
28 required for individual life insurance policies shall not apply  
29 to group life insurance policies; and that if the group life  
30 insurance policy is on a plan of insurance other than the term

1 plan, it shall contain a nonforfeiture provision or provisions  
2 which in the opinion of the commissioner is or are equitable to  
3 the insured persons and to the policyholder, but nothing herein  
4 shall be construed to require that group life insurance policies  
5 contain the same nonforfeiture provisions as are required for  
6 individual life insurance policies:

7 (1) A provision that the policyholder is entitled to a  
8 grace period of 31 days for the payment of any premium due  
9 except the first, during which grace period the death benefit  
10 coverage shall continue in force, unless the policyholder  
11 shall have given the insurer written notice of discontinuance  
12 in advance of the date of discontinuance and in accordance  
13 with the terms of the policy. The policy may provide that the  
14 policyholder shall be liable to the insurer for the payment  
15 of a pro rata premium for the time the policy was in force  
16 during such grace period.

17 (2) A provision that the validity of the policy shall  
18 not be contested, except for nonpayment of premiums, after it  
19 has been in force for two years from its date of issue, and  
20 that no statement made by any person covered under the policy  
21 relating to insurability shall be used in contesting the  
22 validity of the insurance with respect to which such  
23 statement was made after such insurance has been in force  
24 prior to the contest for a period of two years during such  
25 person's lifetime, nor unless it is contained in a written  
26 instrument signed by him: Provided, however, That no such  
27 provision shall preclude the assertion at any time of  
28 defenses based upon provisions in the policy which relate to  
29 eligibility for coverage.

30 (3) A provision that a copy of the application, if any,

1 of the policyholder shall be attached to the policy when  
2 issued, that all statements made by the policyholder or by  
3 the persons insured shall be deemed representations and not  
4 warranties, and that no statement made by any person insured  
5 shall be used in any contest unless a copy of the instrument  
6 containing the statement is or has been furnished to such  
7 person or, in the event of the death or incapacity of the  
8 insured person, to his beneficiary or personal  
9 representative.

10 (4) A provision setting forth the conditions, if any,  
11 under which the insurer reserves the right to require a  
12 person eligible for insurance to furnish evidence of  
13 individual insurability satisfactory to the insurer as a  
14 condition to part or all of the individual's coverage.

15 (5) A provision specifying an equitable adjustment of  
16 premiums or of benefits, or of both, to be made in the event  
17 the age of a person insured has been misstated, such  
18 provision to contain a clear statement of the method of  
19 adjustment to be used.

20 (6) A provision that any sum becoming due by reason of  
21 the death of the person insured shall be payable to the  
22 beneficiary designated by the person insured, except that  
23 where the policy contains conditions pertaining to family  
24 status, the beneficiary may be the family member specified by  
25 the policy terms, subject to the provisions of the policy in  
26 the event there is no designated beneficiary, as to all or  
27 any part of such sum, living at the death of the person  
28 insured, and subject to any right reserved by the insurer in  
29 the policy and set forth in the certificate to pay at its  
30 option a part of such sum not exceeding \$2,000 to any person

1 appearing to the insurer to be equitably entitled thereto by  
2 reason of having incurred funeral or other expenses incident  
3 to the last illness or death of the person insured.

4 (7) A provision that the insurer will issue to the  
5 policyholder for delivery to each person insured a  
6 certificate setting forth a statement as to the insurance  
7 protection to which he is entitled, to whom the insurance  
8 benefits are payable, a statement as to any dependent's  
9 coverage, including such certificate and the rights and  
10 conditions set forth in paragraphs (8) through (11).

11 (8) A provision that if the insurance, or any portion of  
12 it, on a person covered under the policy or on the dependent  
13 of a person covered, ceases because of termination of  
14 employment or of membership in the class or classes eligible  
15 for coverage under the policy, such person shall be entitled  
16 to have issued to him by the insurer, without evidence of  
17 insurability, an individual policy of life insurance without  
18 disability or other supplementary benefits, provided  
19 application for the individual policy shall be made, and the  
20 first premium paid to the insurer, within 31 days after such  
21 termination and provided further that:

22 (i) The individual policy shall, at the option of  
23 such person, be on any one of the forms then customarily  
24 issued by the insurer at the age and for the amount  
25 applied for, except that the group policy may exclude the  
26 option to elect term insurance.

27 (ii) The individual policy shall be in an amount not  
28 in excess of the amount of life insurance which ceases  
29 because of such termination, less the amount of any life  
30 insurance for which such person becomes eligible under

1 the same or any other group policy within 31 days after  
2 such termination: Provided, That any amount of insurance  
3 which shall have matured on or before the date of such  
4 termination as an endowment payable to the person  
5 insured, whether in one sum or in installments or in the  
6 form of an annuity, shall not, for the purposes of this  
7 provision, be included in the amount which is considered  
8 to cease because of such termination.

9 (iii) The premium on the individual policy shall be  
10 at the insurer's then customary rate applicable to the  
11 form and amount of the individual policy, to the class of  
12 risk to which such person then belongs, and to such  
13 person's age attained on the effective date of the  
14 individual policy.

15 Subject to the same conditions set forth above, the  
16 conversion privilege shall be available to a surviving  
17 dependent, if any, at the death of the employee or member,  
18 with respect to the coverage under the group policy which  
19 terminates by reason of the death and to the dependent of the  
20 employee or member upon termination of coverage of the  
21 dependent, while the employee or member remains insured under  
22 the group policy, by reason of the dependent ceasing to be a  
23 qualified family member under the group policy.

24 (9) A provision that if the group policy terminates or  
25 is amended so as to terminate the insurance of any class of  
26 insured persons, every person insured thereunder at the date  
27 of such termination whose insurance terminates, including the  
28 insured dependent of a covered person, and who has been so  
29 insured for at least five years prior to such termination  
30 date shall be entitled to have issued by the insurer an

1 individual policy of life insurance, subject to the same  
2 conditions and limitations as are provided by paragraph (8),  
3 except that the group policy may provide that the amount of  
4 such individual policy shall not exceed the smaller of:

5 (i) The amount of the person's life insurance  
6 protection ceasing because of the termination or  
7 amendment of the group policy, less the amount of any  
8 life insurance for which such person is or becomes  
9 eligible under a group policy issued or reinstated by the  
10 same or another insurer within 31 days after such  
11 termination.

12 (ii) \$10,000.

13 (10) A provision that if a person insured under the  
14 group policy, or the insured dependent of a covered person,  
15 dies during the period within which such person would have  
16 been entitled to have an individual policy issued in  
17 accordance with paragraph (8) or (9) and before such an  
18 individual policy shall have become effective, the amount of  
19 life insurance which such person would have been entitled to  
20 have issued under such individual policy shall be payable as  
21 a claim under the group policy, whether or not application  
22 for the individual policy or the payment of the first premium  
23 therefor has been made.

24 (11) Where active employment is a condition of  
25 insurance, a provision that an insured may continue coverage  
26 during the insured's total disability by timely payment to  
27 the policyholder of that portion, if any, of the premium that  
28 would have been required from the insured had total  
29 disability not occurred. The continuation shall be on a  
30 premium paying basis for a period of six months from the date

1 on which the total disability started, but not beyond the  
2 earlier of:

3 (i) Approval by the insurer of continuation of the  
4 coverage under any disability provision which the group  
5 insurance policy may contain.

6 (ii) The discontinuance of the group insurance  
7 policy.

8 (12) In the case of a policy insuring the lives of  
9 debtors, a provision that the insurer will furnish to the  
10 policyholder for delivery to each debtor insured under the  
11 policy a certificate of insurance describing the coverage and  
12 specifying that the death benefit shall first be applied to  
13 reduce or extinguish the indebtedness.

14 Section 6. Conversion privileges.

15 If any individual insured under a group life insurance policy  
16 hereafter delivered in this Commonwealth becomes entitled under  
17 the terms of such policy to have an individual policy of life  
18 insurance issued without evidence of insurability, subject to  
19 making of application and payment of the first premium within  
20 the period specified in such policy, and if such individual is  
21 not given notice of the existence of such right at least 15 days  
22 prior to the expiration date of such period, then in such event  
23 the individual shall have an additional period within which to  
24 exercise such right, but nothing herein contained shall be  
25 construed to continue any insurance beyond the period provided  
26 in such policy. This additional period shall expire 15 days next  
27 after the individual is given such notice but in no event shall  
28 such additional period extend beyond 60 days next after the  
29 expiration date of the period provided in such policy. Written  
30 notice presented to the individual or mailed by the policyholder



1 to the last known address of the individual or mailed by the  
2 insurer to the last known address of the individual as furnished  
3 by the policyholder shall constitute notice for the purpose of  
4 this section.

5 Section 7. Repeals.

6 (a) Absolute repeals.--Sections 1, 2, 3, 4, 5, 6, 7 and 9 of  
7 the act of May 11, 1949 (P.L.1210, No.367), entitled "An act  
8 relating to group life insurance; describing permitted policies  
9 and restrictions thereon, the premium basis thereof and rights  
10 thereunder; limiting the amount of such insurance; prescribing  
11 standard policy provisions; and requiring notice of conversion  
12 privileges," are repealed.

13 (b) General repeal.--All other acts and parts of acts are  
14 repealed insofar as they are inconsistent with this act.

15 Section 8. Effective date.

16 This act shall take effect in 180 days.