

HOUSE BILL No. 2728

By Committee on Insurance

2-10

1 AN ACT concerning group life insurance; relating to eligible employees'
2 election to contribute; minimum number of persons covered under
3 policy; amending K.S.A. 2011 Supp. 40-433 and repealing the existing
4 section.
5

6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. K.S.A. 2011 Supp. 40-433 is hereby amended to read as
8 follows: 40-433. No policy of group life insurance shall be delivered in
9 this state unless it conforms to one of the following descriptions:

10 (1) A policy issued by an insurance company organized under the
11 laws of the state of Kansas on its employees and agents, which agents for
12 the purpose of this act only shall be deemed employees, the beneficiaries
13 under such policies to be persons designated by each insured, or a policy
14 issued to an employer, or to the trustees of a fund established by an
15 employer, which employer or trustees shall be deemed the policyholder, to
16 insure employees of the employer for the benefit of persons other than the
17 employer, both subject to the following requirements:

18 (a) The employees eligible for insurance under the policy shall be all
19 of the employees of the employer, or all of any class or classes thereof
20 determined by conditions pertaining to their employment. The policy may
21 provide that the term "employees" shall include the employees of one or
22 more subsidiary corporations, and the employees, individual proprietors,
23 and partners of one or more affiliated corporations, proprietors or
24 partnerships if the business of the employer and of such affiliated
25 corporations, proprietors or partnerships is under common control through
26 stock ownership, contract or otherwise. The policy may provide that the
27 term "employees" shall include the individual proprietor or partners if the
28 employer is an individual proprietor or a partnership. The policy may
29 provide that the term "employees" shall include retired employees. No
30 director of a corporate employer shall be eligible for insurance under the
31 policy unless such person is otherwise eligible as a *bona fide* employee of
32 the corporation by performing services other than the usual duties of a
33 director. No individual proprietor or partner shall be eligible for insurance
34 under the policy unless the proprietor or partner is actively engaged in and
35 devotes a substantial part of their time to the conduct of the business of the
36 proprietor or partnership. A policy issued to insure the employees of a

1 public body may provide that the term "employees" shall include elected
2 or appointed officials.

3 (b) The premium for the policy may be paid by the policyholder,
4 either wholly from the employer's funds or funds contributed by the
5 employer, or partly from such funds and partly from funds contributed by
6 the insured employees or entirely by the employees at their option. *No*
7 *policy shall be issued unless 50% of the then eligible employees, excluding*
8 *any as to whom evidence of individual insurability is not satisfactory to*
9 *the insurer, elect to make the required contribution.* A policy on which no
10 part of the premium is to be derived from funds contributed by the insured
11 employees shall insure all eligible employees, or all except any as to
12 whom evidence of individual insurability is not satisfactory to the insurer
13 or except those who reject the coverage in writing.

14 (c) *The policy shall cover at least two employees at date of issue.*

15 (d) The amounts of insurance under the policy shall be based upon
16 some plan, precluding individual selection either by the employees or by
17 the employer or trustees.

18 (2) A policy issued to a creditor, who shall be deemed the
19 policyholder, to insure debtors of the creditor, subject to the following
20 requirements:

21 (a) The debtors eligible for insurance under the policy shall be all of
22 the debtors of the creditor whose indebtedness is repayable in installments,
23 or all of any class or classes thereof determined by conditions pertaining to
24 the indebtedness or to the purchase giving rise to the indebtedness.

25 (b) The premium for the policy shall be paid by the policyholder,
26 either from the creditor's funds or from charges collected from the insured
27 debtors, or from both. A policy on which part or all of the premium is to be
28 derived from the collection from the insured debtors of identifiable charges
29 not required of uninsured debtors shall not include, in the class or classes
30 of debtors eligible for insurance, debtors under obligations outstanding at
31 its date of issue without evidence of individual insurability unless at least
32 75% of the then eligible debtors elect to pay the required charges. A policy
33 on which no part of the premium is to be derived from the collection of
34 such identifiable charges shall insure all eligible debtors, or all except any
35 as to whom evidence of individual insurability is not satisfactory to the
36 insurer.

37 (c) The policy may be issued only if the group of eligible debtors is
38 then receiving new entrants at the rate of at least 100 persons yearly, or
39 may reasonably be expected to receive at least 100 new entrants during the
40 first policy year, and only if the policy reserves to the insurer the right to
41 require evidence of individual insurability if less than 75% of the new
42 entrants become insured.

43 (d) The amount of insurance on the life of any debtor shall at no time

1 exceed the amount owed by that debtor which is repayable in installments
2 to the creditor.

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

6 (3) A policy issued to a labor union, which shall be deemed the
7 policyholder, to insure members of such union for the benefit of persons
8 other than the union or any of its officials, representatives or agents,
9 subject to the following requirements:

10 (a) The members eligible for insurance under the policy shall be all of
11 the members of the union, or all of any class or classes thereof determined
12 by conditions pertaining to their employment, or to membership in the
13 union, or both.

14 (b) The premium for the policy may be paid by the policyholder,
15 either wholly from the union's funds, or partly from such funds and partly
16 from funds contributed by the insured members specifically for their
17 insurance or entirely by the insured members at their option. *A policy on*
18 *which part of the premium is to be derived from funds contributed by the*
19 *insured members specifically for their insurance may be placed in force*
20 *only if at least 50% of the then eligible members, excluding any as to*
21 *whom evidence of individual insurability is not satisfactory to the insurer,*
22 *elect to make the required contribution.* A policy on which no part of the
23 premium is to be derived from funds contributed by the insured members
24 specifically for their insurance shall insure all eligible members, or all
25 except any as to whom evidence of individual insurability is not
26 satisfactory to the insurer or except those who reject coverage in writing.

27 (c) *The policy shall cover at least 15 members at date of issue.*

28 (d) The amounts of insurance under the policy shall be based upon
29 some plan precluding individual selection either by the members or by the
30 union.

31 (4) A policy issued to the trustees of a fund established in this state by
32 two or more employers if a majority of the employees to be insured of
33 each employer are located within the state, or to the trustees of a fund
34 established by one or more labor unions, or by one or more employers and
35 one or more labor unions, which trustees shall be deemed the policyholder,
36 to insure employees of the employers or members of the unions for the
37 benefit of persons other than the employers or the unions, subject to the
38 following requirements:

39 (a) The persons eligible for insurance shall be all of the employees of
40 the employers or all of the members of the unions, or all of any class or
41 classes thereof determined by conditions pertaining to their employment,
42 or to membership in the unions, or to both. The policy may provide that
43 the term "employees" shall include retired employees and the individual

1 proprietor or partners if any employer is an individual proprietor or a
2 partnership. No director of a corporate employer shall be eligible for
3 insurance under the policy unless such person is otherwise eligible as a
4 bona fide employee of the corporation by performing services other than
5 the usual duties of a director. No individual proprietor or partner shall be
6 eligible for insurance under the policy unless the proprietor or partner is
7 actively engaged in and devotes a substantial part of their time to the
8 conduct of the business of the proprietor or partnership. The policy may
9 provide that the term "employees" shall include the trustees or their
10 employees, or both, if their duties are principally connected with such
11 trusteeship.

12 (b) The premium for the policy may be paid by the trustees either
13 wholly from funds contributed by the employer or employers of the
14 insured persons, or by the union or unions, or by both, or partly from such
15 funds and partly from funds contributed by the insured employees or
16 wholly from funds contributed by the employees or members at their
17 option. The policy shall insure all eligible persons, or all except any as to
18 whom evidence of individual insurability is not satisfactory to the insurer
19 or except those who reject coverage in writing.

20 (c) *The policy shall cover at date of issue at least 50 persons and not*
21 *less than an average of five persons per employer unit.*

22 (d) The amounts of insurance under the policy shall be based upon
23 some plan precluding individual selection either by the insured persons or
24 by the policyholder, employers, or union.

25 (5) A policy issued to an association which has been organized and is
26 maintained for purposes other than that of obtaining insurance, insuring at
27 least 25 members, employees, or employees of members of the association
28 for the benefit of persons other than the association or its officers. The
29 term "employees" as used herein shall be deemed to include retired
30 employees. The premiums for the policies shall be paid by the
31 policyholder, either wholly from association funds, or funds contributed by
32 the members of such association or by employees of such members or any
33 combination thereof. The amounts of insurance under the policy shall be
34 based upon some plan precluding individual selection either by the insured
35 person or by the association or by the member.

36 (6) Any policy issued pursuant to this section may be extended to
37 insure the employees against loss due to the death of their spouses, their
38 children, their grandchildren, their spouse's children, their spouse's
39 grandchildren, their parents, their spouse's parents, or any class or classes
40 thereof, subject to the following requirements:

41 (a) The premium for the insurance may be paid by the policyholder,
42 either from the employer's funds or from funds contributed by the insured
43 employees, or from both. *The insurance with respect to spouses, the*

1 *employee's children, the employee's grandchildren, the employee's*
2 *spouse's children, the employee's spouse's grandchildren, the employee's*
3 *parents and the employee's spouse's parents may be placed in force only if*
4 *at least 50% of the then eligible employees, excluding any as to whose*
5 *family members' evidence of insurability is not satisfactory to the insurer,*
6 *elect to make the required contribution. If no part of the premium is to be*
7 *derived from funds contributed by the employees, all eligible employees,*
8 *excluding any as to whose family members' evidence of insurability is not*
9 *satisfactory to the insurer, shall be insured with respect to their spouses,*
10 *their children, their grandchildren, their spouse's children, their spouse's*
11 *grandchildren, their parents; or their spouse's parents.*

12 *(b) The amounts of insurance shall be based upon some plan*
13 *precluding individual selection either by the employees or by the*
14 *policyholder or employer and shall not exceed with respect to any spouse,*
15 *child or parent, 100% of the insurance on the life of such insured*
16 *employee.*

17 ~~(b)~~ (c) Upon termination of the insurance with respect to the spouse
18 of an employee by reason of the employee's termination of employment or
19 death, the spouse insured pursuant to this section shall have the same
20 conversion rights as to the insurance on such spouse's life as is provided
21 for the employee under K.S.A. 40-434, and amendments thereto.

22 ~~(c)~~ (d) Notwithstanding the provisions of K.S.A. 40-434, and
23 amendments thereto, only one certificate need be issued for delivery to an
24 insured person if a statement concerning any dependent's coverage is
25 included in such certificate.

26 (7) A policy may be issued to any other group which the
27 commissioner of insurance finds is the proper subject of a group life
28 insurance policy or contract. Any such group shall be subject to any
29 appropriate conditions or provisions relating thereto which the
30 commissioner may establish or require, consistent with the provisions of
31 this act, and such conditions and provisions shall be included in the policy
32 or contract.

33 Sec. 2. K.S.A. 2011 Supp. 40-433 is hereby repealed.

34 Sec. 3. This act shall take effect and be in force from and after its
35 publication in the statute book.

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