

SENATE BILL No. 85

By Committee on Financial Institutions and Insurance

2-3

1 AN ACT concerning group life insurance; removing mandatory
2 participation requirements; amending K.S.A. 2010 Supp. 40-433 and
3 repealing the existing section.
4

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

6 Section 1. K.S.A. 2010 Supp. 40-433 is hereby amended to read as
7 follows: 40-433. No policy of group life insurance shall be delivered in
8 this state unless it conforms to one of the following descriptions:

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

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

1 "employees" shall include elected or appointed officials.

2 (b) The premium for the policy shall ~~may~~ be paid by the
3 policyholder, either wholly from the employer's funds or funds
4 contributed by the employer, or partly from such funds and partly from
5 funds contributed by the insured employees. ~~No policy shall be issued on~~
6 ~~which the entire premium is to be derived from funds contributed by the~~
7 ~~insured employees. A policy on which part of the premium is to be~~
8 ~~derived from funds contributed by the insured employees may be placed~~
9 ~~in force only if at least 75% of the then eligible employees, excluding any~~
10 ~~as to whom evidence of individual insurability is not satisfactory to the~~
11 ~~insurer, elect to make the required contribution or entirely by the~~
12 ~~employees at their option. A policy on which no part of the premium is to~~
13 ~~be derived from funds contributed by the insured employees shall insure~~
14 ~~all eligible employees, or all except any as to whom evidence of~~
15 ~~individual insurability is not satisfactory to the insurer or except those~~
16 ~~who reject the coverage in writing.~~

17 (c) ~~The policy shall cover at least two employees at date of issue.~~ (d)
18 The amounts of insurance under the policy shall be based upon some
19 plan, precluding individual selection either by the employees or by the
20 employer or trustees.

21 (2) A policy issued to a creditor, who shall be deemed the
22 policyholder, to insure debtors of the creditor, subject to the following
23 requirements:

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

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

41 (c) The policy may be issued only if the group of eligible debtors is
42 then receiving new entrants at the rate of at least 100 persons yearly, or
43 may reasonably be expected to receive at least 100 new entrants during

1 the first policy year, and only if the policy reserves to the insurer the right
2 to require evidence of individual insurability if less than 75% of the new
3 entrants become insured.

4 (d) The amount of insurance on the life of any debtor shall at no
5 time exceed the amount owed by that debtor which is repayable in
6 installments to the creditor.

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

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

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

18 (b) The premium for the policy ~~shall~~ *may* be paid by the
19 policyholder, either wholly from the union's funds, or partly from such
20 funds and partly from funds contributed by the insured members
21 specifically for their insurance ~~or entirely by the insured members at their~~
22 ~~option. No policy shall be issued on which the entire premium is to be~~
23 ~~derived from funds contributed by the insured members specifically for~~
24 ~~their insurance. A policy on which part of the premium is to be derived~~
25 ~~from funds contributed by the insured members specifically for their~~
26 ~~insurance may be placed in force only if at least 75% of the then eligible~~
27 ~~members excluding any as to whom evidence of individual insurability is~~
28 ~~not satisfactory to the insurer, elect to make the required contributions. A~~
29 ~~policy on which no part of the premium is to be derived from funds~~
30 ~~contributed by the insured members specifically for their insurance shall~~
31 ~~insure all eligible members, or all except any as to whom evidence of~~
32 ~~individual insurability is not satisfactory to the insurer or except those~~
33 ~~who reject coverage in writing.~~

34 (c) ~~The policy shall cover at least 25 members at date of issue.~~

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

38 (4) A policy issued to the trustees of a fund established in this state
39 by two or more employers if a majority of the employees to be insured of
40 each employer are located within the state, or to the trustees of a fund
41 established by one or more labor unions, or by one or more employers
42 and one or more labor unions, which trustees shall be deemed the
43 policyholder, to insure employees of the employers or members of the

1 unions for the benefit of persons other than the employers or the unions,
2 subject to the following requirements:

3 (a) The persons eligible for insurance shall be all of the employees
4 of the employers or all of the members of the unions, or all of any class or
5 classes thereof determined by conditions pertaining to their employment,
6 or to membership in the unions, or to both. The policy may provide that
7 the term "employees" shall include retired employees and the individual
8 proprietor or partners if any employer is an individual proprietor or a
9 partnership. No director of a corporate employer shall be eligible for
10 insurance under the policy unless such person is otherwise eligible as a
11 bona fide employee of the corporation by performing services other than
12 the usual duties of a director. No individual proprietor or partner shall be
13 eligible for insurance under the policy unless the proprietor or partner is
14 actively engaged in and devotes a substantial part of their time to the
15 conduct of the business of the proprietor or partnership. The policy may
16 provide that the term "employees" shall include the trustees or their
17 employees, or both, if their duties are principally connected with such
18 trusteeship.

19 (b) The premium for the policy ~~shall~~ may be paid by the trustees
20 either wholly from funds contributed by the employer or employers of the
21 insured persons, or by the union or unions, or by both, or partly from such
22 funds and partly from funds contributed by the insured employees *or*
23 *wholly from funds contributed by the employees or members at their*
24 *option. No policy shall be issued on which the entire premium is to be*
25 *derived from funds contributed by the insured persons.* The policy shall
26 insure all eligible persons, or all except any as to whom evidence of
27 individual insurability is not satisfactory to the insurer *or except those*
28 *who reject coverage in writing.*

29 (c) ~~The policy shall cover at date of issue at least 100 persons and~~
30 ~~not less than an average of five persons per employer unit.~~ (d) The
31 amounts of insurance under the policy shall be based upon some plan
32 precluding individual selection either by the insured persons or by the
33 policyholder, employers; or union.

34 (e) (d) The requirements of paragraphs (b) and (d) of this subsection
35 governing employer contributions and amounts of insurance shall not
36 apply to a voluntary term life insurance policy issued on a group basis.

37 (5) A policy issued to an association which has been organized and
38 is maintained for purposes other than that of obtaining insurance, insuring
39 at least 25 members, employees, or employees of members of the
40 association for the benefit of persons other than the association or its
41 officers. The term "employees" as used herein shall be deemed to include
42 retired employees. The premiums for the policies shall be paid by the
43 policyholder, either wholly from association funds, or funds contributed

1 by the members of such association or by employees of such members or
2 any combination thereof. The amounts of insurance under the policy shall
3 be based upon some plan precluding individual selection either by the
4 insured person or by the association or by the member.

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

10 (a) The premium for the insurance ~~shall~~ may be paid by the
11 policyholder, either from the employer's funds or from funds contributed
12 by the insured employees, or from both. ~~If any part of the premium is to~~
13 ~~be derived from funds contributed by the insured employees, the~~
14 ~~insurance with respect to spouses, their children, their grandchildren,~~
15 ~~their spouse's children, their spouse's grandchildren, their parents and~~
16 ~~their spouse's parents may be placed in force only if at least 75% of the~~
17 ~~then eligible employees, excluding any as to whose family members'~~
18 ~~evidence of insurability is not satisfactory to the insurer, elect to make the~~
19 ~~required contribution.~~ If no part of the premium is to be derived from
20 funds contributed by the employees, all eligible employees, excluding
21 any as to whose family members' evidence of insurability is not
22 satisfactory to the insurer, shall be insured with respect to their spouses,
23 their children, their grandchildren, their spouse's children, their spouse's
24 grandchildren, their parents, their spouse's parents.

25 (b) The amounts of insurance ~~shall be based upon some plan~~
26 ~~precluding individual selection either by the employees or by the~~
27 ~~policyholder, or employer and shall not exceed with respect to any~~
28 ~~spouse, child or parent 50% of the insurance on the life of such insured~~
29 ~~employee covering an employee's spouse, their children, their~~
30 ~~grandchildren, their spouse's children, their spouse's grandchildren, their~~
31 ~~parents or their spouse's parents shall not exceed 100% of the amount of~~
32 ~~insurance on the life of the insured employee .~~

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

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

42 (e) ~~The requirements of paragraphs (a) and (b) of this subsection~~
43 ~~governing participation, contribution by an employer and amounts of~~

1 ~~insurance for dependents shall not apply to a voluntary term life-~~
2 ~~insurance policy issued on a group basis.~~

3 (7) A policy may be issued to any other group which the
4 commissioner of insurance finds is the proper subject of a group life
5 insurance policy or contract. Any such group shall be subject to any
6 appropriate conditions or provisions relating thereto which the
7 commissioner may establish or require, consistent with the provisions of
8 this act, and such conditions and provisions shall be included in the
9 policy or contract.

10 Sec. 2. K.S.A. 2010 Supp. 40-433 is hereby repealed.

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

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