

SENATE BILL No. 561

By Committee on Financial Institutions and Insurance

2-5

9 AN ACT concerning life insurance; pertaining to coverage limits on cred-
10 itor/debtor group life insurance; amending K.S.A. 2007 Supp. 40-433
11 and repealing the existing section.
12

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

14 Section 1. K.S.A. 2007 Supp. 40-433 is hereby amended to read as
15 follows: 40-433. No policy of group life insurance shall be delivered in
16 this state unless it conforms to one of the following descriptions:

17 (1) A policy issued by an insurance company organized under the laws
18 of the state of Kansas on its employees and agents, which agents for the
19 purpose of this act only shall be deemed employees, the beneficiaries
20 under such policies to be persons designated by each insured, or a policy
21 issued to an employer, or to the trustees of a fund established by an
22 employer, which employer or trustees shall be deemed the policyholder,
23 to insure employees of the employer for the benefit of persons other than
24 the employer, both subject to the following requirements: (a) The employ-
25 ees eligible for insurance under the policy shall be all of the employ-
26 ees of the employer, or all of any class or classes thereof determined by
27 conditions pertaining to their employment. The policy may provide that
28 the term "employees" shall include the employees of one or more sub-
29 sidiary corporations, and the employees, individual proprietors, and part-
30 ners of one or more affiliated corporations, proprietors or partnerships if
31 the business of the employer and of such affiliated corporations, propri-
32 etors or partnerships is under common control through stock ownership,
33 contract or otherwise. The policy may provide that the term "employees"
34 shall include the individual proprietor or partners if the employer is an
35 individual proprietor or a partnership. The policy may provide that the
36 term "employees" shall include retired employees. No director of a corpo-
37 rate employer shall be eligible for insurance under the policy unless
38 such person is otherwise eligible as a bona fide employee of the corpo-
39 ration by performing services other than the usual duties of a director.
40 No individual proprietor or partner shall be eligible for insurance under
41 the policy unless the proprietor or partner is actively engaged in and
42 devotes a substantial part of their time to the conduct of the business of
43 the proprietor or partnership. A policy issued to insure the employees of

1 a public body may provide that the term “employees” shall include
2 elected or appointed officials. (b) The premium for the policy shall be
3 paid by the 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 derived
8 from funds contributed by the insured employees may be placed in force
9 only if at least 75% of the then eligible employees, excluding any as to
10 whom evidence of individual insurability is not satisfactory to the insurer,
11 elect to make the required contribution. A policy on which no part of the
12 premium is to be derived from funds contributed by the insured em-
13 ployees shall insure all eligible employees, or all except any as to whom
14 evidence of individual insurability is not satisfactory to the insurer. (c)
15 The policy shall cover at least two employees at date of issue. (d) The
16 amounts of insurance under the policy shall be based upon some plan,
17 precluding individual selection either by the employees or by the em-
18 ployer or trustees.

19 (2) A policy issued to a creditor, who shall be deemed the policyhol-
20 der, to insure debtors of the creditor, subject to the following require-
21 ments: (a) The debtors eligible for insurance under the policy shall be all
22 of the debtors of the creditor whose indebtedness is repayable in install-
23 ments, or all of any class or classes thereof determined by conditions
24 pertaining to the indebtedness or to the purchase giving rise to the in-
25 debtedness. (b) The premium for the policy shall be paid by the policy-
26 holder, either from the creditor’s funds or from charges collected from
27 the insured debtors, or from both. A policy on which part or all of the
28 premium is to be derived from the collection from the insured debtors
29 of identifiable charges not required of uninsured debtors shall not in-
30 clude, in the class or classes of debtors eligible for insurance, debtors
31 under obligations outstanding at its date of issue without evidence of
32 individual insurability unless at least 75% of the then eligible debtors elect
33 to pay the required charges. A policy on which no part of the premium
34 is to be derived from the collection of such identifiable charges shall
35 insure all eligible debtors, or all except any as to whom evidence of in-
36 dividual insurability is not satisfactory to the insurer. (c) The policy may
37 be issued only if the group of eligible debtors is then receiving new en-
38 trants at the rate of at least 100 persons yearly, or may reasonably be
39 expected to receive at least 100 new entrants during the first policy year,
40 and only if the policy reserves to the insurer the right to require evidence
41 of individual insurability if less than 75% of the new entrants become
42 insured. (d) The amount of insurance on the life of any debtor shall at
43 no time, ~~under one or more policies,~~ exceed the amount owed by that

1 debtor which is repayable in installments to the creditor, ~~or \$100,000,~~
2 ~~whichever is less.~~ (e) The insurance shall be payable to the policyholder.
3 Such payment shall reduce or extinguish the unpaid indebtedness of the
4 debtor to the extent of such payment.

5 (3) A policy issued to a labor union, which shall be deemed the poli-
6 cyholder, to insure members of such union for the benefit of persons
7 other than the union or any of its officials, representatives or agents,
8 subject to the following requirements: (a) The members eligible for in-
9 surance under the policy shall be all of the members of the union, or all
10 of any class or classes thereof determined by conditions pertaining to their
11 employment, or to membership in the union, or both.

12 (b) The premium for the policy shall be paid by the policyholder,
13 either wholly from the union's funds, or partly from such funds and partly
14 from funds contributed by the insured members specifically for their
15 insurance. No policy shall be issued on which the entire premium is to
16 be derived from funds contributed by the insured members specifically
17 for their insurance. A policy on which part of the premium is to be derived
18 from funds contributed by the insured members specifically for their
19 insurance may be placed in force only if at least 75% of the then eligible
20 members excluding any as to whom evidence of individual insurability is
21 not satisfactory to the insurer, elect to make the required contributions.
22 A policy on which no part of the premium is to be derived from funds
23 contributed by the insured members specifically for their insurance shall
24 insure all eligible members, or all except any as to whom evidence of
25 individual insurability is not satisfactory to the insurer.

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

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

30 (4) A policy issued to the trustees of a fund established in this state
31 by two or more employers if a majority of the employees to be insured
32 of each employer are located within the state, or to the trustees of a fund
33 established by one or more labor unions, or by one or more employers
34 and one or more labor unions, which trustees shall be deemed the poli-
35 cyholder, to insure employees of the employers or members of the unions
36 for the benefit of persons other than the employers or the unions, subject
37 to the following requirements: (a) The persons eligible for insurance shall
38 be all of the employees of the employers or all of the members of the
39 unions, or all of any class or classes thereof determined by conditions
40 pertaining to their employment, or to membership in the unions, or to
41 both. The policy may provide that the term "employees" shall include
42 retired employees and the individual proprietor or partners if any em-
43 ployer is an individual proprietor or a partnership. No director of a cor-

1 porate employer shall be eligible for insurance under the policy unless
2 such person is otherwise eligible as a bona fide employee of the corpo-
3 ration by performing services other than the usual duties of a director.
4 No individual proprietor or partner shall be eligible for insurance under
5 the policy unless the proprietor or partner is actively engaged in and
6 devotes a substantial part of their time to the conduct of the business of
7 the proprietor or partnership. The policy may provide that the term “em-
8 ployees” shall include the trustees or their employees, or both, if their
9 duties are principally connected with such trusteeship. (b) The premium
10 for the policy shall be paid by the trustees either wholly from funds con-
11 tributed by the employer or employers of the insured persons, or by the
12 union or unions, or by both, or partly from such funds and partly from
13 funds contributed by the insured employees. No policy shall be issued on
14 which the entire premium is to be derived from funds contributed by the
15 insured persons. The policy shall insure all eligible persons, or all except
16 any as to whom evidence of individual insurability is not satisfactory to
17 the insurer. (c) The policy shall cover at date of issue at least 100 persons
18 and not less than an average of five persons per employer unit. (d) The
19 amounts of insurance under the policy shall be based upon some plan
20 precluding individual selection either by the insured persons or by the
21 policyholder, employers, or union.

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

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
27 at least 25 members, employees, or employees of members of the asso-
28 ciation for the benefit of persons other than the association or its officers.
29 The term “employees” as used herein shall be deemed to include retired
30 employees. The premiums for the policies shall be paid by the policy-
31 holder, either wholly from association funds, or funds contributed by the
32 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 in-
35 sured 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 shall be paid by the policyholder,
42 either from the employer’s funds or from funds contributed by the in-
43 sured employees, or from both. If any part of the premium is to be derived

1 from funds contributed by the insured employees, the insurance with
2 respect to spouses, their children, their grandchildren, their spouse's chil-
3 dren, their spouse's grandchildren, their parents and their spouse's par-
4 ents may be placed in force only if at least 75% of the then eligible
5 employees, excluding any as to whose family members' evidence of in-
6 surability is not satisfactory to the insurer, elect to make the required
7 contribution. If no part of the premium is to be derived from funds con-
8 tributed by the employees, all eligible employees, excluding any as to
9 whose family members' evidence of insurability is not satisfactory to the
10 insurer, shall be insured with respect to their spouses, their children, their
11 grandchildren, their spouse's children, their spouse's grandchildren, their
12 parents, their spouse's parents.

13 (b) The amounts of insurance shall be based upon some plan pre-
14 cluding individual selection either by the employees or by the policyhol-
15 der, or employer and shall not exceed with respect to any spouse, child
16 or parent 50% of the insurance on the life of such insured employee.

17 (c) Upon termination of the insurance with respect to the spouse of
18 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 (d) Notwithstanding the provisions of K.S.A. 40-434 and amend-
23 ments thereto only one certificate need be issued for delivery to an in-
24 sured person if a statement concerning any dependent's coverage is in-
25 cluded in such certificate.

26 (e) The requirements of paragraphs (a) and (b) of this subsection
27 governing participation, contribution by an employer and amounts of in-
28 surance for dependents shall not apply to a voluntary term life insurance
29 policy issued on a group basis.

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

36 Sec. 2. K.S.A. 2007 Supp. 40-433 is hereby repealed.

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