

1 _____ BILL NO. _____

2 INTRODUCED BY _____
3 (Primary Sponsor)

4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LAWS RELATED TO GROUP LIFE INSURANCE;
5 CLARIFYING THAT INDIVIDUAL UNDERWRITING IS NOT ALLOWED FOR ANY GROUP LIFE INSURANCE;
6 CLARIFYING THAT ALL MEMBERS OF A GROUP ARE TO BE COVERED UNLESS AN INDIVIDUAL
7 CHOOSES TO OPT OUT; RECOGNIZING THAT INSURERS MAY IMPOSE INSURABILITY CONDITIONS ON
8 A GROUP; AMENDING SECTIONS 33-20-1001, 33-20-1101, 33-20-1102, 33-20-1103, 33-20-1104, 33-20-1105,
9 33-20-1106, 33-20-1111, 33-20-1112, 33-20-1203, AND 33-20-1205, MCA; AND PROVIDING AN
10 APPLICABILITY DATE."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13
14 **Section 1.** Section 33-20-1001, MCA, is amended to read:

15 **"33-20-1001. Group contracts required to meet group requirements.** (1) ~~No~~ A life insurance policy
16 ~~shall~~ may not be delivered in this state insuring the lives of more than one individual unless issued to one of the
17 groups ~~as provided for in 33-20-1101 through 33-20-1106~~ Title 33, chapter 20, part 11, and unless the policy is
18 in compliance with the other applicable provisions of Title 33, chapter 20, parts 10 through 12 of this chapter.

- 19 (2) Subsection (1) ~~above~~ shall does not apply to life insurance policies insuring only individuals:
20 (a) related by blood, marriage, or legal adoption;
21 (b) having a common interest through ownership of a business enterprise or a substantial legal interest
22 or equity ~~therein~~ in the business enterprise and who are actively engaged in the management ~~thereof~~ of the
23 business enterprise; or
24 (c) otherwise having an insurable interest in each other's lives.

25 (3) Except as provided in 33-20-1205, group contracts provided for in Title 33, chapter 20, parts 10
26 through 12, may not require individual underwriting for group life insurance, and the policyholder for insurance
27 provided under Title 33, chapter 20, part 11, may not preclude participation of any eligible individual, although
28 an eligible individual may choose not to participate if part of the premium is derived from the individual's own
29 funds."

30

1 **Section 2.** Section 33-20-1101, MCA, is amended to read:

2 **"33-20-1101. Employee groups.** (1) Subject to the requirements in subsections (2) through (5), the lives
3 of a group of individuals may be insured under a policy issued to an employer or to the trustees of a fund
4 established by an employer to insure employees of the employer for the benefit of persons other than the
5 employer. The employer or trustees must be considered the policyholder.

6 (2) (a) The employees eligible for insurance under the policy must be all of the employees of the
7 employer or all of any class ~~or classes of the employer~~ employees determined by conditions pertaining to their
8 employment. Subject to the terms of 33-20-1205 and this section, all members of the eligible group must be
9 provided coverage. The policy may provide that the term "employees" includes:

10 (i) the employees of one or more subsidiary corporations and the employees, individual proprietors, and
11 partners of one or more affiliated corporations, proprietors, or partnerships if the business of the employer and
12 of the employer's affiliated corporations, proprietors, or partnerships is under common control;

13 (ii) the individual proprietor or partners if the employer is an individual proprietor or a partnership; or

14 (iii) retired employees.

15 (b) A director of a corporate employer is not eligible for insurance under the policy unless the director
16 is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties
17 of a director.

18 (c) An individual proprietor or partner is not eligible for insurance under the policy unless the individual
19 proprietor or partner is actively engaged in and devotes a substantial part of working hours to the conduct of the
20 business of the proprietor or partnership.

21 (3) (a) Payment of the premium for the insurance must be made by the policyholder from:

22 (i) the employer's funds or funds contributed by the employer;

23 (ii) funds contributed by the insured employees or members; or

24 (iii) funds contributed by a combination of payors in subsections (3)(a)(i) and (3)(a)(ii).

25 (b) ~~A Subject to 33-20-1205, a policy on which no part of the premium is to be derived from funds~~
26 ~~contributed by the insured employees must insure all eligible employees or all except any as to whom evidence~~
27 ~~of individual insurability is not satisfactory to the insurer.~~

28 (4) The policy must cover at least two employees at date of issue.

29 (5) The amount of insurance under the policy must be based upon a plan precluding individual selection
30 either by the employees or by the employer or trustees."

1

2 **Section 3.** Section 33-20-1102, MCA, is amended to read:

3 **"33-20-1102. Labor union groups.** The lives of a group of individuals may be insured under a policy
4 issued to a labor union, which ~~shall~~ must be deemed considered the policyholder, to insure members of ~~such the~~
5 union for the benefit of persons other than the union or any of its officials, representatives, or agents, subject to
6 the following requirements:

7 (1) The members eligible for insurance under the policy ~~shall~~ must be all of the members of the union
8 or all of any class ~~or classes thereof~~ of members determined by conditions pertaining to their employment, ~~or~~ to
9 membership in the union, or to both.

10 (2) The premium for the policy ~~shall~~ must be paid by the policyholder, either wholly from the union's funds
11 or partly from ~~such the union's~~ the union's funds and partly from funds contributed by the insured members specifically for
12 their insurance. ~~No~~ A policy may not be issued on which the entire premium is to be derived from funds
13 contributed by the insured members specifically for their insurance. A policy on which part of the premium is to
14 be derived from funds contributed by the insured members specifically for their insurance may be placed in force
15 only if at least 75% of the ~~then-eligible~~ then-eligible members, excluding any ~~as to whom evidence of individual~~
16 ~~insurability is not satisfactory to the insurer~~ conditions of insurability apply as provided in 33-20-1205, elect to
17 make the required contributions. ~~A~~ Subject to 33-20-1205, a policy on which no part of the premium is to be
18 derived from funds contributed by the insured members specifically for their insurance must insure all eligible
19 members ~~or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.~~

20 (3) The policy must cover at least 25 members at date of issue.

21 (4) The amounts of insurance under the policy must be based upon some plan precluding individual
22 selection either by the members or by the union."
23

24 **Section 4.** Section 33-20-1103, MCA, is amended to read:

25 **"33-20-1103. Employer and labor union combinations -- trustee groups.** The lives of a group of
26 individuals may be insured under a policy issued to the trustees of a fund established by two or more employers
27 or by one or more labor unions or by one or more employers and one or more labor unions, ~~which trustees must~~
28 ~~be considered the policyholder~~, to insure employees of the employers or members of the unions for the benefit
29 of persons other than the employers or the unions; The trustees must be considered the policyholder. A policy
30 issued under this section is subject to the following requirements:

1 (1) The persons eligible for insurance must be all of the employees of the employers or all of the
 2 members of the unions or all of any class ~~or classes~~ of the employees or members determined by conditions
 3 pertaining to their employment, ~~or~~ to membership in the unions, or to both. The policy may provide that the term
 4 "employees" includes retired employees and the individual proprietor or partners if an employer is an individual
 5 proprietor or a partnership. A director of a corporate employer may not be eligible for insurance under the policy
 6 unless the person is otherwise eligible as a bona fide employee of the corporation by performing services other
 7 than usual duties of a director. An individual proprietor or partner may not be eligible for insurance under the
 8 policy unless the proprietor or partner is actively engaged in and devotes a substantial part of the individual's time
 9 to the conduct of the business of the proprietor or partnership. The policy may provide that the term "employees"
 10 includes the trustees, ~~or~~ their employees, or both; if their duties are principally connected with the trusteeship.

11 (2) The premium for the policy must be paid by the trustees wholly from funds contributed by the
 12 employer ~~or employers~~ of the insured persons, ~~or~~ by the union ~~or unions~~, or by both; or partly from the employer's
 13 or the union's funds, as applicable, and partly from funds contributed by the insured persons. A policy may not
 14 be issued on which the entire premium is to be derived from funds contributed by the insured persons specifically
 15 for their insurance. A policy on which part of the premium is to be derived from funds contributed by the insured
 16 persons specifically for their insurance may be placed in force only if at least 75% of the ~~then-eligible~~ then-eligible
 17 persons, excluding any ~~as to whom evidence of individual insurability is not satisfactory to the insurer~~ conditions
 18 of insurability apply as provided in 33-20-1205, elect to make the required contributions. ~~A Subject to 33-20-1205,~~
 19 a policy on which no part of the premium is to be derived from funds contributed by the insured persons
 20 specifically for their insurance must insure all eligible persons ~~or all except any person for whom evidence of~~
 21 ~~individual insurability is not satisfactory to the insurer.~~

22 (3) The policy must cover at date of issue at least 100 persons and not less than an average of 5 persons
 23 ~~per~~ for each employer unit, and if the fund is established by the members of an association of employers, the
 24 policy may be issued if:

25 (a) either:

26 (i) the participating employers constitute at date of issue at least 60% of those employer members whose
 27 employees are not already covered for group life insurance; or

28 (ii) the total number of persons covered at date of issue exceeds 600; and

29 (b) the policy does not require that, if a participating employer discontinues membership in the
 30 association, the insurance of the employer's employees ~~shall cease~~ ceases solely by reason of the

1 discontinuance.

2 (4) The amounts of insurance under the policy must be based ~~upon some~~ on a plan precluding individual
3 selection either by the insured persons or by the policyholder, employers, or unions."

4

5 **Section 5.** Section 33-20-1104, MCA, is amended to read:

6 **"33-20-1104. Public employee groups.** The lives of a group of individuals may be insured under a
7 policy issued to an incorporated city, town, or village, ~~or~~ an association or league of cities, towns, or villages, an
8 independent school district, a state college or university, ~~any~~ an association of state employees, ~~and any~~ an
9 association of state, county, and city, town, or village employees ~~and~~ or any combination of state, county, or city,
10 town, or village employees, ~~and~~ or any department of the state or county government, ~~which employer or~~
11 ~~association shall be deemed the policyholder,~~ to insure the employees of ~~any such incorporated city, town, or~~
12 ~~village, of any such independent school district, of any such state college and university, or of any such~~
13 ~~department of the state or county government or members of any association of state, county, or city, town, or~~
14 ~~village employees, that entity or association~~ for the benefit of persons other than the policyholder. The entity or
15 association to which the policy is issued must be considered the policyholder. The policy issued under this section
16 is subject to the following requirements:

17 (1) The employees eligible for insurance under the policy ~~shall~~ must be all of the employees of the
18 employer or all of any class ~~or classes thereof~~ of employees determined by conditions pertaining to their
19 employment. The policy may provide that the term "employees" ~~shall include~~ includes retired employees. A policy
20 issued to insure the employees of a public body may provide that the term "employees" ~~shall include~~ includes
21 elected or appointed officials.

22 (2) The premium for the policy ~~shall~~ must be paid by the policyholder wholly from funds contributed by
23 ~~it as~~ the employer or partly from ~~such~~ the employer's funds and partly from funds contributed by the insured
24 employees or wholly from funds contributed by the insured employees, except that:

25 (a) the employer may deduct from the employees' salaries the required contributions for the premiums
26 when authorized in writing by the respective employees ~~so to do~~; and

27 (b) the premium for the policy may be paid by the policyholder wholly or partly from funds contributed
28 by any incorporated city, town, or village policyholder when authorized by the charter of ~~such~~ the city, town, or
29 village or as otherwise authorized by law.

30 (3) ~~Such~~ A policy issued under this section may be placed in force only if at least 75% of the eligible

1 employees, excluding any ~~as to whom evidence of individual insurability is not satisfactory to the insurer~~
 2 conditions of insurability apply as provided in 33-20-1205, elect to make the required premium contributions and
 3 become insured ~~thereunder~~ under the policy.

4 (4) The policy must cover at least 10 employees at the date of issue."
 5

6 **Section 6.** Section 33-20-1105, MCA, is amended to read:

7 **"33-20-1105. Debtor groups.** The lives of a group of individuals may be insured under a policy issued
 8 to a creditor, who is considered the policyholder, to insure the debtors of the creditor, subject to the following
 9 requirements:

10 (1) The debtors eligible for insurance under the policy must be all of the debtors of the creditor or all of
 11 any class ~~or classes~~ of those debtors determined by conditions pertaining to the indebtedness or the purchase
 12 giving rise to the indebtedness. The policy may provide that the term "debtors" includes the debtors of one or
 13 more subsidiary corporations and the debtors of one or more affiliated corporations, proprietors, or partnerships
 14 if the business of the policyholder and of the affiliated corporations, proprietors, or partnerships is under common
 15 control.

16 (2) The premium for the policy must be paid by the policyholder from the creditor's funds, from charges
 17 collected from the insured debtors, or from both. A policy on which part or all of the premium is to be derived from
 18 the collection from the insured debtors of identifiable charges not required of uninsured debtors may not include,
 19 in the class ~~or classes~~ of debtors eligible for insurance, debtors under obligations outstanding at its date of issue
 20 ~~without evidence of individual insurability~~ unless at least 75% of the ~~then-eligible~~ then-eligible debtors, excluding
 21 any to whom conditions of insurability apply as provided in 33-20-1205, elect to pay the required charges. ~~A~~
 22 Subject to 33-20-1205, a policy on which no part of the premium is to be derived from the collection of identifiable
 23 charges must insure all eligible debtors ~~or all except any as to whom evidence of individual insurability is not~~
 24 ~~satisfactory to the insurer~~.

25 (3) The policy may be issued only if the group of eligible debtors is then receiving new entrants at the
 26 rate of at least 100 persons yearly or may reasonably be expected to receive at least 100 new entrants during
 27 the first policy year, ~~and only if the policy reserves to the insurer the right to require evidence of individual~~
 28 ~~insurability~~ if less than 75% of the new entrants become insured, the provisions of 33-20-1205 apply. The policy
 29 may exclude from the classes eligible for insurance classes of debtors determined by age.

30 (4) The amount of insurance on the life of any debtor may not at any time exceed the amount owed by

1 the debtor to the creditor.

2 (5) The insurance must be payable to the policyholder. Each payment must reduce or extinguish the
3 unpaid indebtedness of the debtor to the extent of the payment."

4

5 **Section 7.** Section 33-20-1106, MCA, is amended to read:

6 **"33-20-1106. Credit union groups.** The lives of a group of individuals may be insured under a policy
7 issued to a credit union, organized pursuant to the laws of the state of Montana or the Federal Credit Union Act,
8 which ~~shall~~ must be ~~deemed~~ considered the policyholder, to insure eligible members for amounts of insurance
9 not in excess of the share balance of each member, based upon ~~some a plan which will preclude that precludes~~
10 individual selection, for the benefit of someone other than the credit union or its officials and subject to the
11 following requirements:

12 (1) The members eligible for insurance under the policy ~~shall~~ must be all the members of the credit union
13 who meet standard physical requirement conditions of the insurer or all of any class ~~or classes thereof of~~
14 members determined by conditions pertaining to their age, ~~or~~ to membership in the credit union, ~~or to~~ both.

15 (2) The premiums for the policy ~~shall~~ must be paid by the policyholder, either wholly from the credit
16 union's funds or partly from ~~such~~ the credit union's funds and partly from funds contributed by the insured
17 members specifically for their insurance. ~~No A~~ policy may not be issued on which the entire premium is to be
18 derived from funds contributed by the insured members specifically for their insurance. A policy on which part of
19 the premium is to be derived from funds contributed by the insured members specifically for their insurance may
20 be placed only if at least 75% of the ~~then-eligible~~ then-eligible members, excluding any ~~as to whom evidence of~~
21 ~~individual insurability is not satisfactory to the insured~~ conditions of insurability apply as provided in 33-20-1205,
22 elect to make the required contribution. ~~A~~ Subject to 33-20-1205, a policy on which no part of the premium is to
23 be derived from funds contributed by the insured members specifically for their insurance must insure all eligible
24 members ~~or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.~~

25 (3) The policy must cover at least 25 members at the date of issue."
26

27 **Section 8.** Section 33-20-1111, MCA, is amended to read:

28 **"33-20-1111. Dependents of employee and labor union groups -- coverage.** Any group life policy
29 issued under 33-20-1101, 33-20-1102, or 33-20-1103 may be extended to insure the employees or members
30 against loss ~~due to~~ caused by the death of ~~their spouses and a spouse or~~ a spouse or minor children; ~~or to any class or~~

1 ~~classes~~ of employees, members, spouses, or minor children, subject to the following requirements:

2 (1) (a) The premium for the insurance must be paid by the policyholder from:

3 (i) the employer's or union's funds or funds contributed by the employer or union;

4 (ii) funds contributed by the insured employees or members; or

5 (iii) a combination of payors in subsections (1)(a)(i) and (1)(a)(ii).

6 (b) If no part of the premium is to be paid from funds contributed by the employees or members, all
7 eligible employees or members, excluding any ~~as to whose family members evidence of insurability is not~~
8 ~~satisfactory to the insurer~~ whom conditions of insurability apply as provided in 33-20-1205, must be insured with
9 respect to their spouses and children.

10 (2) The amounts of insurance must be based ~~upon some~~ on a plan precluding individual selection either
11 by the employees or members or by the policyholder, employer, or union.

12 (3) (a) Upon termination of the insurance with respect to the members of the family of any employee or
13 member by reason of the employee's or member's termination of employment, termination of membership in the
14 class ~~or classes~~ eligible for coverage under the policy, or death, the spouse is entitled to have issued by the
15 insurer, without evidence of insurability, an individual policy of life insurance, without disability or other
16 supplementary benefits, providing that application for the individual policy is made and the first premium is paid
17 to the insurer within 31 days after the termination, subject to the requirements of 33-20-1209(1)(a) through (1)(c).

18 (b) (i) If the group policy terminates or is amended to terminate the insurance of any class of employees
19 or members and the employee or member is entitled to have issued an individual policy under 33-20-1210, the
20 spouse is also entitled to have issued by the insurer an individual policy, subject to the conditions and limitations
21 provided above.

22 (ii) If the spouse dies within the period during which the spouse would have been entitled to have an
23 individual policy issued in accordance with this provision, the amount of life insurance that the spouse would have
24 been entitled to have issued under the individual policy must be payable as a claim under the group policy,
25 whether or not application for the individual policy or the payment of the first premium for the individual policy has
26 been made.

27 (4) Notwithstanding the provisions in 33-20-1208, only one certificate ~~must~~ is to be issued for delivery
28 to an insured person if a statement concerning any dependent's coverage is included in the certificate."
29

30 **Section 9.** Section 33-20-1112, MCA, is amended to read:

1 **"33-20-1112. Discretionary groups.** (1) Subject to the requirements of this section, the lives of a group
2 of individuals may be insured under a policy issued to a group other than one described in this part if the
3 commissioner finds that:

- 4 (a) the issuance of the policy is not contrary to the best interest of the public;
5 (b) the issuance of the policy would result in economies of acquisition or administration; and
6 (c) the benefits of the policy are reasonable in relation to the premiums charged.

7 (2) Group life insurance coverage under this section may be offered in this state by an insurer under a
8 policy issued in another state only if this state or another state that has requirements substantially similar to the
9 requirements in subsection (1) has made a determination that the requirements of subsection (1) have been met.

10 (3) The premium for a policy issued under this section must be paid either from the policyholder's funds,
11 from funds contributed by the covered persons, or from both.

12 (4) An insurer may ~~exclude or limit the coverage on any individual if the evidence of the individual's~~
13 ~~insurability is not satisfactory to the insurer~~ subject to 33-20-1205."

14
15 **Section 10.** Section 33-20-1203, MCA, is amended to read:

16 **"33-20-1203. Incontestability.** The group life insurance policy and certificate must contain a provision
17 that the validity of the policy may not be contested, except for nonpayment of premium, after it has been in force
18 for 2 years from its date of issue and that a statement made by any person insured under the policy relating to
19 the person's insurability as provided in 33-20-1205 may not be used in contesting the validity of the insurance
20 with respect to which the statement was made after the insurance has been in force prior to the contest for a
21 period of 2 years during the person's lifetime or unless it is contained in a written instrument signed by the
22 person."

23
24 **Section 11.** Section 33-20-1205, MCA, is amended to read:

25 **"33-20-1205. Insurability.** The group life insurance policy and certificate must contain a provision setting
26 forth the conditions, if any, under which the insurer reserves the right to require a person eligible for insurance
27 to furnish evidence of individual insurability satisfactory to the insurer as a condition to part or all of the person's
28 coverage. The conditions must apply to all members of the group and may include age or class of risk to which
29 the group belongs."

30

