

SENATE BILL NO. 542
INTRODUCED BY D. RYAN

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PAYMENT OPTIONS FOR GROUP LIFE INSURANCE COVERAGE; AND AMENDING SECTIONS 33-20-1101, 33-20-1111, AND 33-20-1209, MCA."

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

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

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

(2) (a) The employees eligible for insurance under the policy must be all of the employees of the employer or all of any class or classes of the employer determined by conditions pertaining to their employment. The policy may provide that the term "employees" includes:

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

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

(iii) retired employees.

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

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

(3) ~~(a) The premium for the policy must be paid by the policyholder, either wholly from the employer's funds or funds contributed by the employer or partly from the employer's funds and from funds contributed by the insured employees. A policy may not be issued if the entire premium is to be derived from funds contributed by the insured employees. A policy on which part of the premium is to be derived from funds contributed by the~~

~~insured employees may be placed in force only if at least 75% of the then eligible employees, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contribution. Payment of the premium for the insurance must be made by the policyholder from:~~

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

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

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

~~(b) A policy on which no part of the premium is to be derived from funds contributed by the insured employees must insure all eligible employees or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.~~

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

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

Section 2. Section 33-20-1111, MCA, is amended to read:

"33-20-1111. Dependents of employee and labor union groups -- coverage. Any group life policy issued under 33-20-1101, 33-20-1102, or 33-20-1103 may be extended to insure the employees or members against loss due to the death of their spouses and minor children, or any class or classes ~~thereof of employees, members, spouses, or minor children~~, subject to the following requirements:

(1) ~~(a)~~ The premium for the insurance ~~shall~~ must be paid by the policyholder, ~~either from:~~

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

~~(ii) funds contributed by the insured employees or members; or from both~~

~~(iii) a combination of payors in subsections (1)(a)(i) and (1)(a)(ii). If any part of the premium is to be derived from funds contributed by the insured employees or members, the insurance with respect to spouses and children may be placed in force only if at least 75% of the then eligible employees or members, excluding any as to whose family members evidence of insurability is not satisfactory to the insurer, elect to make the required contribution.~~

~~(b) If no part of the premium is to be derived paid from funds contributed by the employees or members, all eligible employees or members, excluding any as to whose family members evidence of insurability is not satisfactory to the insurer, must be insured with respect to their spouses and children.~~

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

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

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

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

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

Section 3. Section 33-20-1209, MCA, is amended to read:

"33-20-1209. Conversion on termination of eligibility. (1) The group life insurance policy or certificate must contain a provision that if the insurance or any portion of it on a person covered under the policy ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, the person is entitled to have issued to the person by the insurer, without evidence of insurability, an individual policy of life insurance if the application for the individual policy is made and the first premium is paid to the insurer within 31 days after termination and provided that:

(a) the individual policy must, at the option of the person, be on any one of the forms, including but not limited to term insurance, if the group policy provides for term insurance, then customarily issued by the insurer at the age and for the amount applied for, and must offer benefits at least equal to those under the group coverage;

(b) the individual policy must, at the option of the insured, be in an amount not in excess of the amount

of life insurance that ceases because of the termination, less the amount of any life insurance for which the person is insured under any other group policy within 31 days after the termination, provided that any amount of insurance that has matured on or before the date of the termination as an endowment payable to the person insured, whether in one sum or in installments or in the form of an annuity, may not, for the purposes of this provision, be included in the amount that is considered to cease because of the termination; and

(c) the premium on the individual policy is the insurer's then customary rate applicable to the form and amount of the individual policy, to the class of risk that the person belongs, and to the person's age attained on the effective date of the individual policy.

(2) A group insurer may meet the requirements of this section by contracting with another insurer to issue conversion policies as described in subsection (1). The conversion carrier must be authorized to act as an insurer in this state and shall submit the conversion policies to the commissioner.

(3) (a)(i) With the consent of the employer, a person covered under a group life insurance policy issued to an employer or to the trustees of a fund established by an employer under 33-20-1101 may continue the person's coverage under the group policy during the person's employment even if there has been a reduction of the person's regular work schedule to less than the minimum number of hours required for eligibility for membership. The premium charged for the continued coverage must be equal to that charged other members of the group.

(ii) The person's coverage under the group ~~will cease~~ ceases if the person subsequently becomes eligible for coverage under another group policy because of employment elsewhere.

(b) A group life insurance policy on which the payment of premiums is provided under 33-20-1101(3)(a)(ii) or (3)(a)(iii) may continue in effect for a person whose regular work schedule has been reduced to less than the minimum number of hours required for eligibility for membership. The premium charged for the continued coverage must be equal to that charged other members of the group, and the provisions of subsection (3)(a)(ii) of this section apply."

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