



Reprinted
February 22, 2000

ENGROSSED

SENATE BILL No. 233

DIGEST OF SB 233 (Updated February 21, 2000 5:09 PM - DI 100)

Citations Affected: IC 20-14; IC 22-11; IC 27-1; IC 31-30; IC 31-37.

Synopsis: Viatical settlement contract, insurance, public libraries, and fireworks. Allows a township trustee in a township that is not served by a public library to pay the cost of a library card for a resident of the township. Allows the wholesale and retail sale of common fireworks to an individual who is at least 16 years of age. Prohibits the sale of fireworks to an individual who is less than 16 years of age. Amends the definition of "security" in the Indiana securities law to include viatical settlement contracts or interests in viatical settlement contracts. Amends the life insurance incontestability provisions to allow a policy that is part of a viatical settlement contract to be contested for up to 6 years from the date of issue in the case of fraud in the application for life insurance benefits under the policy. Amends the definition of "viatical settlement contract" and excludes from the definition certain agreements and the provision of accelerated benefits under a life insurance policy. Permits the commissioner of the Indiana department of insurance to regulate an interinsurance association or reciprocal or interinsurance exchange organized and operating before January 1, 1991. Requires a life insurance policy to contain an accelerated death benefit for a terminal illness after June 30, 2000.

Effective: July 1, 2000.

Paul, Mrvan

(HOUSE SPONSORS — FRY, SMITH M)

January 10, 2000, read first time and referred to Committee on Insurance and Financial Institutions.

January 24, 2000, amended, reported favorably — Do Pass.

January 27, 2000, read second time, amended, ordered engrossed.

January 28, 2000, engrossed.

February 7, 2000, read third time, passed. Yeas 50, nays 0.

HOUSE ACTION

February 10, 2000, read first time and referred to Committee on Insurance, Corporations and Small Business.

February 16, 2000, amended, reported — Do Pass.

February 21, 2000, read second time, amended, ordered engrossed.

ES 233—LS 6697/DI 97+



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February 22, 2000

Second Regular Session 111th General Assembly (2000)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1999 General Assembly.

ENGROSSED SENATE BILL No. 233

A BILL FOR AN ACT to amend the Indiana Code concerning insurance, public libraries, and fireworks.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 20-14-1-8 IS ADDED TO THE INDIANA CODE
2 AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY**
3 **1, 2000]: Sec. 8. A township trustee of a township that is not served**
4 **by a public library may pay the cost of a library card at the nearest**
5 **library for a resident of the township upon request of the resident.**
6 SECTION 2. IC 22-11-14-4 IS AMENDED TO READ AS
7 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 4. (a) Nothing in this
8 chapter shall be construed to prohibit:
9 (1) any resident wholesaler, manufacturer, importer, or distributor
10 from selling:
11 (A) at wholesale fireworks not prohibited by this chapter; **or**
12 (B) fireworks not approved for sale in Indiana if they are to be
13 shipped directly out of state within five (5) days of the date of
14 sale; **or**
15 (C) **common fireworks to a person who is at least sixteen**
16 **(16) years of age.**
17 (2) **a retailer from selling common fireworks to a person who**

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- 1 **is at least sixteen (16) years of age;**
 2 ~~(2)~~ **(3)** the use of fireworks by railroads or other transportation
 3 agencies for signal purposes or illumination;
 4 ~~(3)~~ **(4)** the sale or use of blank cartridges for:
 5 (A) a show or theater;
 6 (B) signal or ceremonial purposes in athletics or sports; or
 7 (C) use by military organizations;
 8 ~~(4)~~ **(5)** the intrastate sale of fireworks not approved for sale in
 9 Indiana between interstate wholesalers;
 10 ~~(5)~~ **(6)** the possession, sale, or disposal of fireworks, incidental to
 11 the public display of Class B fireworks, by wholesalers or other
 12 persons who possess a permit to possess, store, and sell Class B
 13 explosives from the Bureau of Alcohol, Tobacco and Firearms,
 14 United States Department of the Treasury; or
 15 ~~(6)~~ **(7)** the use of indoor pyrotechnics special effects material
 16 before an indoor or outdoor proximate audience.
 17 (b) For the purposes of this section, a resident wholesaler, importer,
 18 or distributor, is a person who:
 19 (1) is a resident of Indiana;
 20 (2) possesses for resale common fireworks approved or not
 21 approved for sale in Indiana;
 22 (3) is engaged in the interstate sale of common fireworks
 23 described in subdivision (2) as an essential part of a business that
 24 is located in a permanent structure and is open at least six (6)
 25 months each year;
 26 (4) sells common fireworks described in subdivision (2) only to
 27 purchasers who provide a written and signed assurance that the
 28 fireworks are to be shipped out of Indiana within five (5) days of
 29 the date of sale; and
 30 (5) has possession of a certificate of compliance issued by the
 31 state fire marshal under section 5 of this chapter.
 32 (c) A purchaser may not provide a written and signed assurance that
 33 the fireworks purchased are to be shipped out of Indiana and then sell
 34 or use them in Indiana.
 35 SECTION 3. IC 22-11-14-6 IS AMENDED TO READ AS
 36 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 6. A person who
 37 violates section 4(c), 5(c), 5(d), 7, ~~or 8;~~ **or 8.3** of this chapter commits
 38 a Class A misdemeanor.
 39 SECTION 4. IC 22-11-14-8.3 IS ADDED TO THE INDIANA
 40 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 41 [EFFECTIVE JULY 1, 2000]: **Sec. 8.3. A person shall not knowingly**
 42 **or intentionally sell fireworks, at wholesale or at retail, to a person**



1 **who is less than sixteen (16) years of age.**

2 SECTION 5. IC 22-11-14-8.5 IS ADDED TO THE INDIANA
3 CODE AS A NEW SECTION TO READ AS FOLLOWS
4 [EFFECTIVE JULY 1, 2000]: **Sec. 8.5. A person less than sixteen
5 (16) years of age who purchases fireworks commits:**

6 (1) a Class C infraction; and

7 (2) a delinquent act under IC 31-37-2-7.

8 SECTION 6. IC 23-2-1-1 IS AMENDED TO READ AS FOLLOWS
9 [EFFECTIVE UPON PASSAGE]: Sec. 1. As used in this chapter,
10 unless the context otherwise requires:

11 (a) "Commissioner" means the securities commissioner provided for
12 in ~~IC 23-2-1-15(a)~~: **section 15(a) of this chapter.**

13 (b) "Agent" means an individual, other than a broker-dealer, who
14 represents a broker-dealer or issuer in effecting or attempting to effect
15 purchases or sales of securities. A partner, officer, or director of a
16 broker-dealer or issuer or a person occupying a similar status or
17 performing similar functions is an agent only if the person effects or
18 attempts to effect a purchase or sale of securities in Indiana. "Agent"
19 does not include an individual who represents an issuer in:

20 (1) effecting transactions in a security exempted by section
21 2(a)(1), 2(a)(2), 2(a)(3), 2(a)(6), 2(a)(7), or 2(a)(10) of this
22 chapter;

23 (2) effecting transactions exempted by section 2(b) of this
24 chapter;

25 (3) effecting transactions with existing employees, partners, or
26 directors of the issuer, if no commission or other remuneration is
27 paid or given directly or indirectly for soliciting a person in
28 Indiana; or

29 (4) effecting transactions in Indiana limited to those transactions
30 described in Section 15(h)(2) of the Securities Exchange Act of
31 1934 (15 U.S.C. 78o).

32 (c) "Broker-dealer" means a person engaged in the business of
33 effecting offers, sales, or purchases of securities for the account of
34 others or for the person's own account. "Broker-dealer" does not
35 include:

36 (1) an agent;

37 (2) an issuer with respect to the offer or sale of the issuer's own
38 securities;

39 (3) a bank, savings institution, or trust company; or

40 (4) a person who has no place of business in Indiana if the person
41 effects transactions in Indiana exclusively with:

42 (i) the issuers of the securities involved in the transactions;



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- 1 (ii) other broker-dealers; or
 2 (iii) banks, savings institutions, trust companies, insurance
 3 companies, investment companies (as defined in the
 4 Investment Company Act of 1940, as in effect on December
 5 31, 1990), pension or profit-sharing trusts, or other financial
 6 institutions or institutional buyers, whether acting for
 7 themselves or as trustees, whether or not the offeror or any of
 8 the offerees is then present in Indiana.
- 9 (d) "Fraud", "fraudulent", "deceit", and "defraud" mean a
 10 misrepresentation of a material fact, a promise or representation or
 11 prediction not made honestly or in good faith, or the failure to disclose
 12 a material fact necessary in order to make the statements made, in the
 13 light of the circumstances under which they were made, not
 14 misleading. This definition does not limit or diminish the full meaning
 15 of those terms as applied by or defined in courts of law or equity. These
 16 terms are not limited to common law deceit.
- 17 (e) "Guaranteed" means guaranteed as to payment of principal,
 18 interest, or dividends.
- 19 (f) "Issuer" means a person who issues or proposes to issue a
 20 security, except that with respect to certificates of deposit, voting-trust
 21 certificates, or collateral-trust certificates, or with respect to certificates
 22 of interest or shares in an unincorporated investment trust not having
 23 a board of directors or person performing similar functions or of the
 24 fixed, restricted management, or unit type. The term "issuer" means the
 25 person or persons performing the acts and assuming the duties of
 26 depository or manager pursuant to the provisions of the trust or other
 27 agreement or instrument under which the security is issued.
- 28 (g) "Nonissuer" means not directly or indirectly for the benefit of the
 29 issuer.
- 30 (h) "Person" means an individual, a corporation, a limited liability
 31 company, a partnership, an association, a joint-stock company, a trust
 32 where the interests of the beneficiaries are evidenced by a security, an
 33 unincorporated organization, a government, or a political subdivision
 34 of a government.
- 35 (i)(1) "Sale" or "sell" means a contract of sale of, contract to sell, or
 36 disposition of, a security, or interest in a security for value.
- 37 (2) "Offer" or "offer to sell" means an attempt or offer to dispose of,
 38 or solicitation of an offer to purchase, a security, or interest in a
 39 security for value.
- 40 (3) "Transaction" and "transactions" include the meanings of "sale",
 41 "sell", "offer", "offer to sell", and "purchase".
- 42 (4) "Purchase" means an acquisition, direct or indirect, of a security

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1 or an interest in a security for value.

2 (5) A security given or delivered with, or as a bonus on account of,
3 a purchase of securities or any other thing is considered to constitute
4 part of the subject of the purchase and to have been offered and sold for
5 value.

6 (6) A purported gift of assessable stock is considered to involve an
7 offer and sale.

8 (7) A sale or offer of a warrant or right to purchase or subscribe to
9 another security of the same or another issuer, as well as a sale or offer
10 of a security that gives the holder a present or future right or privilege
11 to convert into another security of the same or another issuer, is
12 considered to include an offer of the other security.

13 (8) The terms defined in this subsection do not include:

14 (i) a bona fide secured transaction in or loan of outstanding
15 securities;

16 (ii) a stock dividend, whether the corporation distributing the
17 dividend is the issuer of the stock or not, if nothing of value is
18 given by the stockholders for the dividend other than the
19 surrender of a right to a cash or property dividend when each
20 stockholder may elect to take the dividend in cash or property or
21 in stock; or

22 (iii) an act incident to a judicially approved reorganization in
23 which a security is issued in exchange for one (1) or more
24 outstanding securities, claims, or property interests, or partly in
25 such exchange and partly for cash.

26 (j) "Securities Act of 1933", "Securities Exchange Act of 1934",
27 "Public Utility Holding Company Act of 1935", and "Investment
28 Company Act of 1940" mean the federal statutes of those names, as in
29 effect on December 31, 1990.

30 (k) "Security" means a note, stock, treasury stock, bond, debenture,
31 evidence of indebtedness, an interest in a limited liability company or
32 limited liability partnership and any class or series of an interest in a
33 limited liability company or limited liability partnership (including any
34 fractional or other interest in an interest in a limited liability company
35 or limited liability partnership), certificate of interest or participation
36 in a profit-sharing agreement, commodity futures contract, option, put,
37 call, privilege, or other right to purchase or sell a commodity futures
38 contract, margin accounts for the purchase of commodities or
39 commodity futures contracts, collateral-trust certificate,
40 preorganization certificate or subscription, transferable share,
41 investment contract, **viatical settlement contract, any fractional or**
42 **pooled interest in a viatical settlement contract, voting-trust**



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1 certificate, certificate of deposit for a security, certificate of interest or
 2 participation in an oil, gas, or mining title or lease or in payments out
 3 of production under the title or lease, an automatic extension or
 4 rollover of an existing security, or, in general, an interest or instrument
 5 commonly known as a "security", or a certificate of interest or
 6 participation in, temporary or interim certificate for, receipt for,
 7 guarantee of, or warrant, option, or right to subscribe to or purchase,
 8 any of the foregoing. "Security" does not include:

9 (i) (1) an insurance or endowment policy or annuity contract
 10 under which an insurance company promises to pay money either
 11 in a lump sum or periodically for life or some other specified
 12 period;

13 (ii) (2) a contract or trust agreement under which money is paid
 14 pursuant to a charitable remainder annuity trust or a charitable
 15 remainder unitrust (described in Section 664 of the Internal
 16 Revenue Code), or a pooled income fund (described in Section
 17 642(c)(5) of the Internal Revenue Code) or an annuity contract
 18 under which the purchaser receives a charitable contribution
 19 deduction under Section 170 of the Internal Revenue Code; or

20 (iii) (3) an interest in a limited liability company or limited
 21 liability partnership if the person claiming that the interest is not
 22 a security can prove that all of the members of the limited liability
 23 company or limited liability partnership are actively engaged in
 24 the management of the limited liability company or limited
 25 liability partnership.

26 (l) "State" means a state, territory, or possession of the United
 27 States, the District of Columbia, and Puerto Rico.

28 (m) Corporations are "affiliated" during a period of time when either
 29 is the owner of shares of the other representing and possessing fifty
 30 percent (50%) or more of the total combined voting power of all classes
 31 of stock issued by the other corporation and then outstanding and
 32 entitled to vote.

33 (n) "Investment adviser" means a person who holds himself out to
 34 be an investment adviser, or who, for compensation, engages in the
 35 business of advising others, either directly or through publications or
 36 writings, as to the value of securities or as to the advisability of
 37 investing in, purchasing, or selling securities, or who, for compensation
 38 and as a part of a regular business, issues and promulgates analyses or
 39 reports concerning securities. "Investment adviser" does not include
 40 any of the following:

41 (1) A bank, savings institution, or trust company.

42 (2) A lawyer, an accountant, an engineer, or a teacher whose

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- 1 performance of these services is solely incidental to the practice
 2 of the person's profession.
- 3 (3) A broker-dealer or its agent whose performance of these
 4 services is solely incidental to the conduct of the broker-dealer's
 5 business as a broker-dealer and who receives no special
 6 compensation for them.
- 7 (4) A publisher of a bona fide newspaper, news column,
 8 newsletter, news magazine, or business or financial publication or
 9 service, by whatever means communicated, that does not render
 10 advice on the specific investment situation of individual clients.
- 11 (5) An investment adviser representative.
- 12 (6) A person who is an investment adviser to an investment
 13 company registered under the Investment Company Act of 1940
 14 (15 U.S.C. 80a-1 et seq.).
- 15 (7) A person who is registered as an investment adviser under
 16 Section 203 of the Investment Advisers Act of 1940 (15 U.S.C.
 17 80b-3).
- 18 (8) A person who is excluded from the definition of investment
 19 adviser under Section 202(a)(11) of the Investment Advisers Act
 20 of 1940 (15 U.S.C. 80b-2).
- 21 (9) Other persons the commissioner may by rule or order
 22 designate.
- 23 (o) "Transferable share" means a security representing an equity
 24 interest in a corporation or business trust, but does not include the
 25 shares of open-end investment companies (as defined by the
 26 Investment Company Act of 1940, as in effect on December 31, 1990).
- 27 (p) A "qualified transfer agent" means:
- 28 (1) a bank whose deposits are insured by the Bank Insurance Fund
 29 of the Federal Deposit Insurance Corporation; or
- 30 (2) a person, independent of the issuer, approved by the
 31 commissioner by regulation or by individual order in specific
 32 cases.
- 33 (q) "Investment adviser representative" means a person, except a
 34 person in a clerical or ministerial position:
- 35 (1) who is employed by or associated with an investment adviser
 36 registered under this chapter; or
- 37 (2) who has a place of business located in Indiana and is
 38 employed by or associated with a person required to be registered
 39 as an investment adviser under Section 203 of the Investment
 40 Advisers Act of 1940 (15 U.S.C. 80b-3); and
- 41 (3) who:
- 42 (A) makes recommendations or otherwise renders advice

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1 regarding securities;

2 (B) manages accounts or portfolios of clients;

3 (C) determines recommendations or advice that should be
4 given regarding securities;

5 (D) solicits, offers, or negotiates the sale of or sells investment
6 advisory services; or

7 (E) supervises employees who perform a duty described in this
8 subsection.

9 (r) "Accredited investor" means a person who is within any of the
10 following categories, or who the issuer reasonably believes is within
11 any of the following categories, at the time of the sale of securities to
12 the person:

13 (1) A person who meets the definition of "accredited investor" (as
14 defined under the Securities Act of 1933 in 17 CFR 230.215), and
15 in any other rule or regulation modifying the definition adopted
16 by the Securities and Exchange Commission as in effect on
17 December 31, 1990.

18 (2) A person to whom an offer or sale may be made without
19 registration pursuant to section 2(b)(8) or 2(b)(9) of this chapter.

20 (3) Any other person the commissioner may designate by rule or
21 order.

22 (s) "Federal covered security" refers to a security described as a
23 covered security in Section 18(b) of the Securities Act of 1933 (15
24 U.S.C. 77r).

25 (t) "**Viatical settlement contract**" means an agreement for the
26 purchase, sale, assignment, transfer, devise, or bequest of a portion
27 of a death benefit or ownership of a life insurance policy or
28 contract for consideration that is less than the expected death
29 benefit of the life insurance policy or contract. The term does not
30 include the following:

31 (1) A loan by an insurer under the terms of a life insurance
32 policy, including a loan secured by the cash value of a policy.

33 (2) An agreement with a bank, savings bank, savings and loan
34 association, credit union, or other licensed lending institution
35 that takes an assignment of a life insurance policy as collateral
36 for a loan.

37 (3) The provision of accelerated death benefits by an insurer
38 to an insured under the provisions of a life insurance contract.

39 (4) Agreements between an insurer and a reinsurer.

40 (5) An agreement by a person who enters into not more than
41 one (1) such agreement in any five (5) year period to purchase
42 a life insurance policy or contract for the transfer of a life

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1 **insurance policy for a value that is less than the expected**
 2 **death benefit.**

3 SECTION 7. IC 27-1-3-30 IS ADDED TO THE INDIANA CODE
 4 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 5 1, 2000]: **Sec. 30. (a) The commissioner may adopt rules under**
 6 **IC 4-22-2 imposing regulatory requirements on an interinsurance**
 7 **association or reciprocal or interinsurance exchange organized and**
 8 **operating on or before January 1, 1991, for the sole purpose of**
 9 **writing worker's compensation insurance. The rules may require**
 10 **the attorney-in-fact that manages the interinsurance association or**
 11 **reciprocal or interinsurance exchange to satisfy the requirements**
 12 **imposed under this section.**

13 **(b) The requirements imposed under this section may include**
 14 **the duty to submit one (1) or more financial statements specified by**
 15 **the commissioner annually.**

16 **(c) If an entity described in subsection (a) fails to comply with**
 17 **rules adopted under this section, the commissioner may:**

18 **(1) seek:**

19 **(A) an injunction against the entity; and**

20 **(B) a judicial order compelling compliance with the rules;**
 21 **and**

22 **(2) bar the entity from doing business in Indiana for**
 23 **continuing or repeated failure to comply with the rules.**

24 SECTION 8. IC 27-1-12-6 IS AMENDED TO READ AS
 25 FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 6. (a) No policy of**
 26 **life insurance, other than industrial insurance, group life insurance or**
 27 **reinsurance, bearing a date of issue which is the same as or later than**
 28 **a transition date to be selected by the company pursuant to section 12**
 29 **of this chapter, such transition date in no event to be later than January**
 30 **1, 1948, shall be delivered or issued for delivery in this state or issued**
 31 **by a company organized under the laws of this state unless the same**
 32 **shall provide the following:**

33 **(1) That all premiums shall be payable in advance, either at the**
 34 **home office of the company, or to an agent of the company, upon**
 35 **delivery of a receipt signed by one (1) or more of the officers who**
 36 **shall be designated in the policy.**

37 **(2) For a grace period of not less than thirty (30) days for the**
 38 **payment of every premium after the first premium, which may be**
 39 **subject to an interest charge, during which period the insurance**
 40 **shall continue in force; provided, that if the insured shall die**
 41 **within such period of grace the unpaid premium for the current**
 42 **policy year may be deducted in any settlement under the policy.**



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(3) That the policy, together with the application therefor, a copy of which application shall be attached to the policy and made a part thereof, shall constitute the entire contract between the parties and shall:

(A) except as provided in clause (B), be incontestable after it shall have been in force during the lifetime of the insured for two (2) years from its date, or, at the option of the company after it shall have been in force for two (2) years from its date; and

(B) in the event of fraud in connection with an application for life insurance benefits under a policy that is part of a viatical settlement contract (as defined in IC 27-8-19.8-6), be incontestable after the policy has been in force during the lifetime of the insured for six (6) years after the date of issue, or, at the option of the company after the policy has been in force for six (6) years after the date of issue;

except for nonpayment of premiums, and except for violation of the conditions of the policy relating to naval and military service in time of war, and at the option of the company provisions relative to benefits in the event of total and permanent disability and provisions which grant additional insurance specifically against death by accident may also be excepted.

(4) That if the age of the insured and/or beneficiary, if that age enters into the determination of the premiums charged or benefits promised, has been misstated, the amount payable under the policy shall be such as the premium would have purchased at the correct age of the insured and/or beneficiary.

(5) That all statements made by the insured in the application shall, in the absence of fraud, be deemed representations and not warranties.

(6) That, in the case of participating policies, the policy shall participate in the surplus of the company as apportioned by the board of directors of the company, and that, beginning not later than the end of the fifth policy year, the company will determine and account for the portion of the divisible surplus so ascertained accruing on the policy, and that the owner of the policy shall have the right to have the current dividends arising from such participation paid in cash, and that at periods of not more than five (5) years, such accounting and payment at the option of the policyholder shall be had. The owner of the policy may elect to take any of the other dividend options in the policy. If the owner of the policy shall not elect any of the other dividend options

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1 provided in the policy, the apportioned dividends shall be held to
 2 the credit of the policy and be payable in cash at maturity of the
 3 policy or be withdrawable in cash at any anniversary of its date;
 4 provided, however, that if the policy shall contain a provision for
 5 an apportionment of the surplus at the end of the first policy year
 6 and annually thereafter, then and in that event, said policy may
 7 provide that each dividend shall be paid subject to the payment of
 8 the premium of the next ensuing year.

9 (7) Nonforfeiture provisions in accordance with the requirements
 10 of section 7 of this chapter.

11 (8) That the company, at any time while the policy is in force, will
 12 loan, on the execution of a proper assignment of the policy, and
 13 on the sole security thereof, at a specified rate of interest (payable
 14 in advance if the company so elects), a sum, which, together with
 15 the sum of:

16 (A) previously existing indebtedness, if any, including interest
 17 thereon to the end of the current policy year; and

18 (B) interest to the end of the current policy year on the amount
 19 newly loaned;

20 is equal to or, at the option of the insured, less than the cash
 21 surrender value at the end of the current policy year as provided
 22 for by the policy in accordance with the terms of section 7 of this
 23 chapter; provided, that the company may, as a condition precedent
 24 to the making of such loan, and at its own option, require the
 25 payment of the unpaid balance, if any, of the premium or
 26 premiums for the current policy year, and may require the
 27 payment of interest in advance on the total loan to the end of the
 28 current policy year. The policy may provide that, if interest on the
 29 loan is not paid when due, it shall be added to the existing loan
 30 and become a part thereof and bear interest at the same rate as the
 31 loan. It shall further be stipulated in the policy that failure to
 32 repay any such loan or pay interest thereon shall not void the
 33 policy unless such total indebtedness to the company shall equal
 34 or exceed such cash surrender value at the time of such failure,
 35 nor until thirty (30) days after notice shall have been mailed by
 36 the company to the last known address of the insured and to the
 37 assignee, if any, if such assignee has notified the company of his
 38 address. No condition other than as provided in this subdivision
 39 shall be exacted as prerequisite to any such loan. The company
 40 shall reserve the right to defer the granting of any loan, except
 41 when made to pay premiums on a policy or policies issued by it,
 42 for six (6) months after application therefor is made. The



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1 provisions of this subdivision shall not be required in term
 2 policies nor shall they apply to paid-up insurance issued or
 3 granted in exchange for lapsed or surrendered policies.

4 (9) That, should there have been default in premium payment and
 5 the value of the policy applied to the extension of the insurance,
 6 and such insurance be in force and the original policy not
 7 surrendered to the company and canceled, the policy may be
 8 reinstated within three (3) years from the due date of the premium
 9 in default, upon evidence of insurability satisfactory to the
 10 company and payment of arrears of premiums with interest.

11 (10) That when a policy shall become a claim by the death of the
 12 insured, settlement shall be made upon receipt of due proof of
 13 death and of the interest of the claimant and not later than two (2)
 14 months after receipt of such proof.

15 (11) A title on the face and on the back of the policy describing
 16 the same.

17 (b) Any of the provisions of subsection (a) not applicable to single
 18 premium policies shall to that extent not be incorporated therein. The
 19 provisions of subsection (a) shall not apply to policies issued on
 20 substandard, underaverage, or impaired risks. Any policy may be
 21 issued or delivered in this state which in the opinion of the department
 22 contains provisions on any one (1) or more of the several requirements
 23 of subsection (a) more favorable to the policyholder than those required
 24 in subsection (a).

25 SECTION 9. IC 27-1-12-41 IS AMENDED TO READ AS
 26 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 41. (a) A policy of
 27 group life insurance may not be delivered in Indiana unless it contains
 28 in substance:

29 (1) the provisions described in subsection (b); or

30 (2) provisions that, in the opinion of the commissioner, are:

31 (A) more favorable to the persons insured; or

32 (B) at least as favorable to the persons insured and more
 33 favorable to the policyholder;

34 than the provisions set forth in subsection (b).

35 (b) The provisions referred to in subsection (a)(1) are as follows:

36 (1) A provision that the policyholder is entitled to a grace period
 37 of thirty-one (31) days for the payment of any premium due
 38 except the first, during which grace period the death benefit
 39 coverage shall continue in force, unless the policyholder has
 40 given the insurer written notice of discontinuance in advance of
 41 the date of discontinuance and in accordance with the terms of the
 42 policy. The policy may provide that the policyholder is liable to

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1 the insurer for the payment of a pro rata premium for the time the
2 policy was in force during the grace period.

3 (2) A provision that the validity of the policy may not be
4 contested ~~except for nonpayment of premiums; after the policy~~
5 ~~has been in force for two (2) years after its date of issue and that~~
6 ~~no statement made by a person insured under the policy relating~~
7 ~~to the person's insurability may be used in contesting the validity~~
8 ~~of the insurance with respect to which the statement was made;~~
9 ~~unless: except as provided in clause (A), (B), (C), or (D):~~

10 (A) ~~the insurance has not been in force for a period of two (2)~~
11 ~~years or longer during the person's lifetime; or The validity of~~
12 ~~a policy may be contested at any time for nonpayment of~~
13 ~~premiums.~~

14 (B) ~~the statement is contained in a written instrument signed~~
15 ~~by the insured person. The validity of a policy may be~~
16 ~~contested based on a statement made by a person insured~~
17 ~~under the policy that relates to the person's insurability if:~~

18 (i) ~~the statement is set forth in a written instrument~~
19 ~~signed by the insured; and~~

20 (ii) ~~the policy has not been in force for two (2) years after~~
21 ~~the date of issue.~~

22 (C) ~~The validity of a policy may be contested based on a~~
23 ~~statement made by a person insured under the policy that~~
24 ~~relates to the person's insurability if:~~

25 (i) ~~the policy has not been in force for at least two (2)~~
26 ~~years during the person's lifetime; and~~

27 (ii) ~~the policy has not been in force for two (2) years after~~
28 ~~its date of issue.~~

29 (D) ~~The validity of a policy that is part of a viatical~~
30 ~~settlement contract (as defined in IC 27-8-19.8-6) may be~~
31 ~~contested on the grounds of fraud in connection with an~~
32 ~~application for life insurance benefits under the policy~~
33 ~~until the policy has been in force for six (6) years after the~~
34 ~~date of issue.~~

35 However, a provision under this subdivision may not preclude the
36 assertion at any time of defenses based upon provisions in the
37 policy that relate to eligibility for coverage.

38 (3) A provision that a copy of the application, if any, of the
39 policyholder must be attached to the policy when issued, that all
40 statements made by the policyholder or by the persons insured are
41 to be deemed representations and not warranties, and that no
42 statement made by any person insured may be used in any contest

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- 1 unless a copy of the instrument containing the statement is or has
 2 been furnished to the insured person or, in the event of death or
 3 incapacity of the insured person, to the insured person's
 4 beneficiary or personal representative.
- 5 (4) A provision setting forth the conditions, if any, under which
 6 the insurer reserves the right to require a person eligible for
 7 insurance to furnish evidence of individual insurability
 8 satisfactory to the insurer as a condition to part or all of the
 9 person's coverage.
- 10 (5) A provision specifying an equitable adjustment of premiums,
 11 benefits, or both to be made in the event the age of a person
 12 insured has been misstated. A provision under this subdivision
 13 must contain a clear statement of the method of adjustment to be
 14 made.
- 15 (6) A provision that any sum becoming due by reason of the death
 16 of the person insured must be payable to the beneficiary
 17 designated by the person insured. However, if a policy contains
 18 conditions pertaining to family status, the beneficiary may be the
 19 family member specified by the policy terms, subject to the
 20 provisions of the policy in the event there is no designated
 21 beneficiary, as to all or any part of the sum, living at the death of
 22 the person insured, and subject to any right reserved by the
 23 insurer in the policy and set forth in the certificate to pay at its
 24 option a part of the sum not exceeding two thousand dollars
 25 (\$2,000) to any person appearing to the insurer to be equitably
 26 entitled to that payment by reason of having incurred funeral or
 27 other expenses incident to the last illness or death of the person
 28 insured.
- 29 (7) A provision that the insurer will issue to the policyholder, for
 30 delivery to each person insured, a certificate setting forth a
 31 statement that:
- 32 (A) explains the insurance protection to which the person
 - 33 insured is entitled;
 - 34 (B) indicates to whom the insurance benefits are payable;
 - 35 (C) explains any dependent's coverage included in the
 - 36 certificate; and
 - 37 (D) sets forth the rights and conditions that apply to the person
 - 38 under subdivisions (8), (9), (10), and (11).
- 39 (8) A provision that if the insurance, or any portion of it, on a
 40 person covered under the policy, or on the dependent of a person
 41 covered, ceases because of termination of employment or
 42 termination of membership in the class or classes eligible for

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coverage under the policy, the person or dependent is entitled, without evidence of insurability, to an individual policy of life insurance issued to the person or dependent by the insurer without disability or other supplementary benefits, provided that an application for the individual policy is made and that the first premium is paid to the insurer within thirty-one (31) days after the termination, and provided further that:

(A) the individual policy must, at the option of the person or dependent, be on any one (1) of the forms then customarily issued by the insurer at the age and for the amount applied for, except that the group policy may exclude the option to elect term insurance;

(B) the individual policy must 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 or dependent becomes eligible under the same policy or any other group policy within thirty-one (31) days after the termination (however, 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 (1) sum, in installments, or in the form of an annuity, may not, for the purposes of this clause, be included in the amount of insurance that is considered to cease because of the termination); and

(C) the premium on the individual policy must be at the insurer's then customary rate applicable to the form and amount of the individual policy, to the class of risk to which the person or dependent then belongs, and to the individual age attained by the person or dependent on the effective date of the individual policy.

Subject to the conditions set forth in this subdivision, the conversion privilege created by this subdivision must be available to a surviving dependent of a person covered under a group policy, with respect to the coverage under the group policy that terminates by reason of the death of the person covered, and to the dependent of an employee or member after termination of the coverage of the dependent because the dependent ceases to be a qualified family member under the group policy, while the employee or member remains insured under the group policy.

(9) A provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons, every person insured under the policy at the date of the

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1 termination whose insurance terminates, including the insured
 2 dependent of a covered person, and who has been so insured for
 3 at least five (5) years before the termination date, is entitled to
 4 have issued by the insurer an individual policy of life insurance,
 5 subject to the same conditions and limitations as are provided in
 6 subdivision (8), except that the group policy may provide that the
 7 amount of the individual policy may not exceed the lesser of:

8 (A) the amount of the person's life insurance protection that is
 9 ceasing because of the termination or amendment of the group
 10 policy, less the amount of any life insurance for which the
 11 person is eligible or becomes eligible under a group policy
 12 issued or reinstated by the same insurer or another insurer
 13 within thirty-one (31) days after the termination; or

14 (B) ten thousand dollars (\$10,000).

15 (10) A provision that if a person insured under the group policy,
 16 or the insured dependent of a covered person, dies during the
 17 period within which the covered person or dependent would have
 18 been entitled to have an individual policy issued under
 19 subdivision (8) or (9) or before such an individual policy becomes
 20 effective, the amount of life insurance that the covered person or
 21 dependent would have been entitled to have issued under an
 22 individual policy is payable as a claim under the group policy,
 23 whether or not application for the individual policy or the
 24 payment of the first premium for the individual policy has been
 25 made.

26 (11) If active employment is a condition of insurance, a provision
 27 that an insured may continue coverage during the insured's total
 28 disability by timely payment to the policyholder of that portion,
 29 if any, of the premium that would have been required for the
 30 insured had total disability not occurred. The continuation of
 31 coverage under this subdivision on a premium paying basis must
 32 extend for a period of six (6) months from the date on which the
 33 total disability started, but not beyond the earlier of:

34 (A) the date of approval by the insurer of continuation of the
 35 coverage under any disability provision that the group
 36 insurance policy may contain; or

37 (B) the date of discontinuance of the group insurance policy.

38 (12) In the case of a policy insuring the lives of debtors, a
 39 provision that the insurer will furnish to the policyholder, for
 40 delivery to each debtor insured under the policy, a certificate of
 41 insurance describing the coverage and specifying that the death
 42 benefit will first be applied to reduce or extinguish the

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1 indebtedness.

2 (c) Subsections (b)(6) through (b)(11) do not apply to policies
3 insuring the lives of debtors. The standard provisions required under
4 ~~IC 27-1-12~~ **this chapter** for individual life insurance policies do not
5 apply to group life insurance policies.

6 (d) If a group life insurance policy is on a plan of insurance other
7 than the group plan, it must contain a nonforfeiture provision that, in
8 the opinion of the commissioner, is equitable to the insured persons
9 and to the policyholder. However, group life insurance policies need
10 not contain the same nonforfeiture provisions as are required for
11 individual life insurance policies under ~~IC 27-1-12~~ **this chapter**.

12 SECTION 10. IC 27-1-12-44 IS ADDED TO THE INDIANA
13 CODE AS A NEW SECTION TO READ AS FOLLOWS
14 [EFFECTIVE JULY 1, 2000]: **Sec. 44. A life insurance policy that is**
15 **issued, delivered, amended, or renewed after June 30, 2000, must**
16 **contain a provision that:**

- 17 (1) **accelerates the death benefit for terminal illness; and**
18 (2) **provides the option of a lump sum payment of the death**
19 **benefit.**

20 SECTION 11. IC 27-8-19.8-6 IS AMENDED TO READ AS
21 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. As used in this
22 chapter, "viatical settlement contract" means ~~a written an~~ agreement
23 ~~between a viatical settlement provider and a viator under the terms of~~
24 ~~which the viatical settlement provider gives anything of value to the~~
25 ~~viator; which for the purchase, sale, assignment, transfer, devise, or~~
26 ~~bequest of a portion of the death benefit or ownership of a life~~
27 ~~insurance policy or contract for consideration that is less than the~~
28 ~~expected death benefit of the life insurance policy in return for the~~
29 ~~viator's assignment, bequest, devise, sale, or transfer of all of the death~~
30 ~~benefit, certificate, or ownership of the insurance policy to the viatical~~
31 ~~settlement provider. or contract.~~ The term does not include ~~the~~
32 **following:**

- 33 (1) A loan by a ~~life insurance company~~ **an insurer** under the
34 terms of a life insurance policy, including a loan secured by the
35 cash value of a policy.
36 (2) **An agreement with a bank, savings bank, savings and loan**
37 **association, credit union, or other licensed lending institution**
38 **that takes an assignment of a life insurance policy as collateral**
39 **for a loan.**
40 (3) **The provision of accelerated death benefits by an insurer**
41 **to an insured under the provisions of a life insurance contract.**
42 (4) **Agreements between an insurer and a reinsurer.**



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(5) An agreement by a person who enters into not more than one (1) such agreement in any five (5) year period to purchase a life insurance policy or contract for the transfer of a life insurance policy for a value that is less than the expected death benefit.

SECTION 12. IC 31-30-1-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 2. Except as provided in IC 33-5-29.5-4-~~IC 33-5-35.1-4~~, and section 8 of this chapter, the juvenile law does not apply to the following:

- (1) A child at least sixteen (16) years of age who allegedly committed a violation of a traffic law, the violation of which is a misdemeanor, unless the violation is an offense under IC 9-30-5.
- (2) A child who is alleged to have committed a violation of a statute defining an infraction, except as provided under IC 7.1-5-7 **and IC 22-11-14-8.5.**
- (3) A child who is alleged to have committed a violation of an ordinance.
- (4) A child who:
 - (A) is alleged to have committed an act that would be a crime if committed by an adult; and
 - (B) has previously been waived under IC 31-30-3 (or IC 31-6-2-4 before its repeal) to a court having misdemeanor or felony jurisdiction.

SECTION 13. IC 31-37-2-7 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: **Sec. 7. A child commits a delinquent act if, before becoming sixteen (16) years of age, the child violates IC 22-11-14-8.5 concerning minors and the purchase of fireworks.**

SECTION 14. IC 22-11-14-8 IS REPEALED [EFFECTIVE JULY 1, 2000].

SECTION 15. **An emergency is declared for this act.**

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SENATE MOTION

Mr. President: I move that Senator Mrvan be added as second author to Senate Bill 233.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Insurance and Financial Institutions, to which was referred Senate Bill No. 233, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 10, delete lines 12 through 42.

Delete pages 11 through 13.

Page 14, delete lines 1 through 19.

Re-number all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 233 as introduced.)

PAUL, Chairperson

Committee Vote: Yeas 7, Nays 0.

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SENATE MOTION

Mr. President: I move that Senate Bill 233 be amended to read as follows:

Replace the effective dates in SECTIONS 1 through 3 with "[EFFECTIVE UPON PASSAGE]".

Page 1, line 5, strike "IC 23-2-1-15(a)" and insert "**section 15(a) of this chapter**".

Page 4, line 27, strike "(i)" and insert "**(1)**".

Page 4, line 30, strike "(ii)" and insert "**(2)**".

Page 4, line 37, strike "(iii)" and insert "**(3)**".

Page 7, line 42, delete "shall, except in the event of fraud," and insert "shall:

(A) except as provided in clause (B),"

Page 8, line 3, after "date" delete ", " and insert "**;** and

(B) in the event of fraud in connection with an application for life insurance benefits under a policy that is part of a viatical settlement contract (as defined in IC 27-8-19.8-6), be incontestable after the policy has been in force during the lifetime of the insured for six (6) years after the date of issue, or, at the option of the company after the policy has been in force for six (6) years after the date of issue;".

Page 8, line 4, begin a new line blocked left beginning with "except".

Page 10, between lines 11 and 12, begin a new paragraph and insert:

"SECTION 3. IC 27-1-12-41 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 41. (a) A policy of group life insurance may not be delivered in Indiana unless it contains in substance:

(1) the provisions described in subsection (b); or

(2) provisions that, in the opinion of the commissioner, are:

(A) more favorable to the persons insured; or

(B) at least as favorable to the persons insured and more favorable to the policyholder;

than the provisions set forth in subsection (b).

(b) The provisions referred to in subsection (a)(1) are as follows:

(1) A provision that the policyholder is entitled to a grace period of thirty-one (31) days for the payment of any premium due except the first, during which grace period the death benefit coverage shall continue in force, unless the policyholder has given the insurer written notice of discontinuance in advance of the date of discontinuance and in accordance with the terms of the policy. The policy may provide that the policyholder is liable to



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the insurer for the payment of a pro rata premium for the time the policy was in force during the grace period.

(2) A provision that the validity of the policy may not be contested ~~except for nonpayment of premiums; after the policy has been in force for two (2) years after its date of issue; and that no statement made by a person insured under the policy relating to the person's insurability may be used in contesting the validity of the insurance with respect to which the statement was made; unless: except as provided in clause (A), (B), (C), or (D):~~

~~(A) the insurance has not been in force for a period of two (2) years or longer during the person's lifetime; or The validity of a policy may be contested at any time for nonpayment of premiums.~~

~~(B) the statement is contained in a written instrument signed by the insured person. The validity of a policy may be contested based on a statement made by a person insured under the policy that relates to the person's insurability if:~~

~~(i) the statement is set forth in a written instrument signed by the insured; and~~

~~(ii) the policy has not been in force for two (2) years after the date of issue.~~

~~(C) The validity of a policy may be contested based on a statement made by a person insured under the policy that relates to the person's insurability if:~~

~~(i) the policy has not been in force for at least two (2) years during the person's lifetime; and~~

~~(ii) the policy has not been in force for two (2) years after its date of issue.~~

~~(D) The validity of a policy that is part of a viatical settlement contract (as defined in IC 27-8-19.8-6) may be contested on the grounds of fraud in connection with an application for life insurance benefits under the policy until the policy has been in force for six (6) years after the date of issue.~~

However, a provision under this subdivision may not preclude the assertion at any time of defenses based upon provisions in the policy that relate to eligibility for coverage.

(3) A provision that a copy of the application, if any, of the policyholder must be attached to the policy when issued, that all statements made by the policyholder or by the persons insured are to be deemed representations and not warranties, and that no statement made by any person insured may be used in any contest

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unless a copy of the instrument containing the statement is or has been furnished to the insured person or, in the event of death or incapacity of the insured person, to the insured person's beneficiary or personal representative.

(4) A provision setting forth the conditions, if any, under which the insurer reserves the right to require a person eligible for insurance to furnish evidence of individual insurability satisfactory to the insurer as a condition to part or all of the person's coverage.

(5) A provision specifying an equitable adjustment of premiums, benefits, or both to be made in the event the age of a person insured has been misstated. A provision under this subdivision must contain a clear statement of the method of adjustment to be made.

(6) A provision that any sum becoming due by reason of the death of the person insured must be payable to the beneficiary designated by the person insured. However, if a policy contains conditions pertaining to family status, the beneficiary may be the family member specified by the policy terms, subject to the provisions of the policy in the event there is no designated beneficiary, as to all or any part of the sum, living at the death of the person insured, and subject to any right reserved by the insurer in the policy and set forth in the certificate to pay at its option a part of the sum not exceeding two thousand dollars (\$2,000) to any person appearing to the insurer to be equitably entitled to that payment by reason of having incurred funeral or other expenses incident to the last illness or death of the person insured.

(7) A provision that the insurer will issue to the policyholder, for delivery to each person insured, a certificate setting forth a statement that:

(A) explains the insurance protection to which the person insured is entitled;

(B) indicates to whom the insurance benefits are payable;

(C) explains any dependent's coverage included in the certificate; and

(D) sets forth the rights and conditions that apply to the person under subdivisions (8), (9), (10), and (11).

(8) A provision that if the insurance, or any portion of it, on a person covered under the policy, or on the dependent of a person covered, ceases because of termination of employment or termination of membership in the class or classes eligible for

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coverage under the policy, the person or dependent is entitled, without evidence of insurability, to an individual policy of life insurance issued to the person or dependent by the insurer without disability or other supplementary benefits, provided that an application for the individual policy is made and that the first premium is paid to the insurer within thirty-one (31) days after the termination, and provided further that:

(A) the individual policy must, at the option of the person or dependent, be on any one (1) of the forms then customarily issued by the insurer at the age and for the amount applied for, except that the group policy may exclude the option to elect term insurance;

(B) the individual policy must 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 or dependent becomes eligible under the same policy or any other group policy within thirty-one (31) days after the termination (however, 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 (1) sum, in installments, or in the form of an annuity, may not, for the purposes of this clause, be included in the amount of insurance that is considered to cease because of the termination); and

(C) the premium on the individual policy must be at the insurer's then customary rate applicable to the form and amount of the individual policy, to the class of risk to which the person or dependent then belongs, and to the individual age attained by the person or dependent on the effective date of the individual policy.

Subject to the conditions set forth in this subdivision, the conversion privilege created by this subdivision must be available to a surviving dependent of a person covered under a group policy, with respect to the coverage under the group policy that terminates by reason of the death of the person covered, and to the dependent of an employee or member after termination of the coverage of the dependent because the dependent ceases to be a qualified family member under the group policy, while the employee or member remains insured under the group policy.

(9) A provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons, every person insured under the policy at the date of the

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termination whose insurance terminates, including the insured dependent of a covered person, and who has been so insured for at least five (5) years before the termination date, is entitled to have issued by the insurer an individual policy of life insurance, subject to the same conditions and limitations as are provided in subdivision (8), except that the group policy may provide that the amount of the individual policy may not exceed the lesser of:

(A) the amount of the person's life insurance protection that is ceasing because of the termination or amendment of the group policy, less the amount of any life insurance for which the person is eligible or becomes eligible under a group policy issued or reinstated by the same insurer or another insurer within thirty-one (31) days after the termination; or

(B) ten thousand dollars (\$10,000).

(10) A provision that if a person insured under the group policy, or the insured dependent of a covered person, dies during the period within which the covered person or dependent would have been entitled to have an individual policy issued under subdivision (8) or (9) or before such an individual policy becomes effective, the amount of life insurance that the covered person or dependent would have been entitled to have issued under an individual policy is payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium for the individual policy has been made.

(11) If active employment is a condition of insurance, a provision that an insured may continue coverage during the insured's total disability by timely payment to the policyholder of that portion, if any, of the premium that would have been required for the insured had total disability not occurred. The continuation of coverage under this subdivision on a premium paying basis must extend for a period of six (6) months from the date on which the total disability started, but not beyond the earlier of:

(A) the date of approval by the insurer of continuation of the coverage under any disability provision that the group insurance policy may contain; or

(B) the date of discontinuance of the group insurance policy.

(12) In the case of a policy insuring the lives of debtors, a provision that the insurer will furnish to the policyholder, for delivery to each debtor insured under the policy, a certificate of insurance describing the coverage and specifying that the death benefit will first be applied to reduce or extinguish the

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indebtedness.

(c) Subsections (b)(6) through (b)(11) do not apply to policies insuring the lives of debtors. The standard provisions required under ~~IC 27-1-12~~ **this chapter** for individual life insurance policies do not apply to group life insurance policies.

(d) If a group life insurance policy is on a plan of insurance other than the group plan, it must contain a nonforfeiture provision that, in the opinion of the commissioner, is equitable to the insured persons and to the policyholder. However, group life insurance policies need not contain the same nonforfeiture provisions as are required for individual life insurance policies under ~~IC 27-1-12~~ **this chapter**."

Page 10, after line 39, begin a new paragraph and insert:

"SECTION 5. **An emergency is declared for this act.**".

Renumber all SECTIONS consecutively.

(Reference is to SB 233 as printed January 25, 2000.)

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Insurance, Corporations and Small Business, to which was referred Senate Bill 233, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete the title and insert the following:

A BILL FOR AN ACT to amend the Indiana Code concerning insurance, public libraries, and fireworks.

Delete everything after the enacting clause and insert the following:

(SEE TEXT OF BILL)

and when so amended that said bill do pass.

(Reference is to SB 233 as reprinted January 28, 2000.)

FRY, Chair

Committee Vote: yeas 11, nays 1.

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HOUSE MOTION

Mr. Speaker: I move that Engrossed Senate Bill 233 be amended to read as follows:

Page 1, between lines 16 and 17, begin a new line block indented and insert:

"(2) a retailer from selling common fireworks to a person who is at least sixteen (16) years of age;".

Page 1, line 17, strike "(2)" and insert "(3)".

Page 2, line 2, strike "(3)" and insert "(4)".

Page 2, line 6, strike "(4)" and insert "(5)".

Page 2, line 8, strike "(5)" and insert "(6)".

Page 2, line 13, strike "(6)" and insert "(7)".

Page 2, line 35, strike "8,".

Page 4, after line 22, begin a new paragraph and insert:

"SECTION 11. IC 22-11-14-8 IS REPEALED [EFFECTIVE JULY 1, 2000]."

(Reference is to ESB 233 a printed February 17, 2000.)

TINCHER

 HOUSE MOTION

Mr. Speaker: I move that Engrossed Senate Bill 233 be amended to read as follows:

Page 3, between lines 5 and 6, begin a new paragraph and insert:

"SECTION 6. IC 23-2-1-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. As used in this chapter, unless the context otherwise requires:

(a) "Commissioner" means the securities commissioner provided for in ~~IC 23-2-1-15(a)~~: **section 15(a) of this chapter.**

(b) "Agent" means an individual, other than a broker-dealer, who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities. A partner, officer, or director of a broker-dealer or issuer or a person occupying a similar status or performing similar functions is an agent only if the person effects or attempts to effect a purchase or sale of securities in Indiana. "Agent" does not include an individual who represents an issuer in:

(1) effecting transactions in a security exempted by section 2(a)(1), 2(a)(2), 2(a)(3), 2(a)(6), 2(a)(7), or 2(a)(10) of this

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chapter;

(2) effecting transactions exempted by section 2(b) of this chapter;

(3) effecting transactions with existing employees, partners, or directors of the issuer, if no commission or other remuneration is paid or given directly or indirectly for soliciting a person in Indiana; or

(4) effecting transactions in Indiana limited to those transactions described in Section 15(h)(2) of the Securities Exchange Act of 1934 (15 U.S.C. 78o).

(c) "Broker-dealer" means a person engaged in the business of effecting offers, sales, or purchases of securities for the account of others or for the person's own account. "Broker-dealer" does not include:

(1) an agent;

(2) an issuer with respect to the offer or sale of the issuer's own securities;

(3) a bank, savings institution, or trust company; or

(4) a person who has no place of business in Indiana if the person effects transactions in Indiana exclusively with:

(i) the issuers of the securities involved in the transactions;

(ii) other broker-dealers; or

(iii) banks, savings institutions, trust companies, insurance companies, investment companies (as defined in the Investment Company Act of 1940, as in effect on December 31, 1990), pension or profit-sharing trusts, or other financial institutions or institutional buyers, whether acting for themselves or as trustees, whether or not the offeror or any of the offerees is then present in Indiana.

(d) "Fraud", "fraudulent", "deceit", and "defraud" mean a misrepresentation of a material fact, a promise or representation or prediction not made honestly or in good faith, or the failure to disclose a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. This definition does not limit or diminish the full meaning of those terms as applied by or defined in courts of law or equity. These terms are not limited to common law deceit.

(e) "Guaranteed" means guaranteed as to payment of principal, interest, or dividends.

(f) "Issuer" means a person who issues or proposes to issue a security, except that with respect to certificates of deposit, voting-trust certificates, or collateral-trust certificates, or with respect to certificates

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of interest or shares in an unincorporated investment trust not having a board of directors or person performing similar functions or of the fixed, restricted management, or unit type. The term "issuer" means the person or persons performing the acts and assuming the duties of depository or manager pursuant to the provisions of the trust or other agreement or instrument under which the security is issued.

(g) "Nonissuer" means not directly or indirectly for the benefit of the issuer.

(h) "Person" means an individual, a corporation, a limited liability company, a partnership, an association, a joint-stock company, a trust where the interests of the beneficiaries are evidenced by a security, an unincorporated organization, a government, or a political subdivision of a government.

(i)(1) "Sale" or "sell" means a contract of sale of, contract to sell, or disposition of, a security, or interest in a security for value.

(2) "Offer" or "offer to sell" means an attempt or offer to dispose of, or solicitation of an offer to purchase, a security, or interest in a security for value.

(3) "Transaction" and "transactions" include the meanings of "sale", "sell", "offer", "offer to sell", and "purchase".

(4) "Purchase" means an acquisition, direct or indirect, of a security or an interest in a security for value.

(5) A security given or delivered with, or as a bonus on account of, a purchase of securities or any other thing is considered to constitute part of the subject of the purchase and to have been offered and sold for value.

(6) A purported gift of assessable stock is considered to involve an offer and sale.

(7) A sale or offer of a warrant or right to purchase or subscribe to another security of the same or another issuer, as well as a sale or offer of a security that gives the holder a present or future right or privilege to convert into another security of the same or another issuer, is considered to include an offer of the other security.

(8) The terms defined in this subsection do not include:

(i) a bona fide secured transaction in or loan of outstanding securities;

(ii) a stock dividend, whether the corporation distributing the dividend is the issuer of the stock or not, if nothing of value is given by the stockholders for the dividend other than the surrender of a right to a cash or property dividend when each stockholder may elect to take the dividend in cash or property or in stock; or



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(iii) an act incident to a judicially approved reorganization in which a security is issued in exchange for one (1) or more outstanding securities, claims, or property interests, or partly in such exchange and partly for cash.

(j) "Securities Act of 1933", "Securities Exchange Act of 1934", "Public Utility Holding Company Act of 1935", and "Investment Company Act of 1940" mean the federal statutes of those names, as in effect on December 31, 1990.

(k) "Security" means a note, stock, treasury stock, bond, debenture, evidence of indebtedness, an interest in a limited liability company or limited liability partnership and any class or series of an interest in a limited liability company or limited liability partnership (including any fractional or other interest in an interest in a limited liability company or limited liability partnership), certificate of interest or participation in a profit-sharing agreement, commodity futures contract, option, put, call, privilege, or other right to purchase or sell a commodity futures contract, margin accounts for the purchase of commodities or commodity futures contracts, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, **viatical settlement contract, any fractional or pooled interest in a viatical settlement contract**, voting-trust certificate, certificate of deposit for a security, certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under the title or lease, an automatic extension or rollover of an existing security, or, in general, an interest or instrument commonly known as a "security", or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant, option, or right to subscribe to or purchase, any of the foregoing. "Security" does not include:

(~~ti~~) (1) an insurance or endowment policy or annuity contract under which an insurance company promises to pay money either in a lump sum or periodically for life or some other specified period;

(~~tii~~) (2) a contract or trust agreement under which money is paid pursuant to a charitable remainder annuity trust or a charitable remainder unitrust (described in Section 664 of the Internal Revenue Code), or a pooled income fund (described in Section 642(c)(5) of the Internal Revenue Code) or an annuity contract under which the purchaser receives a charitable contribution deduction under Section 170 of the Internal Revenue Code; or

(~~tiii~~) (3) an interest in a limited liability company or limited liability partnership if the person claiming that the interest is not

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a security can prove that all of the members of the limited liability company or limited liability partnership are actively engaged in the management of the limited liability company or limited liability partnership.

(l) "State" means a state, territory, or possession of the United States, the District of Columbia, and Puerto Rico.

(m) Corporations are "affiliated" during a period of time when either is the owner of shares of the other representing and possessing fifty percent (50%) or more of the total combined voting power of all classes of stock issued by the other corporation and then outstanding and entitled to vote.

(n) "Investment adviser" means a person who holds himself out to be an investment adviser, or who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as a part of a regular business, issues and promulgates analyses or reports concerning securities. "Investment adviser" does not include any of the following:

- (1) A bank, savings institution, or trust company.
- (2) A lawyer, an accountant, an engineer, or a teacher whose performance of these services is solely incidental to the practice of the person's profession.
- (3) A broker-dealer or its agent whose performance of these services is solely incidental to the conduct of the broker-dealer's business as a broker-dealer and who receives no special compensation for them.
- (4) A publisher of a bona fide newspaper, news column, newsletter, news magazine, or business or financial publication or service, by whatever means communicated, that does not render advice on the specific investment situation of individual clients.
- (5) An investment adviser representative.
- (6) A person who is an investment adviser to an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.).
- (7) A person who is registered as an investment adviser under Section 203 of the Investment Advisers Act of 1940 (15 U.S.C. 80b-3).
- (8) A person who is excluded from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-2).
- (9) Other persons the commissioner may by rule or order



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designate.

(o) "Transferable share" means a security representing an equity interest in a corporation or business trust, but does not include the shares of open-end investment companies (as defined by the Investment Company Act of 1940, as in effect on December 31, 1990).

(p) A "qualified transfer agent" means:

(1) a bank whose deposits are insured by the Bank Insurance Fund of the Federal Deposit Insurance Corporation; or

(2) a person, independent of the issuer, approved by the commissioner by regulation or by individual order in specific cases.

(q) "Investment adviser representative" means a person, except a person in a clerical or ministerial position:

(1) who is employed by or associated with an investment adviser registered under this chapter; or

(2) who has a place of business located in Indiana and is employed by or associated with a person required to be registered as an investment adviser under Section 203 of the Investment Advisers Act of 1940 (15 U.S.C. 80b-3); and

(3) who:

(A) makes recommendations or otherwise renders advice regarding securities;

(B) manages accounts or portfolios of clients;

(C) determines recommendations or advice that should be given regarding securities;

(D) solicits, offers, or negotiates the sale of or sells investment advisory services; or

(E) supervises employees who perform a duty described in this subsection.

(r) "Accredited investor" means a person who is within any of the following categories, or who the issuer reasonably believes is within any of the following categories, at the time of the sale of securities to the person:

(1) A person who meets the definition of "accredited investor" (as defined under the Securities Act of 1933 in 17 CFR 230.215), and in any other rule or regulation modifying the definition adopted by the Securities and Exchange Commission as in effect on December 31, 1990.

(2) A person to whom an offer or sale may be made without registration pursuant to section 2(b)(8) or 2(b)(9) of this chapter.

(3) Any other person the commissioner may designate by rule or order.

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(s) "Federal covered security" refers to a security described as a covered security in Section 18(b) of the Securities Act of 1933 (15 U.S.C. 77r).

(t) **"Viatical settlement contract" means an agreement for the purchase, sale, assignment, transfer, devise, or bequest of a portion of a death benefit or ownership of a life insurance policy or contract for consideration that is less than the expected death benefit of the life insurance policy or contract. The term does not include the following:**

- (1) A loan by an insurer under the terms of a life insurance policy, including a loan secured by the cash value of a policy.**
- (2) An agreement with a bank, savings bank, savings and loan association, credit union, or other licensed lending institution that takes an assignment of a life insurance policy as collateral for a loan.**
- (3) The provision of accelerated death benefits by an insurer to an insured under the provisions of a life insurance contract.**
- (4) Agreements between an insurer and a reinsurer.**
- (5) An agreement by a person who enters into not more than one (1) such agreement in any five (5) year period to purchase a life insurance policy or contract for the transfer of a life insurance policy for a value that is less than the expected death benefit."**

Page 3, between lines 26 and 27, begin a new paragraph and insert:

"SECTION 8. IC 27-1-12-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. (a) No policy of life insurance, other than industrial insurance, group life insurance or reinsurance, bearing a date of issue which is the same as or later than a transition date to be selected by the company pursuant to section 12 of this chapter, such transition date in no event to be later than January 1, 1948, shall be delivered or issued for delivery in this state or issued by a company organized under the laws of this state unless the same shall provide the following:

- (1) That all premiums shall be payable in advance, either at the home office of the company, or to an agent of the company, upon delivery of a receipt signed by one (1) or more of the officers who shall be designated in the policy.
- (2) For a grace period of not less than thirty (30) days for the payment of every premium after the first premium, which may be subject to an interest charge, during which period the insurance shall continue in force; provided, that if the insured shall die within such period of grace the unpaid premium for the current



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policy year may be deducted in any settlement under the policy.

(3) That the policy, together with the application therefor, a copy of which application shall be attached to the policy and made a part thereof, shall constitute the entire contract between the parties and shall:

(A) except as provided in clause (B), be incontestable after it shall have been in force during the lifetime of the insured for two (2) years from its date, or, at the option of the company after it shall have been in force for two (2) years from its date; and

(B) in the event of fraud in connection with an application for life insurance benefits under a policy that is part of a viatical settlement contract (as defined in IC 27-8-19.8-6), be incontestable after the policy has been in force during the lifetime of the insured for six (6) years after the date of issue, or, at the option of the company after the policy has been in force for six (6) years after the date of issue;

except for nonpayment of premiums, and except for violation of the conditions of the policy relating to naval and military service in time of war, and at the option of the company provisions relative to benefits in the event of total and permanent disability and provisions which grant additional insurance specifically against death by accident may also be excepted.

(4) That if the age of the insured and/or beneficiary, if that age enters into the determination of the premiums charged or benefits promised, has been misstated, the amount payable under the policy shall be such as the premium would have purchased at the correct age of the insured and/or beneficiary.

(5) That all statements made by the insured in the application shall, in the absence of fraud, be deemed representations and not warranties.

(6) That, in the case of participating policies, the policy shall participate in the surplus of the company as apportioned by the board of directors of the company, and that, beginning not later than the end of the fifth policy year, the company will determine and account for the portion of the divisible surplus so ascertained accruing on the policy, and that the owner of the policy shall have the right to have the current dividends arising from such participation paid in cash, and that at periods of not more than five (5) years, such accounting and payment at the option of the policyholder shall be had. The owner of the policy may elect to take any of the other dividend options in the policy. If the owner

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of the policy shall not elect any of the other dividend options provided in the policy, the apportioned dividends shall be held to the credit of the policy and be payable in cash at maturity of the policy or be withdrawable in cash at any anniversary of its date; provided, however, that if the policy shall contain a provision for an apportionment of the surplus at the end of the first policy year and annually thereafter, then and in that event, said policy may provide that each dividend shall be paid subject to the payment of the premium of the next ensuing year.

(7) Nonforfeiture provisions in accordance with the requirements of section 7 of this chapter.

(8) That the company, at any time while the policy is in force, will loan, on the execution of a proper assignment of the policy, and on the sole security thereof, at a specified rate of interest (payable in advance if the company so elects), a sum, which, together with the sum of:

(A) previously existing indebtedness, if any, including interest thereon to the end of the current policy year; and

(B) interest to the end of the current policy year on the amount newly loaned;

is equal to or, at the option of the insured, less than the cash surrender value at the end of the current policy year as provided for by the policy in accordance with the terms of section 7 of this chapter; provided, that the company may, as a condition precedent to the making of such loan, and at its own option, require the payment of the unpaid balance, if any, of the premium or premiums for the current policy year, and may require the payment of interest in advance on the total loan to the end of the current policy year. The policy may provide that, if interest on the loan is not paid when due, it shall be added to the existing loan and become a part thereof and bear interest at the same rate as the loan. It shall further be stipulated in the policy that failure to repay any such loan or pay interest thereon shall not void the policy unless such total indebtedness to the company shall equal or exceed such cash surrender value at the time of such failure, nor until thirty (30) days after notice shall have been mailed by the company to the last known address of the insured and to the assignee, if any, if such assignee has notified the company of his address. No condition other than as provided in this subdivision shall be exacted as prerequisite to any such loan. The company shall reserve the right to defer the granting of any loan, except when made to pay premiums on a policy or policies issued by it,

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for six (6) months after application therefor is made. The provisions of this subdivision shall not be required in term policies nor shall they apply to paid-up insurance issued or granted in exchange for lapsed or surrendered policies.

(9) That, should there have been default in premium payment and the value of the policy applied to the extension of the insurance, and such insurance be in force and the original policy not surrendered to the company and canceled, the policy may be reinstated within three (3) years from the due date of the premium in default, upon evidence of insurability satisfactory to the company and payment of arrears of premiums with interest.

(10) That when a policy shall become a claim by the death of the insured, settlement shall be made upon receipt of due proof of death and of the interest of the claimant and not later than two (2) months after receipt of such proof.

(11) A title on the face and on the back of the policy describing the same.

(b) Any of the provisions of subsection (a) not applicable to single premium policies shall to that extent not be incorporated therein. The provisions of subsection (a) shall not apply to policies issued on substandard, underaverage, or impaired risks. Any policy may be issued or delivered in this state which in the opinion of the department contains provisions on any one (1) or more of the several requirements of subsection (a) more favorable to the policyholder than those required in subsection (a).

SECTION 9. IC 27-1-12-41 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 41. (a) A policy of group life insurance may not be delivered in Indiana unless it contains in substance:

- (1) the provisions described in subsection (b); or
- (2) provisions that, in the opinion of the commissioner, are:
 - (A) more favorable to the persons insured; or
 - (B) at least as favorable to the persons insured and more favorable to the policyholder;
 than the provisions set forth in subsection (b).
- (b) The provisions referred to in subsection (a)(1) are as follows:
 - (1) A provision that the policyholder is entitled to a grace period of thirty-one (31) days for the payment of any premium due except the first, during which grace period the death benefit coverage shall continue in force, unless the policyholder has given the insurer written notice of discontinuance in advance of the date of discontinuance and in accordance with the terms of the



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policy. The policy may provide that the policyholder is liable to the insurer for the payment of a pro rata premium for the time the policy was in force during the grace period.

(2) A provision that the validity of the policy may not be contested ~~except for nonpayment of premiums; after the policy has been in force for two (2) years after its date of issue and that no statement made by a person insured under the policy relating to the person's insurability may be used in contesting the validity of the insurance with respect to which the statement was made; unless: except as provided in clause (A), (B), (C), or (D):~~

(A) ~~the insurance has not been in force for a period of two (2) years or longer during the person's lifetime; or~~ **The validity of a policy may be contested at any time for nonpayment of premiums.**

(B) ~~the statement is contained in a written instrument signed by the insured person. The validity of a policy may be contested based on a statement made by a person insured under the policy that relates to the person's insurability if:~~

(i) ~~the statement is set forth in a written instrument signed by the insured; and~~

(ii) ~~the policy has not been in force for two (2) years after the date of issue.~~

(C) ~~The validity of a policy may be contested based on a statement made by a person insured under the policy that relates to the person's insurability if:~~

(i) ~~the policy has not been in force for at least two (2) years during the person's lifetime; and~~

(ii) ~~the policy has not been in force for two (2) years after its date of issue.~~

(D) ~~The validity of a policy that is part of a viatical settlement contract (as defined in IC 27-8-19.8-6) may be contested on the grounds of fraud in connection with an application for life insurance benefits under the policy until the policy has been in force for six (6) years after the date of issue.~~

However, a provision under this subdivision may not preclude the assertion at any time of defenses based upon provisions in the policy that relate to eligibility for coverage.

(3) A provision that a copy of the application, if any, of the policyholder must be attached to the policy when issued, that all statements made by the policyholder or by the persons insured are to be deemed representations and not warranties, and that no

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statement made by any person insured may be used in any contest unless a copy of the instrument containing the statement is or has been furnished to the insured person or, in the event of death or incapacity of the insured person, to the insured person's beneficiary or personal representative.

(4) A provision setting forth the conditions, if any, under which the insurer reserves the right to require a person eligible for insurance to furnish evidence of individual insurability satisfactory to the insurer as a condition to part or all of the person's coverage.

(5) A provision specifying an equitable adjustment of premiums, benefits, or both to be made in the event the age of a person insured has been misstated. A provision under this subdivision must contain a clear statement of the method of adjustment to be made.

(6) A provision that any sum becoming due by reason of the death of the person insured must be payable to the beneficiary designated by the person insured. However, if a policy contains conditions pertaining to family status, the beneficiary may be the family member specified by the policy terms, subject to the provisions of the policy in the event there is no designated beneficiary, as to all or any part of the sum, living at the death of the person insured, and subject to any right reserved by the insurer in the policy and set forth in the certificate to pay at its option a part of the sum not exceeding two thousand dollars (\$2,000) to any person appearing to the insurer to be equitably entitled to that payment by reason of having incurred funeral or other expenses incident to the last illness or death of the person insured.

(7) A provision that the insurer will issue to the policyholder, for delivery to each person insured, a certificate setting forth a statement that:

(A) explains the insurance protection to which the person insured is entitled;

(B) indicates to whom the insurance benefits are payable;

(C) explains any dependent's coverage included in the certificate; and

(D) sets forth the rights and conditions that apply to the person under subdivisions (8), (9), (10), and (11).

(8) A provision that if the insurance, or any portion of it, on a person covered under the policy, or on the dependent of a person covered, ceases because of termination of employment or

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termination of membership in the class or classes eligible for coverage under the policy, the person or dependent is entitled, without evidence of insurability, to an individual policy of life insurance issued to the person or dependent by the insurer without disability or other supplementary benefits, provided that an application for the individual policy is made and that the first premium is paid to the insurer within thirty-one (31) days after the termination, and provided further that:

(A) the individual policy must, at the option of the person or dependent, be on any one (1) of the forms then customarily issued by the insurer at the age and for the amount applied for, except that the group policy may exclude the option to elect term insurance;

(B) the individual policy must 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 or dependent becomes eligible under the same policy or any other group policy within thirty-one (31) days after the termination (however, 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 (1) sum, in installments, or in the form of an annuity, may not, for the purposes of this clause, be included in the amount of insurance that is considered to cease because of the termination); and

(C) the premium on the individual policy must be at the insurer's then customary rate applicable to the form and amount of the individual policy, to the class of risk to which the person or dependent then belongs, and to the individual age attained by the person or dependent on the effective date of the individual policy.

Subject to the conditions set forth in this subdivision, the conversion privilege created by this subdivision must be available to a surviving dependent of a person covered under a group policy, with respect to the coverage under the group policy that terminates by reason of the death of the person covered, and to the dependent of an employee or member after termination of the coverage of the dependent because the dependent ceases to be a qualified family member under the group policy, while the employee or member remains insured under the group policy.

(9) A provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons,

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every person insured under the policy at the date of the termination whose insurance terminates, including the insured dependent of a covered person, and who has been so insured for at least five (5) years before the termination date, is entitled to have issued by the insurer an individual policy of life insurance, subject to the same conditions and limitations as are provided in subdivision (8), except that the group policy may provide that the amount of the individual policy may not exceed the lesser of:

- (A) the amount of the person's life insurance protection that is ceasing because of the termination or amendment of the group policy, less the amount of any life insurance for which the person is eligible or becomes eligible under a group policy issued or reinstated by the same insurer or another insurer within thirty-one (31) days after the termination; or
- (B) ten thousand dollars (\$10,000).

(10) A provision that if a person insured under the group policy, or the insured dependent of a covered person, dies during the period within which the covered person or dependent would have been entitled to have an individual policy issued under subdivision (8) or (9) or before such an individual policy becomes effective, the amount of life insurance that the covered person or dependent would have been entitled to have issued under an individual policy is payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium for the individual policy has been made.

(11) If active employment is a condition of insurance, a provision that an insured may continue coverage during the insured's total disability by timely payment to the policyholder of that portion, if any, of the premium that would have been required for the insured had total disability not occurred. The continuation of coverage under this subdivision on a premium paying basis must extend for a period of six (6) months from the date on which the total disability started, but not beyond the earlier of:

- (A) the date of approval by the insurer of continuation of the coverage under any disability provision that the group insurance policy may contain; or
- (B) the date of discontinuance of the group insurance policy.

(12) In the case of a policy insuring the lives of debtors, a provision that the insurer will furnish to the policyholder, for delivery to each debtor insured under the policy, a certificate of insurance describing the coverage and specifying that the death

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benefit will first be applied to reduce or extinguish the indebtedness.

(c) Subsections (b)(6) through (b)(11) do not apply to policies insuring the lives of debtors. The standard provisions required under ~~IC 27-1-12~~ **this chapter** for individual life insurance policies do not apply to group life insurance policies.

(d) If a group life insurance policy is on a plan of insurance other than the group plan, it must contain a nonforfeiture provision that, in the opinion of the commissioner, is equitable to the insured persons and to the policyholder. However, group life insurance policies need not contain the same nonforfeiture provisions as are required for individual life insurance policies under ~~IC 27-1-12~~ **this chapter.**"

Page 3, between lines 34 and 35, begin a new paragraph and insert:

SECTION 11. IC 27-8-19.8-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. As used in this chapter, "viatical settlement contract" means ~~a written~~ **an agreement between a viatical settlement provider and a viator under the terms of which the viatical settlement provider gives anything of value to the viator, which for the purchase, sale, assignment, transfer, devise, or bequest of a portion of the death benefit or ownership of a life insurance policy or contract for consideration that is less than the expected death benefit of the life insurance policy in return for the viator's assignment, bequest, devise, sale, or transfer of all of the death benefit, certificate, or ownership of the insurance policy to the viatical settlement provider. or contract.** The term does not include **the following:**

- (1) A loan by a ~~life insurance company~~ **an insurer** under the terms of a life insurance policy, including a loan secured by the cash value of a policy.
- (2) **An agreement with a bank, savings bank, savings and loan association, credit union, or other licensed lending institution that takes an assignment of a life insurance policy as collateral for a loan.**
- (3) **The provision of accelerated death benefits by an insurer to an insured under the provisions of a life insurance contract.**
- (4) **Agreements between an insurer and a reinsurer.**
- (5) **An agreement by a person who enters into not more than one (1) such agreement in any five (5) year period to purchase a life insurance policy or contract for the transfer of a life insurance policy for a value that is less than the expected death benefit."**

Page 3, delete lines 35 through 41.



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Page 4, after line 22 , begin a new paragraph and insert:
SECTION 13. An emergency is declared for this act.
Renumber all SECTIONS consecutively.

(Reference is to ESB233 as printed February 17, 2000.)

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