

PREVAILED

Roll Call No. \_\_\_\_\_

FAILED

Ayes \_\_\_\_\_

WITHDRAWN

Noes \_\_\_\_\_

RULED OUT OF ORDER

## HOUSE MOTION \_\_\_\_\_

MR. SPEAKER:

I move that Engrossed Senate Bill 401 be amended to read as follows:

- 1 Page 9, line 26, after "employee" insert "**(1) except as provided in subsection (m),**".
- 2
- 3 Page 9, line 28, after "active employee" insert ";".
- 4 Page 9, line 28, strike "if the retired employee".
- 5 Page 9, line 28, after "retired employee" begin a new line block
- 6 indented and insert:
- 7 "**(2)**".
- 8 Page 9, line 30, beginning with "Except" begin a new line blocked
- 9 left.
- 10 Page 11, line 14, after "2007." insert "**This subsection does not**
- 11 **prohibit the state's payment of premiums for a former member of**
- 12 **the general assembly or a former member's spouse as required**
- 13 **under subsections (m) and (n).**
- 14 **(m) The state shall pay at least fifty percent (50%) of the**
- 15 **premium for any insurance coverage provided under this section**
- 16 **for a retired employee who:**
- 17 **(1) retires after June 30, 2007;**
- 18 **(2) has at least twenty (20) years of creditable employment**
- 19 **with the state on the employee's retirement date; and**
- 20 **(3) otherwise meets the requirements for participation in**
- 21 **group health insurance under this section.**
- 22 **(n) The state shall provide, and pay at least fifty percent (50%)**
- 23 **of the premium for, coverage under a Medicare supplement policy**
- 24 **for a retired employee who:**

1           **(1) retires after June 30, 2007; and**  
 2           **(2) meets the requirements for participation in group health**  
 3           **insurance under this section, except that the retired employee**  
 4           **is eligible for and participates in Medicare coverage (42**  
 5           **U.S.C. 1395 et seq.).**

6           SECTION 13. IC 27-1-12-34.1 IS AMENDED TO READ AS  
 7           FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 34.1. (a) No policy of  
 8           wholesale, franchise, or employee life insurance, as defined in this  
 9           section, shall be issued or delivered in this state unless it conforms to  
 10          the requirements of this section.

11          (b) Wholesale, franchise, or employee life insurance is defined as  
 12          a term life insurance plan under which a number of individual term  
 13          insurance policies are issued at special rates to a selected group. A  
 14          special rate is any rate lower than the rate shown in the issuing  
 15          insurance company's manual for individually issued policies of the  
 16          same type and to insureds of the same class.

17          (c) Wholesale, franchise, or employee life insurance may be issued  
 18          to:

19               (1) three (3) or more employees of any corporation, copartnership,  
 20               or individual employer, or any governmental corporation, agency,  
 21               or department thereof; or

22               (2) ten (10) or more members, employees, or employees of  
 23               members of any trade or professional association, or of a labor  
 24               union, or of any association of members in the same or related  
 25               occupations, profession, or industry having been in existence for  
 26               at least two (2) years, where such association or union has a  
 27               constitution or bylaws and is formed in good faith for purposes  
 28               other than that of obtaining insurance. Evidence of individual  
 29               insurability satisfactory to the insurer may be required by the  
 30               insurer as a condition to coverage.

31          (d) The premiums on such policies may be paid to the insurer  
 32          periodically by the employer, with or without payroll deductions, or by  
 33          the insured or association or union for its members, or by some  
 34          designated person acting on behalf of such employer, association, or  
 35          union. The term "employees" as used in this chapter refers to officers,  
 36          managers, employees, and retired employees of the employer and the  
 37          individual proprietor or partners if the employer is an individual or  
 38          partnership.

39          (e) Each policy issued under this section shall provide **for the**  
 40          **following:**

41               **(1) That, if the insured person ceases to qualify for the policy he**  
 42               **may convert the policy, without evidence of insurability, to an**  
 43               **individual policy of life insurance, provided application for such**  
 44               **conversion is made within thirty-one (31) days of the date the**  
 45               **insured person ceases to qualify for coverage under this section.**  
 46               The individual policy shall be issued on any one (1) of the forms,

1 except term insurance, then customarily issued by the insurer at  
 2 the age and in the amount applied for. The premium on this  
 3 individual policy is to be at the insurer's then customary rate  
 4 applicable to the form and amount of such individual policy, the  
 5 class of risk to which the insured person then belongs, and his age  
 6 attained on the effective date of such individual policy.

7 **(2) That, if the insured person under a policy of employee life**  
 8 **insurance:**

9 **(A) is covered under a policy of employee life insurance**  
 10 **purchased by the state as described in IC 5-10-8-7(a)(1);**

11 **(B) terminates employment;**

12 **(C) applies for continuation of the coverage within**  
 13 **thirty-one (31) days of the date of termination; and**

14 **(D) pays both the employer and employee shares of the**  
 15 **premium that would be paid for coverage of an active**  
 16 **employee;**

17 **the insured person may, without evidence of insurability,**  
 18 **continue coverage under the employee term life insurance**  
 19 **policy or under an equivalent individual term life insurance**  
 20 **policy at the same rate as the rate that would be paid for**  
 21 **coverage under the employee term life insurance policy.**

22 SECTION 14. IC 27-1-12-41 IS AMENDED TO READ AS  
 23 FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 41. (a) A policy of  
 24 group life insurance may not be delivered in Indiana unless it contains  
 25 in substance:

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

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

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

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

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

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

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

42 (2) A provision that the validity of the policy may not be  
 43 contested, except for nonpayment of premiums, after the policy  
 44 has been in force for two (2) years after its date of issue, and that  
 45 no statement made by a person insured under the policy relating  
 46 to the person's insurability may be used in contesting the validity

1 of the insurance with respect to which the statement was made,  
2 unless:

3 (A) the insurance has not been in force for a period of two (2)  
4 years or longer during the person's lifetime; or

5 (B) the statement is contained in a written instrument signed  
6 by the insured person.

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

10 (3) A provision that a copy of the application, if any, of the  
11 policyholder must be attached to the policy when issued, that all  
12 statements made by the policyholder or by the persons insured are  
13 to be deemed representations and not warranties, and that no  
14 statement made by any person insured may be used in any contest  
15 unless a copy of the instrument containing the statement is or has  
16 been furnished to the insured person or, in the event of death or  
17 incapacity of the insured person, to the insured person's  
18 beneficiary or personal representative.

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

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

29 (6) A provision that any sum becoming due by reason of the death  
30 of the person insured must be payable to the beneficiary  
31 designated by the person insured. However, if a policy contains  
32 conditions pertaining to family status, the beneficiary may be the  
33 family member specified by the policy terms, subject to the  
34 provisions of the policy in the event there is no designated  
35 beneficiary, as to all or any part of the sum, living at the death of  
36 the person insured, and subject to any right reserved by the  
37 insurer in the policy and set forth in the certificate to pay at its  
38 option a part of the sum not exceeding two thousand dollars  
39 (\$2,000) to any person appearing to the insurer to be equitably  
40 entitled to that payment by reason of having incurred funeral or  
41 other expenses incident to the last illness or death of the person  
42 insured.

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

46 (A) explains the insurance protection to which the person

- 1 insured is entitled;
- 2 (B) indicates to whom the insurance benefits are payable;
- 3 (C) explains any dependent's coverage included in the
- 4 certificate; and
- 5 (D) sets forth the rights and conditions that apply to the person
- 6 under subdivisions (8), (9), (10), and (11).
- 7 (8) A provision that if the insurance, or any portion of it, on a
- 8 person covered under the policy, or on the dependent of a person
- 9 covered, ceases because of termination of employment or
- 10 termination of membership in the class or classes eligible for
- 11 coverage under the policy, the person or dependent is entitled,
- 12 without evidence of insurability, to **the following:**
- 13 (A) An individual policy of life insurance issued to the person
- 14 or dependent by the insurer without disability or other
- 15 supplementary benefits, provided that an application for the
- 16 individual policy is made and that the first premium is paid to
- 17 the insurer within thirty-one (31) days after the termination,
- 18 and provided further that:
- 19 (A) (i) the individual policy must, at the option of the person
- 20 or dependent, be on any one (1) of the forms then
- 21 customarily issued by the insurer at the age and for the
- 22 amount applied for, except that the group policy may
- 23 exclude the option to elect term insurance;
- 24 (B) (ii) the individual policy must be in an amount not in
- 25 excess of the amount of life insurance that ceases because of
- 26 the termination, less the amount of any life insurance for
- 27 which the person or dependent becomes eligible under the
- 28 same policy or any other group policy within thirty-one (31)
- 29 days after the termination (however, any amount of
- 30 insurance that has matured on or before the date of the
- 31 termination as an endowment payable to the person insured,
- 32 whether in one (1) sum, in installments, or in the form of an
- 33 annuity, may not, for the purposes of this clause, be included
- 34 in the amount of insurance that is considered to cease
- 35 because of the termination); and
- 36 (C) (iii) the premium on the individual policy must be at the
- 37 insurer's then customary rate applicable to the form and
- 38 amount of the individual policy, to the class of risk to which
- 39 the person or dependent then belongs, and to the individual
- 40 age attained by the person or dependent on the effective date
- 41 of the individual policy.
- 42 Subject to the conditions set forth in this ~~subdivision~~, **clause**,
- 43 the conversion privilege created by this ~~subdivision~~ **clause**
- 44 must be available to a surviving dependent of a person covered
- 45 under a group policy, with respect to the coverage under the
- 46 group policy that terminates by reason of the death of the

1 person covered, and to the dependent of an employee or  
 2 member after termination of the coverage of the dependent  
 3 because the dependent ceases to be a qualified family member  
 4 under the group policy, while the employee or member  
 5 remains insured under the group policy.

6 **(B) If the policy is an employee group term life insurance**  
 7 **policy purchased by the state as described in**  
 8 **IC 5-10-8-7(a)(1), continued coverage of the person under**  
 9 **the policy, or coverage under an equivalent individual**  
 10 **term life insurance policy at the same rate as the rate that**  
 11 **would be paid for coverage under the employee group**  
 12 **term life insurance policy, following termination of the**  
 13 **person's employment if the person:**

14 **(i) applies for continuation of the coverage within**  
 15 **thirty-one (31) days of the date of termination; and**

16 **(ii) pays both the employer and employee shares of the**  
 17 **premium that would be paid for coverage of an active**  
 18 **employee.**

19 (9) A provision that if the group policy terminates or is amended  
 20 so as to terminate the insurance of any class of insured persons,  
 21 every person insured under the policy at the date of the  
 22 termination whose insurance terminates, including the insured  
 23 dependent of a covered person, and who has been so insured for  
 24 at least five (5) years before the termination date, is entitled to  
 25 have issued by the insurer an individual policy of life insurance,  
 26 subject to the same conditions and limitations as are provided in  
 27 subdivision (8), except that the group policy may provide that the  
 28 amount of the individual policy may not exceed the lesser of:

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

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

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

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

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

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

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

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

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

29 **SECTION 15. [EFFECTIVE JULY 1, 2007] IC 27-1-12-34.1 and**  
 30 **IC 27-1-12-41, both as amended by this act, apply to a term life**  
 31 **insurance policy that is issued, delivered, amended, or renewed**  
 32 **after June 30, 2007."**

33 Renumber all SECTIONS consecutively.

(Reference is to ESB 401 as printed April 6, 2007.)

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Representative Fry