

Senate Bill No. 357

CHAPTER 78

An act to amend Sections 10202, 10202.8, 10203.4, and 10270.5 of the Insurance Code, relating to life insurance.

[Approved by Governor July 17, 2007. Filed with
Secretary of State July 17, 2007.]

LEGISLATIVE COUNSEL'S DIGEST

SB 357, Cox. Life insurance: group policies.

Existing law provides that group life insurance may be written under a policy covering not less than 10 persons.

This bill would provide that group life insurance may be written under a policy covering not less than 2 persons.

Existing law provides that the premium for group life insurance issued to an employer may be paid by the employer or the employer and employees jointly.

This bill would provide that the premium for group life insurance issued to an employer may be paid by the employee, employer, or the employer and employees jointly.

Existing law requires that 75% of eligible employees must participate in group life coverage if part of the premium is paid with eligible employee contributions.

This bill would delete that requirement.

Existing law provides that coverage for dependants may continue through 22 years of age if the dependant is attending an educational institution.

This bill would provide that coverage for dependants may continue through 24 years of age if the dependant is attending an educational institution.

Existing law provides for group disability insurance, provided it is issued under specified conditions, including the requirement that the policy insure not less than 3 employees, agents, or members.

This bill would reduce the required number of insureds from 3 to 2.

The people of the State of California do enact as follows:

SECTION 1. Section 10202 of the Insurance Code is amended to read: 10202. Life insurance conforming to all the following conditions is one form of group life insurance:

(a) Written under a policy covering when issued not less than two public or private employees.

(b) Written under a policy issued to the employer, the premium on which is to be paid by the employer, by the employee, or by the employer and employees jointly, and insuring either all of the employees or all of any class or classes thereof, determined by conditions pertaining to the employment.

(c) For amounts of insurance based upon some plan which will preclude individual selection.

(d) For the benefit of persons other than the employer. That group insurance may be for the benefit of a trustee of a pension, welfare benefit plan, or trust established by an employer providing life, health, disability, retirement, or similar benefits to employees of the employer or its affiliates, and acting in a fiduciary capacity with respect to those employees, retired employees, or their dependents or beneficiaries, where the trustee has an insurable interest in the lives of the employees for whom those benefits are to be provided and where the employee has consented in writing to the coverage.

(e) When the premium is to be paid by the employer and employee jointly and the benefits of the policy are offered to all eligible employees.

(f) Terminating if, subsequent to issue, (1) the number of employees insured falls below two lives, and (2) the employee contributions, if the premiums for the insurance are on a renewable term insurance basis, exceed one dollar (\$1) per month per one thousand dollars (\$1,000) of insurance coverage plus an amount equal to any additional premium per one thousand dollars (\$1,000) of insurance coverage charged to cover one or more hazardous occupations.

That insurance may be issued either with or without medical examinations.

SEC. 2. Section 10202.8 of the Insurance Code is amended to read:

10202.8. A group life policy conforming to all the following conditions may be issued to the trustees of a fund established by employer members of a trade association, or by a trade association maintained by contributions of such members for the sole benefit of their employees or, by one employer, or by two or more employers in the same industry, or by an association of employers in the same industry, or by one or more labor unions, or by one or more employers and one or more labor unions, or by an association of employers and one or more labor unions, to insure employees of the employers or members of the unions for the benefit of persons other than the employers or the unions:

(a) The persons eligible for insurance shall be all of the employees of the employers or all of the members of the unions, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the unions, or to both. The policy may provide that the term "employees" shall include retired employees, and the individual proprietor or partners if any employer is an individual proprietor or a partnership. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or partner shall be eligible for

insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership. The policy may provide that the term “employees” shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship.

(b) The premium for the policy shall be paid by the trustees either: (a) wholly from funds contributed by the employer or employers of the insured persons, or by the union or unions, or by both; or (b) partly from such funds and partly from funds contributed by either all of the insured persons or by one or more classes thereof, or (c) wholly derived funds contributed by the insured persons.

(c) The policy must cover at the date of issue at least 50 persons.

(d) The amounts of insurance under the policy must be based upon some plan precluding individual selection by the insured persons or by the trustees, employers or unions.

That insurance shall be issued with or without medical examination. For the purpose of this section the word “industry” shall include licensed professions, such as medicine, dentistry, pharmacy, law and accountancy.

SEC. 3. Section 10203.4 of the Insurance Code is amended to read:

10203.4. (a) Insurance under any group life insurance policy issued pursuant to Sections 10202, 10202.8, 10203, 10203.1, and 10203.7 may be extended to insure the dependents, or any class or classes thereof, of each insured employee who so elects, in amounts in accordance with some plan that precludes individual selection and that shall not be in excess of 100 percent of the insurance on the life of the insured employee.

(b) “Dependent” includes the member’s spouse and all unmarried children from birth through 20 years of age, or through 24 years of age if the dependent child is attending an educational institution, or a child 21 years of age or older who is both incapable of self-sustaining employment by reason of mental retardation or physical handicap and chiefly dependent upon the employee for support and maintenance if proof of the incapacity and dependency is furnished to the insurer by the employee within 31 days of the child’s attainment of the limiting age and subsequently as may be required by the insurer, but not more frequently than annually after the two-year period following the child’s attainment of the limiting age.

(c) The premiums for the insurance on the dependents may be paid by the employer, the employee, or the employer and the employee jointly.

SEC. 4. Section 10270.5 of the Insurance Code is amended to read:

10270.5. Group disability insurance is that form of disability insurance which conforms to all of the following conditions:

(a) Written under a master policy, issued to any of the following:

(1) The federal or state government, any federal or state agency, political subdivision or district, any public, governmental, or municipal corporation, any unit, agency, or department thereof, any corporation, copartnership or individual employer, or to the trustee of any association of employers, offering insurance to all the employees of the employer or of the employer members of the association or to all of any class or classes thereof determined

by conditions pertaining to employment and covering not less than two such employees or those employees together with their dependents or spouses for amounts of insurance based upon some plan which will preclude individual selection by the employee as to the amount of his or her insurance coverage thereunder.

(2) A principal eligible to have issued to him or her a policy of group life insurance under the provisions of Section 10203.7 and insuring not less than two agents as defined in that section and eligible thereunder to be insured, or those agents together with their dependents or spouses.

(3) Any association having a constitution and bylaws and formed and continuously maintained in good faith for purposes other than that of obtaining insurance, offering insurance to all the eligible members, or class of members, of the association and covering not less than two such members or those members together with their dependents or spouses and not less than 25 percent of all eligible members, or class of members, for amounts of insurance based upon some plan which will preclude individual selection by the member as to the amount of his or her insurance coverage thereunder. If the master policy is to be issued to cover members of labor unions, it may be issued to more than one such union.

(4) An association or a trust, or the trustees of a fund established, created, or maintained for the benefit of members of one or more associations. The association or associations shall have at the outset a minimum membership of 100 persons, and shall be organized and maintained in good faith for purposes other than that of obtaining insurance. The association or associations shall have been in active existence for at least two years, and shall have a constitution and bylaws which require regular meetings not less than annually to further purposes of the members. The members shall have voting privileges and representation on the governing board or boards and committees. The policy shall be subject to the following requirements:

(A) The policy may insure members of the association or associations, and employees thereof.

(B) The premium for the policy shall be paid from funds contributed by the association or associations, or by members, or by both, or from funds contributed by the covered persons, or from both the covered persons and the association.

(C) A policy on which no part of the premium is to be derived from funds contributed by the covered persons specifically for the insurance shall insure all eligible persons, except those who, in writing, reject the coverage.

(5) Any trustees eligible to have issued to them a policy of group life insurance under the provisions of Section 10202.8 and insuring not less than two employees or members eligible thereunder to be insured or those employees or members together with their dependents or spouses.

(6) A school district or districts, the governing board of any school district or districts, a private or parochial school or schools, or the governing board or person in charge of the operation of any private or parochial school or schools, insuring not less than 50 pupils of the school or district and providing benefits to pupils or persons responsible for their support for

death or dismemberment resulting from accident or for hospital, medical and surgical expenses resulting from accident to those pupils while they are in or on buildings or premises of the schools or districts during the time the pupils are required to be therein or thereon by reason of their attendance upon a college or a regular day school or any regular day school of a school district or districts or while being transported by the school or schools or district or districts to and from school or other place of instruction or while at any other place as an incident to school-sponsored activities and while being transported to, from and between these places.

(b) Transmission or collection of all premiums or premium contributions shall be performed by the policyholder, except where the policy specifies the persons other than the policyholder by whom the transmission or collection shall be made, and in one of the following situations:

(1) If the policy covers the employees of more than one employer, the insurer may collect premium contributions from individual employers whose employees are insured or may assist the policyholder in making these collections. If the employees of more than 100 such employers are covered under that policy, it shall state as a separate part of the premium to be charged for the policy the amount to be charged by the insurer for the collection.

(2) If the policy covers a group of governmental employees and the governmental unit paying those employees will not transmit their premium contribution after payroll deduction, the insurer may collect from the individual employees. If more than 100 of these employees are covered under that policy, it shall state as a separate part of the premium to be charged for the policy the amount to be charged by the insurer for the collection.

(3) If individual members of the group make payment of their share of the premium contribution to the insurer with or without billing or solicitation by the insurer during a period of temporary absence from active work of not exceeding 90 days, the payment may be received without the necessity of any separately stated charge by the insurer.

(4) If the policy covers the members of an association, the insurer may collect premium contributions from individual members or may assist the policyholder in making these collections. If more than 100 such members are covered under that policy, it shall state as a part of the premium to be charged for the policy the amount to be charged by the insurer for the collection.

(c) There is issued and delivered in accordance with the policy provision required by subdivision (b) of Section 10270.6 an individual certificate setting forth the benefits and the exceptions under, and referring to, the master policy under which the certificate is issued.

Those certificates are not subject to the provisions of this chapter relating to the master policy, but the forms thereof shall be submitted to the

commissioner for his or her approval and shall not be issued without approval of the forms in the manner provided in the case of the master policy.

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