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H.618

Introduced by Representatives Marcotte of Coventry, Baser of Bristol, Botzow  
of Pownal, Carr of Brandon, and Kitzmiller of Montpelier

Referred to Committee on

Date:

Subject: Insurance; group life insurance

Statement of purpose of bill as introduced: This bill proposes to make various  
amendments to Vermont law pertaining to group life insurance.

An act relating to group life insurance

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 8 V.S.A. § 3803 is amended to read:

§ 3803. EMPLOYEE GROUPS

The lives of a group of individuals may be insured under a policy issued to  
an employer, or to the trustees of a fund established by an employer, which  
employer or trustees shall be deemed the policyholder, to insure employees of  
the employer for the benefit of persons other than the employer, subject to the  
following requirements:

(1) The employees eligible for insurance under the policy shall be all of  
the employees of the employer, or all of any class or classes thereof  
determined by conditions pertaining to their employment. The policy may

1 provide that the term “employees” shall include the employees of one or more  
2 subsidiary corporations, and the employees, individual proprietors, and  
3 partners of one or more affiliated corporations, proprietors, or partnerships if  
4 the business of the employer and of such affiliated corporations, proprietors, or  
5 partnerships is under common control through stock ownership, contract, or  
6 otherwise. The policy may provide that the term “employees” shall include the  
7 individual proprietor or partners if the employer is an individual proprietor or a  
8 partnership. The policy may provide that the term “employees” shall include  
9 retired employees. No director of a corporate employer shall be eligible for  
10 insurance under the policy unless such person is otherwise eligible as a bona  
11 fide employee of the corporation, by performing services other than the usual  
12 duties of a director. No individual proprietor or partner shall be eligible for  
13 insurance under the policy unless he or she is actively engaged in and devotes  
14 a substantial part of his or her time to the conduct of the business of the  
15 proprietor or partnership. A policy issued to insure the employees of a public  
16 body may provide that the term “employees” shall include elected or appointed  
17 officials.

18 (2) The premium for the policy shall be paid by the policyholder, either  
19 wholly from the employer’s funds or funds contributed by him or her, or partly  
20 from such funds and partly from funds contributed by the insured employees,  
21 or wholly from funds contributed by the insured employees. ~~No policy may be~~

1 ~~issued on which the entire premium is to be derived from funds contributed by~~  
2 ~~the insured employees.~~ A policy on which no part of the premium is to be  
3 derived from funds contributed by the insured employees must insure all  
4 eligible employees, or all except any as to whom evidence of individual  
5 insurability is not satisfactory to the insurer.

6 (3) The policy must cover at least two employees at date of issue.

7 (4) The amounts of insurance under the policy must be based upon some  
8 plan precluding individual selection either by the employees or by the  
9 employer or trustees.

10 Sec. 2. 8 V.S.A. § 3804 is amended to read:

11 § 3804. LABOR UNION GROUPS

12 The lives of a group of individuals may be insured under a policy issued to  
13 a labor union, which shall be deemed the policyholder, to insure members of  
14 such union for the benefit of persons other than the union or any of its officials,  
15 representatives, or agents, subject to the following requirements:

16 (1) The members eligible for insurance under the policy shall be all of  
17 the members of the union, or all of any class or classes thereof determined by  
18 conditions pertaining to their employment or to membership in the union, or  
19 both.

20 (2) The premium for the policy shall be paid by the policyholder, either  
21 wholly from the union's funds, or partly from such funds and partly from funds

1 contributed by the insured members specifically for their insurance, or wholly  
2 from funds contributed by the insured members specifically for their insurance.

3 ~~No policy may be issued on which the entire premium is to be derived from~~  
4 ~~funds contributed by the insured members specifically for their insurance.~~ A  
5 policy on which part of the premium is to be derived from funds contributed by  
6 the insured members specifically for their insurance may be placed in force  
7 only if at least 75 percent of the then eligible members excluding any as to  
8 whom evidence of individual insurability is not satisfactory to the insurer, elect  
9 to make the required contributions. A policy on which no part of the premium  
10 is to be derived from funds contributed by the insured members specifically for  
11 the insurance must insure all eligible members, or all except any as to whom  
12 evidence of individual insurability is not satisfactory to the insurer.

13 (3) The policy must cover at least 10 members at date of issue.

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

16 Sec. 3. 8 V.S.A. § 3808 is amended to read:

17 § 3808. TRUSTEE GROUPS

18 The lives of a group of individuals may be insured under a policy issued to  
19 the trustees of a fund established by, adopted by, or participated in by two or  
20 more employers, or by one or more labor unions, or by one or more employers  
21 and one or more labor unions, which trustees shall be deemed the policyholder,

1 to insure employees of the employers or members of the unions for the benefit  
2 of persons other than the employers or the unions, subject to the following  
3 requirements:

4 (1) No policy may be issued to insure employees of any employer  
5 whose eligibility to participate in the fund as an employer arises out of  
6 considerations directly related to the employer being a commercial  
7 correspondent or business client or patron of another employer, except where  
8 such other employer exercises substantial control over the business operations  
9 of the participating employers.

10 (2) The persons eligible for insurance shall be all of the employees of  
11 the employers or all of the members of the unions, or all of any class or classes  
12 thereof determined by conditions pertaining to their employment, or to  
13 membership in the unions, or to both. The policy may provide that the term  
14 “employees” shall include retired employees, former employees, and the  
15 individual proprietor or partners if an employer is an individual proprietor or a  
16 partnership. No director of a corporate employer shall be eligible for insurance  
17 under the policy unless such person is otherwise eligible as a bona fide  
18 employee of the corporation by performing services other than the usual duties  
19 of a director. No individual proprietor or partner shall be eligible for insurance  
20 under the policy unless he or she is actively engaged in and devotes a  
21 substantial part of his or her time to the conduct of the business of the

1 proprietor or partnership. The policy may provide that the term “employees”  
2 shall include the trustees or their employees, or both, if their duties are  
3 principally connected with such trusteeship.

4 (3) The premium for the policy shall be paid by the trustees wholly from  
5 funds contributed by the employer or employers of the insured persons, or by  
6 the union or unions, or by both, or partly from such funds and partly from  
7 funds contributed by the insured persons, or wholly from funds contributed by  
8 the insured persons. A policy on which no part of the premium is to be derived  
9 from funds contributed by the insured persons specifically for their insurance  
10 must insure all eligible persons, or all except any as to whom evidence of  
11 individual insurability is not satisfactory to the insurer.

12 (4) The policy must cover at date of issue at least 100 persons; and it  
13 must cover an average of not less than three persons per employer unit unless  
14 the policy is issued to the trustees of a fund established by employers which  
15 have assumed obligations through a collective bargaining agreement and are  
16 participating in the fund either pursuant to those obligations with regard to one  
17 or more classes of their employees which are encompassed in the collective  
18 bargaining agreement or as a method of providing insurance benefits for other  
19 classes of their employees, or unless the policy is issued to the trustees of a  
20 fund established by one or more labor unions.

1           (5) The amount of insurance under the policy must be based upon some  
2 plan precluding individual selection either by the insured persons or by the  
3 policyholder, employers, or unions.

4           Sec. 4. 8 V.S.A. § 3809 is amended to read:

5           § 3809. ASSOCIATION OF EMPLOYERS GROUPS

6           The lives of a group of individuals may be insured under a policy issued to  
7 an association of two or more employers, which association shall be deemed  
8 the policyholder, to insure employees of such employers for the benefits of  
9 persons other than the association or the employers, subject to the following  
10 requirements:

11           (1) The policy may be issued only if:

12                   (A) the association has been in existence for at least five years and  
13 was formed for purposes other than obtaining the insurance; and

14                   (B) the participating employers constitute at date of issue at least ~~fifty~~  
15 50 percent of the total employers eligible to participate, unless the total number  
16 of persons covered at date of issue exceeds 600, in which event such  
17 participating employers must constitute at least 25 percent of such total  
18 employers, in either case omitting from consideration any employer whose  
19 employees are already covered for group life insurance.

20           (2) The persons eligible for insurance under the policy shall be all of the  
21 employees of the participating employers, or all of any class or classes thereof

1 determined by conditions pertaining to their employment. The policy may  
2 provide that the term “employees” shall include the individual proprietor or  
3 partners whenever a participating employer is an individual proprietor or a  
4 partnership. The policy may provide that the term “employees” shall include  
5 retired employees. The policy may provide that the term “employees” shall  
6 include the employees of the association to which the policy is issued.

7 (3) The premium for the policy shall be paid by the association, either  
8 wholly from the association’s funds or funds contributed by the employers, or  
9 partly from such funds and partly from funds contributed by the insured  
10 employees, or wholly from funds contributed by the insured employees. ~~No~~  
11 ~~policy may be issued on which the entire premium payable by the policyholder~~  
12 ~~is to be derived from funds contributed by the insured employees.~~ A policy on  
13 which part of the premium so payable is to be derived from funds contributed  
14 by the insured employees may be placed in force only if at least 75 percent of  
15 the then eligible employees of each participating employer, excluding any as to  
16 whom evidence of individual insurability is not satisfactory to the insurer, elect  
17 to make the required contributions. A policy on which no part of the premiums  
18 so payable is to be derived from funds contributed by the insured employees  
19 must insure all eligible employees, or all except any as to whom evidence of  
20 individual insurability is not satisfactory to the insurer.

21 (4) The policy must cover at least 100 employees at date of issue.



1           (5) The amounts of insurance under the policy must be based upon some  
2 plan precluding individual selection either by the employees or by the  
3 policyholder or the employer.

4           Sec. 5. 8 V.S.A. § 3812a is added to read:

5           § 3812a. REQUIRED CONSUMER DISCLOSURE

6           A group life insurance policy on which premiums are to be derived wholly  
7 from funds contributed by the insured persons shall include the following  
8 notice on the face page of certificates issued under the policy:

9                   REQUIRED CONSUMER DISCLOSURE: READ YOUR  
10                   CERTIFICATE CAREFULLY. Unlike individual insurance, group  
11                   insurance, while offering advantages for life insurance coverage, may be  
12                   cancelled for reasons other than nonpayment of premium. To help fully  
13                   understand the group life insurance described in this certificate as well as  
14                   other life insurance options, you may want to consult a financial advisor.

15           Sec. 6. 8 V.S.A. § 3821 is amended to read:

16           § 3821. CONVERSION ON TERMINATION OF POLICY

17           The group life insurance policy shall contain a provision that if the group  
18 policy terminates or is amended so as to terminate the insurance of any class of  
19 insured persons, every person insured thereunder at the date of such  
20 termination whose insurance terminates and who has been so insured for at  
21 least five years prior to such termination date shall be entitled to have issued to

1 him or her by the insurer an individual policy of life insurance, subject to the  
2 same conditions and limitations as are provided by section 3820 of this title  
3 ~~except that the group policy may provide that the amount of such individual~~  
4 ~~policy shall not exceed the smaller of:~~

5 ~~(1) the amount of the person's life insurance protection ceasing because~~  
6 ~~of the termination or amendment of the group policy, less the amount of any~~  
7 ~~life insurance for which he or she is or becomes eligible under any group~~  
8 ~~policy issued or reinstated by the same or another insurer within 31 days after~~  
9 ~~such termination; or~~

10 ~~(2) \$2,000.00.~~

11 Sec. 7. EFFECTIVE DATE

12 This act shall take effect on July 1, 2016.