

# 17B:27-68

## LEGISLATIVE HISTORY CHECKLIST

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**LAWS OF:** 2005 **CHAPTER:** 190

**NJSA:** 17B:27-68 (Concerns group life insurance)

**BILL NO:** S1788 (Substituted for A3158)

**SPONSOR(S):** Lesniak and others

**DATE INTRODUCED:** September 27, 2004

**COMMITTEE:** **ASSEMBLY:** Financial Institutions and Insurance  
**SENATE:** Commerce

**AMENDED DURING PASSAGE:** Yes

**DATE OF PASSAGE:** **ASSEMBLY:** June 30, 2005

**SENATE:** December 13, 2004

**DATE OF APPROVAL:** August 18, 2005

**FOLLOWING ARE ATTACHED IF AVAILABLE:**

[FINAL TEXT OF BILL](#) (1<sup>st</sup> reprint enacted)

**S1788**

[SPONSOR'S STATEMENT:](#) (Begins on page 14 of original bill) [Yes](#)

**COMMITTEE STATEMENT:** [ASSEMBLY:](#) [Yes](#)

[SENATE:](#) [Yes](#)

**FLOOR AMENDMENT STATEMENT:** No

**LEGISLATIVE FISCAL ESTIMATE:** No

**A3158**

[SPONSOR'S STATEMENT:](#) (Begins on page 14 of original bill) [Yes](#)

**COMMITTEE STATEMENT:** [ASSEMBLY:](#) [Yes](#)

**SENATE:** No

**FLOOR AMENDMENT STATEMENT:** No

**LEGISLATIVE FISCAL ESTIMATE:** No

**VETO MESSAGE:** No

**GOVERNOR'S PRESS RELEASE ON SIGNING:** No

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P.L. 2005, CHAPTER 190, *approved August 18, 2005*  
Senate, No. 1788 (*First Reprint*)

1 AN ACT concerning group life insurance <sup>1</sup>[and], <sup>1</sup>supplementing Title  
2 17B of the New Jersey Statutes <sup>1</sup>and repealing parts of the statutory  
3 law<sup>1</sup>.  
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:  
7

8 1. Except as provided in section 2 of this act, no policy of group  
9 life insurance shall be delivered <sup>1</sup>or issued for delivery<sup>1</sup> in this State  
10 unless it meets one of the descriptions in subsections a. through h. of  
11 this section:

12 a. A policy issued to an employer, or to the trustees of a fund  
13 established by an employer, which employer or trustees shall be  
14 deemed the policyholder, to insure employees of the employer for the  
15 benefit of persons other than the employer <sup>1</sup>, including the funding of  
16 employee benefit plans<sup>1</sup>, subject to the following requirements:

17 (1) The employees eligible for insurance under the policy shall be  
18 all of the employees of the employer, or all of any class thereof. The  
19 policy may provide that the term "employees" shall include the  
20 employees of one or more subsidiary corporations, and the employees,  
21 individual proprietors, and partners of one or more affiliated  
22 corporations, proprietorships or partnerships if the business of the  
23 employer and of the affiliated corporations, proprietorships or  
24 partnerships is under common control. The policy may provide that  
25 the term "employees" shall include the individual proprietor or partners  
26 if the employer is an individual proprietorship or partnership. The  
27 policy may provide that the term "employees" may include retired  
28 employees, former employees and directors of a corporate employer.

29 (2) The premium for the policy shall be <sup>1</sup>[paid] remitted by the  
30 policyholder<sup>1</sup> either from the employer's funds or from funds  
31 contributed by the insured employees, or from both. Except as  
32 provided in paragraph (3) of this subsection, a policy on which no part  
33 of the premium is to be derived from funds contributed by the insured  
34 employees shall insure all eligible employees, except those who reject  
35 the coverage in writing.

36 (3) An insurer may exclude or limit the coverage on any person as  
37 to whom evidence of individual insurability is not satisfactory to the

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.**

**Matter underlined thus is new matter.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> Senate SCM committee amendments adopted November 15, 2004.

1 insurer.

2 b. A policy issued to a creditor or its parent holding company or  
3 to a trustee or agent designated by two or more creditors, which  
4 creditor, holding company, affiliate, trustee or agent shall be deemed  
5 the policyholder, to insure debtors of the creditor subject to the  
6 following requirements:

7 (1) The debtors eligible for insurance under the policy shall be all  
8 of the debtors of the creditor, or all of any class thereof. The policy  
9 may provide that the term "debtors" shall include:

10 (a) Borrowers of money or purchasers or lessees of goods, services  
11 or property for which payment is arranged through a credit  
12 transaction;

13 (b) The debtors of one or more subsidiary corporations; and

14 (c) The debtors of one or more affiliated corporations,  
15 proprietorships or partnerships if the business of the policyholder and  
16 of the affiliated corporations, proprietorships or partnerships is under  
17 common control.

18 (2) The premium for the policy shall be <sup>1</sup>[paid] remitted by the  
19 policyholder<sup>1</sup> either from the creditor's funds, or from charges  
20 collected from the insured debtors, or from both. Except as provided  
21 in paragraph (3) of this subsection, a policy on which no part of the  
22 premium is to be derived from the funds contributed by insured  
23 debtors specifically for their insurance shall insure all eligible debtors.

24 (3) An insurer may exclude any debtors as to whom evidence of  
25 individual insurability is not satisfactory to the insurer.

26 (4) The amount of the insurance on the life of any debtor shall at  
27 no time exceed the greater of the scheduled or actual amount of  
28 unpaid indebtedness to the creditor, except that insurance written in  
29 connection with open-end credit having a credit limit exceeding  
30 \$10,000 may be in an amount not exceeding the credit limit.

31 (5) The insurance may be payable to the creditor or any successor  
32 to the right, title and interest of the creditor. The payment shall  
33 reduce or extinguish the unpaid indebtedness of the debtor to the  
34 extent of the payment and any excess of the insurance shall be payable  
35 to the estate of the insured.

36 (6) Notwithstanding the provisions of paragraphs (1) through (5)  
37 of this subsection, insurance on agricultural credit transaction  
38 commitments may be written up to the amount of the loan commitment  
39 on a non-decreasing or level term plan. Insurance on educational  
40 credit transactions commitments may be written up to the amount of  
41 the loan commitment less the amount of any repayments made on the  
42 loan.

43 c. A policy issued to a labor union, or similar employee  
44 organization, which shall be deemed to be the policyholder, to insure  
45 members of the union or organization for the benefit of persons other  
46 than the union or organization or any of its officials, representatives

1 or agents, shall be subject to the following requirements:

2 (1) The members eligible for insurance under the policy shall be all  
3 of the members of the union or organization, or all of any class or  
4 classes thereof.

5 (2) The premium for the policy shall be <sup>1</sup>[paid] remitted by the  
6 policyholder<sup>1</sup> either from funds of the union or organization, or from  
7 funds contributed by the insured members specifically for their  
8 insurance, or from both. Except as provided in paragraph (3) of this  
9 subsection, a policy on which no part of the premium is to be derived  
10 from funds contributed by the insured members specifically for their  
11 insurance shall insure all eligible members, except those who reject the  
12 coverage in writing.

13 (3) An insurer may exclude or limit the coverage on any person as  
14 to whom evidence of individual insurability is not satisfactory to the  
15 insurer.

16 d. A policy issued to a trust or to the trustees of a fund established  
17 or adopted by two or more <sup>1</sup>[employees] employers<sup>1</sup>, or by one or  
18 more labor unions or similar employee organizations, or by one or  
19 more employers and one or more labor unions or similar employee  
20 organizations, which trust or trustees shall be deemed the  
21 policyholder, to insure employees of the employers or members of the  
22 unions or organizations for the benefit of persons other than the  
23 employers or the unions or organizations, subject to the following  
24 requirements:

25 (1) The persons eligible for insurance shall be all of the employees  
26 of the employers or all of the members of the unions or organizations,  
27 or all of any class thereof. The policy may provide that the term  
28 "employees" shall include the employees of one or more subsidiary  
29 corporations, and the employees, individual proprietors, and partners  
30 of one or more affiliated corporations, proprietorships or partnerships  
31 if the business of the employer and of the affiliated corporations,  
32 proprietorships or partnerships is under common control. The policy  
33 may provide that the term "employees" shall include the individual  
34 proprietor or partners if the employer is an individual proprietorship  
35 or partnership. The policy may provide that the term "employees"  
36 shall include retired employees, former employees and directors of a  
37 corporate employer. The policy may provide that the term  
38 "employees" shall include the trustees or their employees, or both, if  
39 their duties are principally connected with the trusteeship.

40 (2) The premium for the policy shall be <sup>1</sup>[paid] remitted by the  
41 policyholder<sup>1</sup> from funds contributed by the employer of the insured  
42 persons, or by the union or similar employee organizations, or by both,  
43 or from funds contributed by the insured persons or from both the  
44 insured persons and the employers or unions or similar employee  
45 organizations. Except as provided in paragraph (3) of this subsection,  
46 a policy on which no part of the premium is to be derived from funds

1 contributed by the insured persons specifically for their insurance shall  
2 insure all eligible persons, except those who reject the coverage in  
3 writing.

4 (3) An insurer may exclude or limit the coverage on any person as  
5 to whom evidence of individual insurability is not satisfactory to the  
6 insurer.

7 e. (1) A policy issued to an association or to a trust or to the  
8 trustees of a fund established, created or maintained for the benefit of  
9 members of one or more associations. The association shall have at  
10 the outset a minimum of 100 persons; shall have been organized and  
11 maintained in good faith for purposes other than that of obtaining  
12 insurance; shall have been in active existence for at least two years;  
13 and shall have a constitution and by-laws which provide that the  
14 association hold regular meetings not less than annually to further  
15 purposes of the members; except for credit unions, the association,  
16 collect dues or solicit contributions from members; and the members  
17 have voting privileges and representation on the governing board and  
18 committees.

19 (2) The policy shall be subject to the following requirements:

20 (a) The policy may insure members of the association, employees  
21 thereof or employees of members, or one or more of the preceding or  
22 all of any class thereof for the benefit of persons other than the  
23 employee's employer. <sup>1</sup>The policy may provide that the term  
24 "employees" may include retired employees, former employees and  
25 directors of a corporate member of the association.<sup>1</sup>

26 (b) The premium for the policy shall be <sup>1</sup>[paid] remitted by the  
27 policyholder<sup>1</sup> from funds contributed by the association, or by  
28 employer members, or by both, or from funds contributed by the  
29 covered persons or from both the covered persons and the  
30 associations, or employer members.

31 (c) Except as provided in subparagraph (d) of this paragraph, a  
32 policy on which no part of the premium is to be derived from funds  
33 contributed by the covered persons specifically for the insurance shall  
34 insure all eligible persons, except those who reject the coverage in  
35 writing.

36 (d) An insurer may exclude or limit the coverage on any person as  
37 to whom evidence of individual insurability is not satisfactory to the  
38 insurer.

39 f. A policy issued to a credit union or to a trustee or agent  
40 designated by two or more credit unions, which credit union, trustee  
41 or agent shall be deemed the policyholder, to insure members of the  
42 credit union for the benefit of persons other than the credit union,  
43 trustee or agent, or any of their officials, subject to the following  
44 requirements:

45 (1) The members eligible for insurance shall be all of the members  
46 of the credit union, or all of any class thereof.

1 (2) The premium for the policy shall be <sup>1</sup>[paid] remitted<sup>1</sup> by the  
2 policyholder from the credit union's funds and, except as provided in  
3 paragraph (3) of this section, shall insure all eligible members.

4 (3) An insurer may exclude or limit the coverage on any member  
5 as to whom evidence of individual insurability is not satisfactory to the  
6 insurer.

7 g. A policy issued to a bank, savings and loan association, or other  
8 regulated financial institution or to a trustee or agent designated by  
9 two or more such financial institutions, or to a regulated issuer of a  
10 credit card, charge card or payment card used to buy goods or  
11 services, which shall be deemed policyholders, to insure the  
12 depositors, account holders or card holders of such policyholders.  
13 Such insurance shall be for the benefit of persons other than the  
14 policyholders or any of their officials. The insurance shall be subject  
15 to the following requirements:

16 (1) Those eligible for insurance shall be all of the depositors,  
17 account holders or card holders of the policyholder, or all of any class  
18 or classes thereof.

19 (2) The premium for the policy shall be <sup>1</sup>[paid] remitted by the  
20 policyholder<sup>1</sup> from funds contributed by the policyholder, or  
21 contributed by the insured persons, or contributed by both. Except as  
22 provided in paragraph (3) of this subsection, a policy on which no part  
23 of the premium is to be derived from funds contributed by the insured  
24 persons, shall insure all eligible persons, except those who reject the  
25 coverage in writing.

26 (3) An insurer may exclude or limit the coverage on any member  
27 as to whom evidence of individual insurability is not satisfactory to the  
28 insurer.

29 h. A policy issued to a duly incorporated State Policemen's  
30 Benevolent Association or Fraternal Order of Police, which  
31 association or order shall be deemed the policyholder, to insure  
32 members of the association or order for the benefit of persons other  
33 than the association, order or any of its officials, subject to the  
34 following requirements:

35 (1) The persons eligible for insurance under the policy shall be all  
36 of the members of the association or order or all of any class thereof  
37 determined by conditions pertaining to their employment, or the  
38 membership in the association, order or both.

39 (2) The premium for the policy shall be <sup>1</sup>[paid] remitted<sup>1</sup> by the  
40 policyholder wholly from the association's or order's funds. No policy  
41 may be issued on which any part of the premium is to be derived from  
42 funds contributed by the insured members specifically for their  
43 insurance. The policy must insure all eligible members, or all except  
44 any as to whom evidence of individual insurability is not satisfactory  
45 to the insurer.

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

1 (4) The amounts of insurance under the policy must be based upon  
2 some plan precluding individual selection either by the members or the  
3 association or order. <sup>1</sup>[In no event may the amount of insurance  
4 under the policy on a member exceed \$5,000.]<sup>1</sup>

5  
6 2. a. Group life insurance offered to a resident of this State under  
7 a group life insurance policy issued to a group other than one  
8 described in section 1 of this act shall be subject to the requirements  
9 of this section.

10 b. A group life insurance policy shall not be delivered <sup>1</sup>or issued  
11 for delivery<sup>1</sup> in this State unless the commissioner finds that:

12 (1) The issuance of the group policy is not contrary to the best  
13 interest of the public;

14 (2) The issuance of the group policy would result in economies of  
15 acquisition or administration; and

16 (3) The benefits are reasonable in relation to the premiums  
17 charged.

18 c. Group life insurance coverage may not be offered in this State  
19 by an insurer under a policy issued in another state unless this State or  
20 another state having requirements substantially similar to those  
21 included in paragraphs (1), (2) and (3) of subsection b. of this section  
22 has made a determination that those requirements have been met.

23 d. The premium for the policy shall be <sup>1</sup>[paid] remitted by the  
24 policyholder<sup>1</sup> either from the policyholder's funds or from funds  
25 contributed by the covered persons, or from both.

26 e. An insurer may exclude or limit the coverage on any person as  
27 to whom evidence of individual insurability is not satisfactory to the  
28 insurer.

29  
30 3. a. With respect to a program of insurance which, if issued on a  
31 group basis, does not meet the requirements of section 1 of this act,  
32 the insurer shall cause to be distributed to prospective insureds a  
33 written notice that compensation shall or may be paid, if compensation  
34 of any kind shall or may be paid to:

35 (1) A policyholder or sponsoring or endorsing entity in the case of  
36 a group policy; or

37 (2) A sponsoring or endorsing entity in the case of individual,  
38 blanket or franchise policies marketed by means of direct response  
39 solicitation.

40 b. The notice shall be distributed:

41 (1) Whether compensation is direct or indirect; and

42 (2) Whether the compensation is paid to or retained by the  
43 policyholder or sponsoring or endorsing entity, or paid to or retained  
44 by a third party at the direction of the policyholder or sponsoring or  
45 endorsing entity, or an entity affiliated therewith by way of ownership,  
46 contract or employment.



1 c. The notice required by this section shall be placed on or  
2 accompany an application or enrollment form provided to prospective  
3 insureds.

4 d. For the purposes of this section:

5 (1) "Direct response solicitation" means a solicitation through a  
6 sponsoring or endorsing entity through the mails, telephone or other  
7 mass communications media; and

8 (2) "Sponsoring or endorsing entity" means an organization that  
9 has arranged for the offering of a program of insurance in a manner  
10 that communicates that eligibility for participation in the program is  
11 dependent upon affiliation with the organization or that it encourages  
12 participation in the program.

13  
14 4. Except for a policy issued under subsection b. of section 1 of  
15 this act, a group life insurance policy may be extended to insure the  
16 employees or members against loss due to the death of their spouses  
17 1, domestic partners<sup>1</sup> and dependent children, and any other persons  
18 dependent upon the insured employees or members, or any class  
19 thereof, subject to the following:

20 a. The premium for the insurance shall be 1[paid] remitted by the  
21 policyholder<sup>1</sup> either from funds contributed by the employer, union,  
22 association or other person to whom the policy has been issued, or  
23 from funds contributed by the covered persons, or from both. Except  
24 as provided in subsection b. of section 1 of this act, a policy on which  
25 no part of the premium for the spouse's 1[ and], domestic partner's,<sup>1</sup>  
26 dependent child's 1and other dependent's<sup>1</sup> coverage is to be derived  
27 from funds contributed by the covered persons shall insure all eligible  
28 employees or members with respect to their spouses 1[and], domestic  
29 partners,<sup>1</sup> dependent children 1and other dependents<sup>1</sup>, or any class  
30 thereof.

31 b. An insurer may exclude or limit the coverage on any spouse  
32 1[or], domestic partner,<sup>1</sup> dependent child or any other person  
33 dependent upon the insured employee or member as to whom evidence  
34 of individual insurability is not satisfactory to the insurer.

35 c. The amounts of insurance for any covered spouse 1[or],  
36 domestic partner,<sup>1</sup> dependent child or any other person dependent  
37 upon the insured employee or member under the policy may not  
38 exceed 100% of the amount of insurance for which the employee or  
39 member is insured.

40  
41 5. a. No policy of group life insurance shall be delivered 1or issued  
42 for delivery<sup>1</sup> in this State unless it contains in substance the following  
43 provisions, or provisions which in the opinion of the Commissioner of  
44 Banking and Insurance are more favorable to the persons insured, or  
45 at least as favorable to the persons insured and more favorable to the  
46 policyholder. However, subsections g. through l. of this section shall

1 not apply to policies insuring the lives of debtors; the standard  
2 provisions required for individual life insurance policies shall not apply  
3 to group life insurance policies; and if the group life insurance policy  
4 is on a plan of insurance other than the term plan, it shall contain a  
5 nonforfeiture provision which, in the opinion of the commissioner, is  
6 equitable to the insured persons and to the policyholder. Nothing  
7 herein shall be construed to require that group life insurance policies  
8 contain the same nonforfeiture provisions as are required for individual  
9 life insurance policies.

10 b. The policy shall contain a provision that the policyholder is  
11 entitled to a grace period of 31 days for the payment of any premium  
12 due except the first, during which grace period the death benefit  
13 coverage shall continue in force, unless the policyholder gives the  
14 insurer written notice of discontinuance in advance of the date of  
15 discontinuance and in accordance with the terms of the policy. The  
16 policy may provide that the policyholder shall be liable to the insurer  
17 for the payment of a pro rata premium for the time the policy was in  
18 force during the grace period.

19 c. The policy shall contain a provision that the validity of the policy  
20 shall not be contested except for nonpayment of premiums after it has  
21 been in force for two years from its date of issue; and that no  
22 statement made by any person insured under the policy relating to the  
23 person's insurability shall be used in contesting the validity of the  
24 insurance with respect to which the statement was made after the  
25 insurance has been in force prior to the contest for a period of two  
26 years during the person's lifetime or unless it is contained in a written  
27 instrument signed by the person. <sup>1</sup>[This provision shall not preclude  
28 the assertion at any time of defenses based upon provisions in the  
29 policy that relate to eligibility for coverage.]<sup>1</sup>

30 d. The policy shall contain a provision that a copy of the  
31 application of the policyholder, if any, shall be attached to the policy  
32 when issued, that all statements made by the policyholder or by the  
33 persons insured shall be deemed representations and not warranties,  
34 and that no statement made by any person insured shall be used in any  
35 contest unless a copy of the instrument containing the statement is or  
36 has been furnished to the person or, in the event of death or incapacity  
37 of the insured person, to the insured person's beneficiary or personal  
38 representative.

39 e. The policy shall contain a provision setting forth the conditions,  
40 if any, under which the insurer reserves the right to require a person  
41 eligible for insurance to furnish evidence of individual insurability  
42 satisfactory to the insurer as a condition to part or all of his coverage.

43 f. The policy shall contain a provision specifying an equitable  
44 adjustment of premiums or benefits, or both, to be made in the event  
45 the age of a person insured has been misstated. The provision shall  
46 contain a clear statement of the method of adjustment to be made.

1 g. The policy shall contain a provision that any sum becoming due  
2 by reason of the death of the person insured shall be payable to the  
3 beneficiary designated by the person insured, except that, where the  
4 policy contains conditions pertaining to family status, the beneficiary  
5 may be the family member specified by the policy terms, subject to the  
6 provisions of the policy in the event there is no designated beneficiary,  
7 as to all or any part of the sum, living at the death of the person  
8 insured, and subject to any right reserved by the insurer in the policy  
9 and set forth in the certificate to pay at its option a part of the sum not  
10 exceeding \$2,000 to any person appearing to the insurer to be  
11 equitably entitled to it by reason of having incurred funeral or other  
12 expenses incident to the last illness or death of the person insured.

13 h. The policy shall contain a provision that the insurer will issue to  
14 the policyholder, for delivery to each person insured, a certificate  
15 setting forth a statement as to the insurance protection to which the  
16 person is entitled, to whom the insurance benefits are payable, a  
17 statement as to any dependent's coverage included in the certificate,  
18 and the rights and conditions set forth in subsections i., j., k., and l. of  
19 this subsection.

20 i. The policy shall contain a provision that, if the insurance, or any  
21 portion of it, on a person covered under the policy or on the  
22 dependent of a person covered, ceases because of termination of  
23 employment or of membership in the class eligible for coverage under  
24 the policy or change to a class eligible for a smaller amount of  
25 insurance<sup>1</sup>, the person shall be entitled to have issued to him by the  
26 insurer, without evidence of insurability, an individual policy of life  
27 insurance without disability or other supplementary benefits, provided  
28 application for the individual policy shall be made, and the first  
29 premium paid to the insurer, within 31 days after termination and  
30 provided further that:

31 (1) The individual policy shall, at the option of the person, be on  
32 any one of the forms then customarily issued by the insurer at the age  
33 and for the amount applied for, except that the group policy may  
34 exclude the option to elect term insurance;

35 (2) The individual policy shall be in an amount not in excess of the  
36 amount of life insurance that ceases because of termination, less the  
37 amount of any life insurance for which the person becomes eligible  
38 under the same or any other group policy within 31 days after  
39 termination, provided that any amount of insurance that shall have  
40 matured on or before the date of termination as an endowment payable  
41 to the person insured, whether in one sum or in installments or in the  
42 form of an annuity, shall not, for the purposes of this provision, be  
43 included in the amount that is considered to cease because of  
44 termination; and

45 (3) The premium on the individual policy shall be at the insurer's  
46 then customary rate applicable to the form and amount of the

1 individual policy, to the class of risk to which the person then belongs,  
2 and to the individual age attained on the effective date of the  
3 individual policy. Subject to the conditions established in paragraphs  
4 (1) and (2) of this subsection, the conversion privilege shall be  
5 available:

6 (a) To a surviving dependent, if any, at the death of the employee  
7 or member, with respect to the coverage under the group policy that  
8 terminates by reason of the death; and

9 (b) To the dependent of the employee or member upon termination  
10 of coverage of the dependent, while the employee or member remains  
11 insured under the group policy, by reason of the dependent ceasing to  
12 be a qualified family member under the group policy.

13 j. The policy shall contain a provision that if the group policy  
14 terminates or is amended so as to terminate the insurance of any class  
15 of insured persons, every person insured thereunder at the date of  
16 termination whose insurance terminates, including the insured  
17 dependent of a covered person, and who has been so insured <sup>1</sup>under  
18 a group policy<sup>1</sup> for at least five years prior to the termination date,  
19 shall be entitled to have issued by the insurer an individual policy of  
20 life insurance, subject to the same conditions and limitations as are  
21 provided by subsection i. of this section, except that the group policy  
22 may provide that the amount of the individual policy shall not exceed  
23 the smaller of:

24 (1) The amount of the person's life insurance protection ceasing  
25 because of the termination or amendment of the group policy, less the  
26 amount of any life insurance for which the person is or becomes  
27 eligible under a group policy issued or reinstated by the same or  
28 another insurer within 31 days after termination; or

29 (2) \$10,000.

30 k. The policy shall contain a provision that, if a person insured  
31 under the group policy, or the insured dependent of a covered person,  
32 dies during the period within which the individual would have been  
33 entitled to have an individual policy issued in accordance with  
34 subsection i. or j. of this section and before the individual policy shall  
35 have become effective, the amount of life insurance which he would  
36 have been entitled to have issued under the individual policy shall be  
37 payable as a claim under the group policy, whether or not application  
38 for the individual policy or the payment of the first premium therefor  
39 had been made.

40 l. Where active employment is a condition of insurance, the policy  
41 shall contain a provision that an insured may continue coverage during  
42 the insured's total disability by timely payment to the policyholder of  
43 that portion, if any, of the premium that would have been required  
44 from the insured had total disability not occurred. The continuation  
45 shall be on a premium paying basis for a period of six months from the  
46 date on which the total disability started, but not beyond the earlier of:

1 (1) Approval by the insurer of continuation of the coverage under  
2 any disability provision which the group insurance policy may contain;  
3 or

4 (2) The discontinuance of the group insurance policy.

5 m. In the case of a policy insuring the lives of debtors, the policy  
6 shall contain a provision that the insurer shall furnish to the  
7 policyholder for delivery to each debtor insured under the policy a  
8 certificate of insurance describing the coverage and specifying that the  
9 death benefit shall first be applied to reduce or extinguish the  
10 indebtedness.

11 n. In participating policies, there shall be a provision that the policy  
12 shall participate in the divisible surplus of the insurer as determined by  
13 the insurer and that the insurer shall determine annually the extent of  
14 such participation, if any; and that the policyholder shall have the right  
15 to any dividend arising from the participation paid in cash unless  
16 another dividend option contained in the policy has been elected.

17 1o. In the case of a policy which provides that each insured debtor  
18 whose protection under the group insurance policy terminates by  
19 reason of absolute assignment by the creditor of the insured debtor's  
20 indebtedness for the discharge of which the debtor had agreed upon  
21 installment payments over a period of more than 10 years, there shall  
22 be a provision that each insured debtor shall be entitled to have issued  
23 to him by the insurer, without evidence of insurability, upon  
24 application made to the insurer and upon the payment of the premium  
25 applicable to the class of risk to which he belongs and to the form and  
26 amount of the policy at his then attained age within 31 days after that  
27 assignment of the indebtedness, an individual policy of life insurance;  
28 provided, the individual policy of life insurance so issued shall be in  
29 any one of the level premium forms customarily issued by the insurer,  
30 except term insurance, in an amount equal to the amount of his  
31 protection terminated under the group insurance policy because of the  
32 assignment, less the amount of insurance for which the insured debtor  
33 may become eligible and qualify under any group insurance policy in  
34 effect with the assignee at the date of the assignment or issued to the  
35 assignee within that period of 31 days; and provided further, that in  
36 the event that the assignment of the indebtedness shall have been made  
37 by the creditor at the request of the insured debtor, the insurer may  
38 require satisfactory evidence of the debtor's insurability before making  
39 the individual policy of life insurance effective. If the insured debtor  
40 dies during the period within which he would have been entitled to  
41 have an individual policy issued to him in accordance with this  
42 provision and before such an individual policy shall have become  
43 effective, the amount of life insurance which he would have been  
44 entitled to have issued to him under that individual policy shall be  
45 payable as a claim under the group policy, whether or not application  
46 for the individual policy or the payment of the first premium therefor

1 has been made.<sup>1</sup>

2

3 6. If an individual insured under a group insurance policy hereafter  
4 delivered <sup>1</sup>or issued for delivery<sup>1</sup> in this State becomes entitled under  
5 the terms of the policy to have an individual policy of life insurance  
6 issued without evidence of insurability, subject to making application  
7 and payment of the first premium within the period specified in the  
8 policy, and if the individual is not given notice of the existence of the  
9 right at least 15 days prior to the expiration date of the period, then  
10 the individual shall have an additional period within which to exercise  
11 the right, but nothing herein contained shall be construed to continue  
12 any insurance beyond the period provided in the policy. This  
13 additional period shall expire 15 days after the individual is given  
14 notice but in no event shall the additional period extend beyond 60  
15 days after the expiration date of the period provided in the policy.  
16 Written notice presented to the individual or mailed by the  
17 policyholder to the last known address of the individual or mailed by  
18 the insurer to the last known address of the individual as furnished by  
19 the policyholder shall constitute notice for the purpose of this section.

20

21 7. a. No group life insurance policy, or application, if a written  
22 application is required and is to be made a part of the policy,  
23 certificate, printed rider or endorsement for use with the policy, shall  
24 be delivered or issued for delivery in this State unless the form has  
25 been filed with the Commissioner of Banking and Insurance for  
26 approval in accordance with the provisions of section 16 of P.L.1995,  
27 c.73 (C.17B:25-18.2).

28 b. If a form is disapproved for filing by the commissioner during  
29 the 60 day period provided in section 16 of P.L.1995, c.73 (C.17B:25-  
30 18.2), it may not be delivered or issued for delivery unless it is  
31 resubmitted and approved in accordance with the provisions of  
32 subsections b., c., and d., of section 16 of P.L.1995, c.73 (C.17B:25-  
33 18.2). Such disapproval shall be subject to review in accordance with  
34 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
35 seq.).

36 c. Any form which is filed by the commissioner or deemed filed  
37 may be so delivered or issued for delivery until such time as any  
38 subsequent withdrawal of the filing by the commissioner, following an  
39 opportunity for a hearing held in accordance with the "Administrative  
40 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), becomes final  
41 in accordance therewith.

42 d. This section shall not apply to documents which relate only to  
43 the manner of distribution of benefits or to the reservation of rights  
44 and benefits under group life insurance policies and which are used at  
45 the request of the individual insured or policyholder.

46 e. The disapproval by the commissioner of any form may be on the

1 grounds that the form contains provisions which are unjust, unfair,  
2 inequitable, misleading, or contrary to law or to the public policy of  
3 this State.

4  
5 8. a. Notwithstanding any policy provision to the contrary,  
6 benefits under a group life insurance policy subject to this act shall  
7 become payable by reason of the death of the insured within 60 days  
8 after the receipt of due proof of death and, at the insurer's option,  
9 proof of the interest of the claimant.

10 b. If a claim or a portion of a claim for benefits under a policy  
11 requires additional investigation or is denied by the insurer, the  
12 claimant shall be notified in writing no later than 45 days following  
13 receipt by the insurer of due proof of death, proof of the interest of the  
14 claimant, or any other document or information requested by the  
15 insurer under the terms of the policy, that the claim, or a portion  
16 thereof, is subject to additional investigation or denied, and the reason  
17 the claim is being investigated or denied. Notwithstanding the  
18 provisions of this subsection b. to the contrary, the notice to the  
19 claimant for any claim which the insurer concludes, based upon its  
20 investigation and which conclusion is reasonably based upon the  
21 contents of the insurer's claim file, constitutes probable cause for fraud  
22 shall not be required to contain the specific reasons for the  
23 investigation. A conclusion of fraud that is not reasonably based upon  
24 the contents of the insurer's claim file shall be a violation of section 1  
25 of P.L.1975, c.101 (C.17B:30-13.1), notwithstanding that the  
26 violation did not occur with such frequency as to indicate a general  
27 business practice. Any uncontested portion of a claim shall be paid no  
28 later than 60 days following receipt of due proof of death, proof of the  
29 interest of the claimant, or any other document or information  
30 requested by the insurer under the terms of the policy.

31 c. The insurer, upon receipt of any document or information  
32 requested relating to a claim or portion of a claim under investigation,  
33 shall pay the benefits for which the claim is made, or deny the claim no  
34 later than 90 days following the receipt of the document or  
35 information.

36 d. Payment of a claim or a portion thereof that is not under  
37 investigation by the insurer shall be overdue if not remitted to the  
38 claimant by the insurer on or before 60 days following receipt of due  
39 proof of death, proof of the interest of the claimant, or any other  
40 document or information requested by the insurer pursuant to the  
41 policy. Payment of a claim, or a portion of a claim under  
42 investigation, or denied, that becomes eligible for payment shall be  
43 overdue if not remitted to the claimant by the insurer on or before 90  
44 days following receipt of due proof of death, proof of the interest of  
45 the claimant, or any other document or information requested by the  
46 insurer. Overdue payments shall bear an annual rate of interest equal

1 to the average rate of return of the State of New Jersey Cash  
2 Management Fund, established pursuant to section 1 of P.L.1977,  
3 c.281 (C.52:18A-90.4), for the preceding fiscal year, rounded to the  
4 nearest one-half percent.

5

6 <sup>1</sup>9. The following are repealed:  
7 N.J.S.17B:27-1 through N.J.S.17B:27-25, inclusive;  
8 Section 1 of P.L.1975, c.197 (C.17B:27-1.1); and  
9 Section 3 of P.L.2001, c.91 (C.17B:27-10.1).<sup>1</sup>

10

11 <sup>1</sup>[9.]10.<sup>1</sup> This act shall take effect on [the 90th day after  
12 enactment] January 1, 2005<sup>1</sup>.

13

14

15

16

17 Concerns groups eligible for, standard policy provisions of and other  
18 matters related to group life insurance.



**SENATE, No. 1788**

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**STATE OF NEW JERSEY**  
**211th LEGISLATURE**

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INTRODUCED SEPTEMBER 27, 2004

**Sponsored by:**

**Senator RAYMOND J. LESNIAK**

**District 20 (Union)**

**SYNOPSIS**

Concerns groups eligible for, standard policy provisions of and other matters related to group life insurance.

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning group life insurance and supplementing Title 17B  
2 of the New Jersey Statutes.

3  
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
5 *of New Jersey:*

6  
7 1. Except as provided in section 2 of this act, no policy of group  
8 life insurance shall be delivered in this State unless it meets one of the  
9 descriptions in subsections a. through h. of this section:

10 a. A policy issued to an employer, or to the trustees of a fund  
11 established by an employer, which employer or trustees shall be  
12 deemed the policyholder, to insure employees of the employer for the  
13 benefit of persons other than the employer, subject to the following  
14 requirements:

15 (1) The employees eligible for insurance under the policy shall be  
16 all of the employees of the employer, or all of any class thereof. The  
17 policy may provide that the term "employees" shall include the  
18 employees of one or more subsidiary corporations, and the employees,  
19 individual proprietors, and partners of one or more affiliated  
20 corporations, proprietorships or partnerships if the business of the  
21 employer and of the affiliated corporations, proprietorships or  
22 partnerships is under common control. The policy may provide that  
23 the term "employees" shall include the individual proprietor or partners  
24 if the employer is an individual proprietorship or partnership. The  
25 policy may provide that the term "employees" may include retired  
26 employees, former employees and directors of a corporate employer.

27 (2) The premium for the policy shall be paid either from the  
28 employer's funds or from funds contributed by the insured employees,  
29 or from both. Except as provided in paragraph (3) of this subsection,  
30 a policy on which no part of the premium is to be derived from funds  
31 contributed by the insured employees shall insure all eligible  
32 employees, except those who reject the coverage in writing.

33 (3) An insurer may exclude or limit the coverage on any person as  
34 to whom evidence of individual insurability is not satisfactory to the  
35 insurer.

36 b. A policy issued to a creditor or its parent holding company or  
37 to a trustee or agent designated by two or more creditors, which  
38 creditor, holding company, affiliate, trustee or agent shall be deemed  
39 the policyholder, to insure debtors of the creditor subject to the  
40 following requirements:

41 (1) The debtors eligible for insurance under the policy shall be all  
42 of the debtors of the creditor, or all of any class thereof. The policy  
43 may provide that the term "debtors" shall include:

44 (a) Borrowers of money or purchasers or lessees of goods, services  
45 or property for which payment is arranged through a credit  
46 transaction;

1 (b) The debtors of one or more subsidiary corporations; and

2 (c) The debtors of one or more affiliated corporations,  
3 proprietorships or partnerships if the business of the policyholder and  
4 of the affiliated corporations, proprietorships or partnerships is under  
5 common control.

6 (2) The premium for the policy shall be paid either from the  
7 creditor's funds, or from charges collected from the insured debtors,  
8 or from both. Except as provided in paragraph (3) of this subsection,  
9 a policy on which no part of the premium is to be derived from the  
10 funds contributed by insured debtors specifically for their insurance  
11 shall insure all eligible debtors.

12 (3) An insurer may exclude any debtors as to whom evidence of  
13 individual insurability is not satisfactory to the insurer.

14 (4) The amount of the insurance on the life of any debtor shall at  
15 no time exceed the greater of the scheduled or actual amount of  
16 unpaid indebtedness to the creditor, except that insurance written in  
17 connection with open-end credit having a credit limit exceeding  
18 \$10,000 may be in an amount not exceeding the credit limit.

19 (5) The insurance may be payable to the creditor or any successor  
20 to the right, title and interest of the creditor. The payment shall  
21 reduce or extinguish the unpaid indebtedness of the debtor to the  
22 extent of the payment and any excess of the insurance shall be payable  
23 to the estate of the insured.

24 (6) Notwithstanding the provisions of paragraphs (1) through (5)  
25 of this subsection, insurance on agricultural credit transaction  
26 commitments may be written up to the amount of the loan commitment  
27 on a non-decreasing or level term plan. Insurance on educational  
28 credit transactions commitments may be written up to the amount of  
29 the loan commitment less the amount of any repayments made on the  
30 loan.

31 c. A policy issued to a labor union, or similar employee  
32 organization, which shall be deemed to be the policyholder, to insure  
33 members of the union or organization for the benefit of persons other  
34 than the union or organization or any of its officials, representatives  
35 or agents, shall be subject to the following requirements:

36 (1) The members eligible for insurance under the policy shall be all  
37 of the members of the union or organization, or all of any class or  
38 classes thereof.

39 (2) The premium for the policy shall be paid either from funds of  
40 the union or organization, or from funds contributed by the insured  
41 members specifically for their insurance, or from both. Except as  
42 provided in paragraph (3) of this subsection, a policy on which no part  
43 of the premium is to be derived from funds contributed by the insured  
44 members specifically for their insurance shall insure all eligible  
45 members, except those who reject the coverage in writing.

46 (3) An insurer may exclude or limit the coverage on any person as

1 to whom evidence of individual insurability is not satisfactory to the  
2 insurer.

3 d. A policy issued to a trust or to the trustees of a fund established  
4 or adopted by two or more employees, or by one or more labor unions  
5 or similar employee organizations, or by one or more employers and  
6 one or more labor unions or similar employee organizations, which  
7 trust or trustees shall be deemed the policyholder, to insure employees  
8 of the employers or members of the unions or organizations for the  
9 benefit of persons other than the employers or the unions or  
10 organizations, subject to the following requirements:

11 (1) The persons eligible for insurance shall be all of the employees  
12 of the employers or all of the members of the unions or organizations,  
13 or all of any class thereof. The policy may provide that the term  
14 "employees" shall include the employees of one or more subsidiary  
15 corporations, and the employees, individual proprietors, and partners  
16 of one or more affiliated corporations, proprietorships or partnerships  
17 if the business of the employer and of the affiliated corporations,  
18 proprietorships or partnerships is under common control. The policy  
19 may provide that the term "employees" shall include the individual  
20 proprietor or partners if the employer is an individual proprietorship  
21 or partnership. The policy may provide that the term "employees"  
22 shall include retired employees, former employees and directors of a  
23 corporate employer. The policy may provide that the term  
24 "employees" shall include the trustees or their employees, or both, if  
25 their duties are principally connected with the trusteeship.

26 (2) The premium for the policy shall be paid from funds  
27 contributed by the employer of the insured persons, or by the union or  
28 similar employee organizations, or by both, or from funds contributed  
29 by the insured persons or from both the insured persons and the  
30 employers or unions or similar employee organizations. Except as  
31 provided in paragraph (3) of this subsection, a policy on which no part  
32 of the premium is to be derived from funds contributed by the insured  
33 persons specifically for their insurance shall insure all eligible persons,  
34 except those who reject the coverage in writing.

35 (3) An insurer may exclude or limit the coverage on any person as  
36 to whom evidence of individual insurability is not satisfactory to the  
37 insurer.

38 e. (1) A policy issued to an association or to a trust or to the  
39 trustees of a fund established, created or maintained for the benefit of  
40 members of one or more associations. The association shall have at  
41 the outset a minimum of 100 persons; shall have been organized and  
42 maintained in good faith for purposes other than that of obtaining  
43 insurance; shall have been in active existence for at least two years;  
44 and shall have a constitution and by-laws which provide that the  
45 association hold regular meetings not less than annually to further  
46 purposes of the members; except for credit unions, the association,

1 collect dues or solicit contributions from members; and the members  
2 have voting privileges and representation on the governing board and  
3 committees.

4 (2) The policy shall be subject to the following requirements:

5 (a) The policy may insure members of the association, employees  
6 thereof or employees of members, or one or more of the preceding or  
7 all of any class thereof for the benefit of persons other than the  
8 employee's employer.

9 (b) The premium for the policy shall be paid from funds  
10 contributed by the association, or by employer members, or by both,  
11 or from funds contributed by the covered persons or from both the  
12 covered persons and the associations, or employer members.

13 (c) Except as provided in subparagraph (d) of this paragraph, a  
14 policy on which no part of the premium is to be derived from funds  
15 contributed by the covered persons specifically for the insurance shall  
16 insure all eligible persons, except those who reject the coverage in  
17 writing.

18 (d) An insurer may exclude or limit the coverage on any person as  
19 to whom evidence of individual insurability is not satisfactory to the  
20 insurer.

21 f. A policy issued to a credit union or to a trustee or agent  
22 designated by two or more credit unions, which credit union, trustee  
23 or agent shall be deemed the policyholder, to insure members of the  
24 credit union for the benefit of persons other than the credit union,  
25 trustee or agent, or any of their officials, subject to the following  
26 requirements:

27 (1) The members eligible for insurance shall be all of the members  
28 of the credit union, or all of any class thereof.

29 (2) The premium for the policy shall be paid by the policyholder  
30 from the credit union's funds and, except as provided in paragraph (3)  
31 of this section, shall insure all eligible members.

32 (3) An insurer may exclude or limit the coverage on any member  
33 as to whom evidence of individual insurability is not satisfactory to the  
34 insurer.

35 g. A policy issued to a bank, savings and loan association, or other  
36 regulated financial institution or to a trustee or agent designated by  
37 two or more such financial institutions, or to a regulated issuer of a  
38 credit card, charge card or payment card used to buy goods or  
39 services, which shall be deemed policyholders, to insure the  
40 depositors, account holders or card holders of such policyholders.  
41 Such insurance shall be for the benefit of persons other than the  
42 policyholders or any of their officials. The insurance shall be subject  
43 to the following requirements:

44 (1) Those eligible for insurance shall be all of the depositors,  
45 account holders or card holders of the policyholder, or all of any class  
46 or classes thereof.

1 (2) The premium for the policy shall be paid from funds  
2 contributed by the policyholder, or contributed by the insured persons,  
3 or contributed by both. Except as provided in paragraph (3) of this  
4 subsection, a policy on which no part of the premium is to be derived  
5 from funds contributed by the insured persons, shall insure all eligible  
6 persons, except those who reject the coverage in writing.

7 (3) An insurer may exclude or limit the coverage on any member  
8 as to whom evidence of individual insurability is not satisfactory to the  
9 insurer.

10 h. A policy issued to a duly incorporated State Policemen's  
11 Benevolent Association or Fraternal Order of Police, which  
12 association or order shall be deemed the policyholder, to insure  
13 members of the association or order for the benefit of persons other  
14 than the association, order or any of its officials, subject to the  
15 following requirements:

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

20 (2) The premium for the policy shall be paid by the policyholder  
21 wholly from the association's or order's funds. No policy may be  
22 issued on which any part of the premium is to be derived from funds  
23 contributed by the insured members specifically for their insurance.  
24 The policy must insure all eligible members, or all except any as to  
25 whom evidence of individual insurability is not satisfactory to the  
26 insurer.

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

28 (4) The amounts of insurance under the policy must be based upon  
29 some plan precluding individual selection either by the members or the  
30 association or order. In no event may the amount of insurance under  
31 the policy on a member exceed \$5,000.

32  
33 2. a. Group life insurance offered to a resident of this State under  
34 a group life insurance policy issued to a group other than one  
35 described in section 1 of this act shall be subject to the requirements  
36 of this section.

37 b. A group life insurance policy shall not be delivered in this State  
38 unless the commissioner finds that:

39 (1) The issuance of the group policy is not contrary to the best  
40 interest of the public;

41 (2) The issuance of the group policy would result in economies of  
42 acquisition or administration; and

43 (3) The benefits are reasonable in relation to the premiums  
44 charged.

45 c. Group life insurance coverage may not be offered in this State  
46 by an insurer under a policy issued in another state unless this State or

1 another state having requirements substantially similar to those  
2 included in paragraphs (1), (2) and (3) of subsection b. of this section  
3 has made a determination that those requirements have been met.

4 d. The premium for the policy shall be paid either from the  
5 policyholder's funds or from funds contributed by the covered persons,  
6 or from both.

7 e. An insurer may exclude or limit the coverage on any person as  
8 to whom evidence of individual insurability is not satisfactory to the  
9 insurer.

10

11 3. a. With respect to a program of insurance which, if issued on a  
12 group basis, does not meet the requirements of section 1 of this act,  
13 the insurer shall cause to be distributed to prospective insureds a  
14 written notice that compensation shall or may be paid, if compensation  
15 of any kind shall or may be paid to:

16 (1) A policyholder or sponsoring or endorsing entity in the case of  
17 a group policy; or

18 (2) A sponsoring or endorsing entity in the case of individual,  
19 blanket or franchise policies marketed by means of direct response  
20 solicitation.

21 b. The notice shall be distributed:

22 (1) Whether compensation is direct or indirect; and

23 (2) Whether the compensation is paid to or retained by the  
24 policyholder or sponsoring or endorsing entity, or paid to or retained  
25 by a third party at the direction of the policyholder or sponsoring or  
26 endorsing entity, or an entity affiliated therewith by way of ownership,  
27 contract or employment.

28 c. The notice required by this section shall be placed on or  
29 accompany an application or enrollment form provided to prospective  
30 insureds.

31 d. For the purposes of this section:

32 (1) "Direct response solicitation" means a solicitation through a  
33 sponsoring or endorsing entity through the mails, telephone or other  
34 mass communications media; and

35 (2) "Sponsoring or endorsing entity" means an organization that  
36 has arranged for the offering of a program of insurance in a manner  
37 that communicates that eligibility for participation in the program is  
38 dependent upon affiliation with the organization or that it encourages  
39 participation in the program.

40

41 4. Except for a policy issued under subsection b. of section 1 of  
42 this act, a group life insurance policy may be extended to insure the  
43 employees or members against loss due to the death of their spouses  
44 and dependent children, and any other persons dependent upon the  
45 insured employees or members, or any class thereof, subject to the  
46 following:

1       a. The premium for the insurance shall be paid either from funds  
2 contributed by the employer, union, association or other person to  
3 whom the policy has been issued, or from funds contributed by the  
4 covered persons, or from both. Except as provided in subsection b. of  
5 section 1 of this act, a policy on which no part of the premium for the  
6 spouse's and dependent child's coverage is to be derived from funds  
7 contributed by the covered persons shall insure all eligible employees  
8 or members with respect to their spouses and dependent children, or  
9 any class thereof.

10       b. An insurer may exclude or limit the coverage on any spouse or  
11 dependent child or any other person dependent upon the insured  
12 employee or member as to whom evidence of individual insurability is  
13 not satisfactory to the insurer.

14       c. The amounts of insurance for any covered spouse or dependent  
15 child or any other person dependent upon the insured employee or  
16 member under the policy may not exceed 100% of the amount of  
17 insurance for which the employee or member is insured.

18

19       5. a. No policy of group life insurance shall be delivered in this  
20 State unless it contains in substance the following provisions, or  
21 provisions which in the opinion of the Commissioner of Banking and  
22 Insurance are more favorable to the persons insured, or at least as  
23 favorable to the persons insured and more favorable to the  
24 policyholder. However, subsections g. through l. of this section shall  
25 not apply to policies insuring the lives of debtors; the standard  
26 provisions required for individual life insurance policies shall not apply  
27 to group life insurance policies; and if the group life insurance policy  
28 is on a plan of insurance other than the term plan, it shall contain a  
29 nonforfeiture provision which, in the opinion of the commissioner, is  
30 equitable to the insured persons and to the policyholder. Nothing  
31 herein shall be construed to require that group life insurance policies  
32 contain the same nonforfeiture provisions as are required for individual  
33 life insurance policies.

34       b. The policy shall contain a provision that the policyholder is  
35 entitled to a grace period of 31 days for the payment of any premium  
36 due except the first, during which grace period the death benefit  
37 coverage shall continue in force, unless the policyholder gives the  
38 insurer written notice of discontinuance in advance of the date of  
39 discontinuance and in accordance with the terms of the policy. The  
40 policy may provide that the policyholder shall be liable to the insurer  
41 for the payment of a pro rata premium for the time the policy was in  
42 force during the grace period.

43       c. The policy shall contain a provision that the validity of the policy  
44 shall not be contested except for nonpayment of premiums after it has  
45 been in force for two years from its date of issue; and that no  
46 statement made by any person insured under the policy relating to the



1 person's insurability shall be used in contesting the validity of the  
2 insurance with respect to which the statement was made after the  
3 insurance has been in force prior to the contest for a period of two  
4 years during the person's lifetime or unless it is contained in a written  
5 instrument signed by the person. This provision shall not preclude the  
6 assertion at any time of defenses based upon provisions in the policy  
7 that relate to eligibility for coverage.

8 d. The policy shall contain a provision that a copy of the  
9 application of the policyholder, if any, shall be attached to the policy  
10 when issued, that all statements made by the policyholder or by the  
11 persons insured shall be deemed representations and not warranties,  
12 and that no statement made by any person insured shall be used in any  
13 contest unless a copy of the instrument containing the statement is or  
14 has been furnished to the person or, in the event of death or incapacity  
15 of the insured person, to the insured person's beneficiary or personal  
16 representative.

17 e. The policy shall contain a provision setting forth the conditions,  
18 if any, under which the insurer reserves the right to require a person  
19 eligible for insurance to furnish evidence of individual insurability  
20 satisfactory to the insurer as a condition to part or all of his coverage.

21 f. The policy shall contain a provision specifying an equitable  
22 adjustment of premiums or benefits, or both, to be made in the event  
23 the age of a person insured has been misstated. The provision shall  
24 contain a clear statement of the method of adjustment to be made.

25 g. The policy shall contain a provision that any sum becoming due  
26 by reason of the death of the person insured shall be payable to the  
27 beneficiary designated by the person insured, except that, where the  
28 policy contains conditions pertaining to family status, the beneficiary  
29 may be the family member specified by the policy terms, subject to the  
30 provisions of the policy in the event there is no designated beneficiary,  
31 as to all or any part of the sum, living at the death of the person  
32 insured, and subject to any right reserved by the insurer in the policy  
33 and set forth in the certificate to pay at its option a part of the sum not  
34 exceeding \$2,000 to any person appearing to the insurer to be  
35 equitably entitled to it by reason of having incurred funeral or other  
36 expenses incident to the last illness or death of the person insured.

37 h. The policy shall contain a provision that the insurer will issue to  
38 the policyholder, for delivery to each person insured, a certificate  
39 setting forth a statement as to the insurance protection to which the  
40 person is entitled, to whom the insurance benefits are payable, a  
41 statement as to any dependent's coverage included in the certificate,  
42 and the rights and conditions set forth in subsections i., j., k., and l. of  
43 this subsection.

44 i. The policy shall contain a provision that, if the insurance, or any  
45 portion of it, on a person covered under the policy or on the  
46 dependent of a person covered, ceases because of termination of

1 employment or of membership in the class eligible for coverage under  
2 the policy, the person shall be entitled to have issued to him by the  
3 insurer, without evidence of insurability, an individual policy of life  
4 insurance without disability or other supplementary benefits, provided  
5 application for the individual policy shall be made, and the first  
6 premium paid to the insurer, within 31 days after termination and  
7 provided further that:

8 (1) The individual policy shall, at the option of the person, be on  
9 any one of the forms then customarily issued by the insurer at the age  
10 and for the amount applied for, except that the group policy may  
11 exclude the option to elect term insurance;

12 (2) The individual policy shall be in an amount not in excess of the  
13 amount of life insurance that ceases because of termination, less the  
14 amount of any life insurance for which the person becomes eligible  
15 under the same or any other group policy within 31 days after  
16 termination, provided that any amount of insurance that shall have  
17 matured on or before the date of termination as an endowment payable  
18 to the person insured, whether in one sum or in installments or in the  
19 form of an annuity, shall not, for the purposes of this provision, be  
20 included in the amount that is considered to cease because of  
21 termination; and

22 (3) The premium on the individual policy shall be at the insurer's  
23 then customary rate applicable to the form and amount of the  
24 individual policy, to the class of risk to which the person then belongs,  
25 and to the individual age attained on the effective date of the  
26 individual policy. Subject to the conditions established in paragraphs  
27 (1) and (2) of this subsection, the conversion privilege shall be  
28 available:

29 (a) To a surviving dependent, if any, at the death of the employee  
30 or member, with respect to the coverage under the group policy that  
31 terminates by reason of the death; and

32 (b) To the dependent of the employee or member upon termination  
33 of coverage of the dependent, while the employee or member remains  
34 insured under the group policy, by reason of the dependent ceasing to  
35 be a qualified family member under the group policy.

36 j. The policy shall contain a provision that if the group policy  
37 terminates or is amended so as to terminate the insurance of any class  
38 of insured persons, every person insured thereunder at the date of  
39 termination whose insurance terminates, including the insured  
40 dependent of a covered person, and who has been so insured for at  
41 least five years prior to the termination date, shall be entitled to have  
42 issued by the insurer an individual policy of life insurance, subject to  
43 the same conditions and limitations as are provided by subsection i. of  
44 this section, except that the group policy may provide that the amount  
45 of the individual policy shall not exceed the smaller of:

46 (1) The amount of the person's life insurance protection ceasing

1 because of the termination or amendment of the group policy, less the  
2 amount of any life insurance for which the person is or becomes  
3 eligible under a group policy issued or reinstated by the same or  
4 another insurer within 31 days after termination; or

5 (2) \$10,000.

6 k. The policy shall contain a provision that, if a person insured  
7 under the group policy, or the insured dependent of a covered person,  
8 dies during the period within which the individual would have been  
9 entitled to have an individual policy issued in accordance with  
10 subsection i. or j. of this section and before the individual policy shall  
11 have become effective, the amount of life insurance which he would  
12 have been entitled to have issued under the individual policy shall be  
13 payable as a claim under the group policy, whether or not application  
14 for the individual policy or the payment of the first premium therefor  
15 had been made.

16 l. Where active employment is a condition of insurance, the policy  
17 shall contain a provision that an insured may continue coverage during  
18 the insured's total disability by timely payment to the policyholder of  
19 that portion, if any, of the premium that would have been required  
20 from the insured had total disability not occurred. The continuation  
21 shall be on a premium paying basis for a period of six months from the  
22 date on which the total disability started, but not beyond the earlier of:

23 (1) Approval by the insurer of continuation of the coverage under  
24 any disability provision which the group insurance policy may contain;  
25 or

26 (2) The discontinuance of the group insurance policy.

27 m. In the case of a policy insuring the lives of debtors, the policy  
28 shall contain a provision that the insurer shall furnish to the  
29 policyholder for delivery to each debtor insured under the policy a  
30 certificate of insurance describing the coverage and specifying that the  
31 death benefit shall first be applied to reduce or extinguish the  
32 indebtedness.

33 n. In participating policies, there shall be a provision that the policy  
34 shall participate in the divisible surplus of the insurer as determined by  
35 the insurer and that the insurer shall determine annually the extent of  
36 such participation, if any; and that the policyholder shall have the right  
37 to any dividend arising from the participation paid in cash unless  
38 another dividend option contained in the policy has been elected.

39  
40 6. If an individual insured under a group insurance policy hereafter  
41 delivered in this State becomes entitled under the terms of the policy  
42 to have an individual policy of life insurance issued without evidence  
43 of insurability, subject to making application and payment of the first  
44 premium within the period specified in the policy, and if the individual  
45 is not given notice of the existence of the right at least 15 days prior  
46 to the expiration date of the period, then the individual shall have an

1 additional period within which to exercise the right, but nothing herein  
2 contained shall be construed to continue any insurance beyond the  
3 period provided in the policy. This additional period shall expire 15  
4 days after the individual is given notice but in no event shall the  
5 additional period extend beyond 60 days after the expiration date of  
6 the period provided in the policy. Written notice presented to the  
7 individual or mailed by the policyholder to the last known address of  
8 the individual or mailed by the insurer to the last known address of the  
9 individual as furnished by the policyholder shall constitute notice for  
10 the purpose of this section.

11

12 7. a. No group life insurance policy, or application, if a written  
13 application is required and is to be made a part of the policy,  
14 certificate, printed rider or endorsement for use with the policy, shall  
15 be delivered or issued for delivery in this State unless the form has  
16 been filed with the Commissioner of Banking and Insurance for  
17 approval in accordance with the provisions of section 16 of P.L.1995,  
18 c.73 (C.17B:25-18.2).

19 b. If a form is disapproved for filing by the commissioner during  
20 the 60 day period provided in section 16 of P.L.1995, c.73 (C.17B:25-  
21 18.2), it may not be delivered or issued for delivery unless it is  
22 resubmitted and approved in accordance with the provisions of  
23 subsections b., c., and d., of section 16 of P.L.1995, c.73 (C.17B:25-  
24 18.2). Such disapproval shall be subject to review in accordance with  
25 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
26 seq.).

27 c. Any form which is filed by the commissioner or deemed filed  
28 may be so delivered or issued for delivery until such time as any  
29 subsequent withdrawal of the filing by the commissioner, following an  
30 opportunity for a hearing held in accordance with the "Administrative  
31 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), becomes final  
32 in accordance therewith.

33 d. This section shall not apply to documents which relate only to  
34 the manner of distribution of benefits or to the reservation of rights  
35 and benefits under group life insurance policies and which are used at  
36 the request of the individual insured or policyholder.

37 e. The disapproval by the commissioner of any form may be on the  
38 grounds that the form contains provisions which are unjust, unfair,  
39 inequitable, misleading, or contrary to law or to the public policy of  
40 this State.

41

42 8. a. Notwithstanding any policy provision to the contrary,  
43 benefits under a group life insurance policy subject to this act shall  
44 become payable by reason of the death of the insured within 60 days  
45 after the receipt of due proof of death and, at the insurer's option,  
46 proof of the interest of the claimant.

1       b. If a claim or a portion of a claim for benefits under a policy  
2 requires additional investigation or is denied by the insurer, the  
3 claimant shall be notified in writing no later than 45 days following  
4 receipt by the insurer of due proof of death, proof of the interest of the  
5 claimant, or any other document or information requested by the  
6 insurer under the terms of the policy, that the claim, or a portion  
7 thereof, is subject to additional investigation or denied, and the reason  
8 the claim is being investigated or denied. Notwithstanding the  
9 provisions of this subsection b. to the contrary, the notice to the  
10 claimant for any claim which the insurer concludes, based upon its  
11 investigation and which conclusion is reasonably based upon the  
12 contents of the insurer's claim file, constitutes probable cause for fraud  
13 shall not be required to contain the specific reasons for the  
14 investigation. A conclusion of fraud that is not reasonably based upon  
15 the contents of the insurer's claim file shall be a violation of section 1  
16 of P.L.1975, c.101 (C.17B:30-13.1), notwithstanding that the  
17 violation did not occur with such frequency as to indicate a general  
18 business practice. Any uncontested portion of a claim shall be paid no  
19 later than 60 days following receipt of due proof of death, proof of the  
20 interest of the claimant, or any other document or information  
21 requested by the insurer under the terms of the policy.

22       c. The insurer, upon receipt of any document or information  
23 requested relating to a claim or portion of a claim under investigation,  
24 shall pay the benefits for which the claim is made, or deny the claim no  
25 later than 90 days following the receipt of the document or  
26 information.

27       d. Payment of a claim or a portion thereof that is not under  
28 investigation by the insurer shall be overdue if not remitted to the  
29 claimant by the insurer on or before 60 days following receipt of due  
30 proof of death, proof of the interest of the claimant, or any other  
31 document or information requested by the insurer pursuant to the  
32 policy. Payment of a claim, or a portion of a claim under  
33 investigation, or denied, that becomes eligible for payment shall be  
34 overdue if not remitted to the claimant by the insurer on or before 90  
35 days following receipt of due proof of death, proof of the interest of  
36 the claimant, or any other document or information requested by the  
37 insurer. Overdue payments shall bear an annual rate of interest equal  
38 to the average rate of return of the State of New Jersey Cash  
39 Management Fund, established pursuant to section 1 of P.L.1977,  
40 c.281 (C.52:18A-90.4), for the preceding fiscal year, rounded to the  
41 nearest one-half percent.

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43       9. This act shall take effect on the 90th day after enactment.

STATEMENT

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This bill establishes groups eligible for, standard policy provisions of and other matters related to group life insurance.

The bill establishes that no policy of group life insurance issued to an employer, creditor, labor union, association, credit union, bank, savings and loan association or other regulated financial institution, or fraternal benefit society or association, which entity is deemed the policyholder, shall be delivered in this State unless the policy meets certain criteria enumerated in the bill. For group life insurance policies issued to other types of groups, the bill requires a determination by the Commissioner of Banking and Insurance that the issuance of the policy is not contrary to the best interest of the public, would result in economies of acquisition or administration, and the benefits are reasonable in relation to the premiums charged.

With respect to group life insurance available through direct mail, telephone or other mass communication solicitation offered by a sponsoring or endorsing agency that specifies that eligibility for participation in the group life insurance program is dependent upon affiliation with the organization, the bill requires the insurer to distribute a notice to prospective insureds that explains the manner in which, and to whom, compensation is paid under the terms of the group policy.

The bill also provides certain criteria that shall be followed if a group life insurance policy is extended to insure employees or members against loss due to the death of their spouses and dependent children, and any other persons dependent upon the insured employees or members.

Finally, the bill establishes standard provisions for group life insurance policies, provides protections for individuals entitled under the terms of a group policy to have an individual life insurance policy issued without evidence of insurability, requires approval by the Commissioner of Banking and Insurance of policy forms and applications, and establishes time periods within which benefits shall be paid under a group insurance policy.

ASSEMBLY FINANCIAL INSTITUTIONS AND INSURANCE  
COMMITTEE

STATEMENT TO

[First Reprint]

**SENATE, No. 1788**

**STATE OF NEW JERSEY**

DATED: MAY 2, 2005

The Assembly Financial Institutions and Insurance Committee reports favorably Senate Bill No. 1788 (1R).

This bill revises the standards for group life insurance. The bill establishes standard provisions for group life insurance policies, provides protections for individuals entitled under the terms of a group policy to have an individual life insurance policy issued without evidence of insurability, requires approval by the Commissioner of Banking and Insurance of policy and application forms, and establishes time periods within which benefits shall be paid under a group insurance policy. The bill also provides certain criteria that shall be followed if a group life insurance policy is extended to insure employees or members against loss due to the death of their spouse, domestic partner, dependent children and any other persons dependent upon the insured employees or members.

Under the bill, an employer, creditor, labor union, trust, association, credit union, bank, savings and loan association or other regulated financial institution, or fraternal benefit society or association, may be the policyholder, of the group life insurance. For group life insurance policies issued to other types of groups, the bill requires a determination by the Commissioner of Banking and Insurance that the issuance of the policy is not contrary to the best interest of the public, would result in economies of acquisition or administration, and that the benefits are reasonable in relation to the premiums charged.

With respect to the group policyholder the bill specifies that an employer may be the policyholder of a group life insurance policy used to fund employee benefit plans and clarifies that the group policyholder shall be responsible for remitting all premiums, whether paid from the policyholder's funds or by the insured group's members. The bill also allows group life insurance policies issued to an association to provide coverage to retirees of member companies of the association, as is the case when the employer itself is the group policyholder. The bill also specifies that domestic partners of an

employee or group member are among those who may be covered under a group life insurance policy, and addresses certain conversion rights under group policies.



# SENATE COMMERCE COMMITTEE

## STATEMENT TO

### **SENATE, No. 1788**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: NOVEMBER 15, 2004

The Senate Commerce Committee reports favorably and with committee amendments Senate Bill No. 1788.

As amended, this bill revises the standards for group life insurance. The bill establishes standard provisions for group life insurance policies, provides protections for individuals entitled under the terms of a group policy to have an individual life insurance policy issued without evidence of insurability, requires approval by the Commissioner of Banking and Insurance of policy forms and applications, and establishes time periods within which benefits shall be paid under a group insurance policy. The bill also provides certain criteria that shall be followed if a group life insurance policy is extended to insure employees or members against loss due to the death of their spouse, domestic partner, dependent children and any other persons dependent upon the insured employees or members.

Under the bill, an employer, creditor, labor union, association, credit union, bank, savings and loan association or other regulated financial institution, or fraternal benefit society or association, may be the policyholder, of the group life insurance. For group life insurance policies issued to other types of groups, the bill requires a determination by the Commissioner of Banking and Insurance that the issuance of the policy is not contrary to the best interest of the public, would result in economies of acquisition or administration, and that the benefits are reasonable in relation to the premiums charged.

The committee amended the bill to make various revisions. With respect to the group policyholder, the amendments specify that an employer may be the policyholder of a group life insurance policy used to fund employee benefit plans and clarify that the group policyholder shall be responsible for remitting all premiums, whether paid from the policyholder's funds or by the insured group's members. The amendments also allow group life insurance policies issued to an association to provide coverage to retirees of member companies of the association, as is the case when the employer itself is the group policyholder. The amendments delete a provision in the bill which would have limited to \$5,000 the amount of insurance under a policy

issued to a duly incorporated State Policemen's Benevolent Association or Fraternal Order of Police. The amendments also specify that domestic partners of an employee or group member are among those who may be covered under a group life insurance policy. Certain other amendments are made to avoid problems with respect to conversion rights under group policies which frequently arise, and the current law with respect to the conversion privilege of debtors upon the absolute assignment by the creditor is continued. Finally, the bill is amended to take effect on January 1, 2005, rather than on the 90th day after enactment.

# ASSEMBLY, No. 3158

## STATE OF NEW JERSEY 211th LEGISLATURE

INTRODUCED SEPTEMBER 13, 2004

**Sponsored by:**

**Assemblyman NEIL M. COHEN**

**District 20 (Union)**

**Assemblyman CHRISTOPHER "KIP" BATEMAN**

**District 16 (Morris and Somerset)**

**SYNOPSIS**

Concerns groups eligible for, standard policy provisions of and other matters related to group life insurance.

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 5/3/2005)

1 AN ACT concerning group life insurance and supplementing Title 17B  
2 of the New Jersey Statutes.

3  
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
5 *of New Jersey:*

6  
7 1. Except as provided in section 2 of this act, no policy of group  
8 life insurance shall be delivered in this State unless it meets one of the  
9 descriptions in subsections a. through h. of this section:

10 a. A policy issued to an employer, or to the trustees of a fund  
11 established by an employer, which employer or trustees shall be  
12 deemed the policyholder, to insure employees of the employer for the  
13 benefit of persons other than the employer, subject to the following  
14 requirements:

15 (1) The employees eligible for insurance under the policy shall be  
16 all of the employees of the employer, or all of any class thereof. The  
17 policy may provide that the term "employees" shall include the  
18 employees of one or more subsidiary corporations, and the employees,  
19 individual proprietors, and partners of one or more affiliated  
20 corporations, proprietorships or partnerships if the business of the  
21 employer and of the affiliated corporations, proprietorships or  
22 partnerships is under common control. The policy may provide that  
23 the term "employees" shall include the individual proprietor or partners  
24 if the employer is an individual proprietorship or partnership. The  
25 policy may provide that the term "employees" may include retired  
26 employees, former employees and directors of a corporate employer.

27 (2) The premium for the policy shall be paid either from the  
28 employer's funds or from funds contributed by the insured employees,  
29 or from both. Except as provided in paragraph (3) of this subsection,  
30 a policy on which no part of the premium is to be derived from funds  
31 contributed by the insured employees shall insure all eligible  
32 employees, except those who reject the coverage in writing.

33 (3) An insurer may exclude or limit the coverage on any person as  
34 to whom evidence of individual insurability is not satisfactory to the  
35 insurer.

36 b. A policy issued to a creditor or its parent holding company or  
37 to a trustee or agent designated by two or more creditors, which  
38 creditor, holding company, affiliate, trustee or agent shall be deemed  
39 the policyholder, to insure debtors of the creditor subject to the  
40 following requirements:

41 (1) The debtors eligible for insurance under the policy shall be all  
42 of the debtors of the creditor, or all of any class thereof. The policy  
43 may provide that the term "debtors" shall include:

44 (a) Borrowers of money or purchasers or lessees of goods, services  
45 or property for which payment is arranged through a credit  
46 transaction;

1 (b) The debtors of one or more subsidiary corporations; and

2 (c) The debtors of one or more affiliated corporations,  
3 proprietorships or partnerships if the business of the policyholder and  
4 of the affiliated corporations, proprietorships or partnerships is under  
5 common control.

6 (2) The premium for the policy shall be paid either from the  
7 creditor's funds, or from charges collected from the insured debtors,  
8 or from both. Except as provided in paragraph (3) of this subsection,  
9 a policy on which no part of the premium is to be derived from the  
10 funds contributed by insured debtors specifically for their insurance  
11 shall insure all eligible debtors.

12 (3) An insurer may exclude any debtors as to whom evidence of  
13 individual insurability is not satisfactory to the insurer.

14 (4) The amount of the insurance on the life of any debtor shall at  
15 no time exceed the greater of the scheduled or actual amount of  
16 unpaid indebtedness to the creditor, except that insurance written in  
17 connection with open-end credit having a credit limit exceeding  
18 \$10,000 may be in an amount not exceeding the credit limit.

19 (5) The insurance may be payable to the creditor or any successor  
20 to the right, title and interest of the creditor. The payment shall  
21 reduce or extinguish the unpaid indebtedness of the debtor to the  
22 extent of the payment and any excess of the insurance shall be payable  
23 to the estate of the insured.

24 (6) Notwithstanding the provisions of paragraphs (1) through (5)  
25 of this subsection, insurance on agricultural credit transaction  
26 commitments may be written up to the amount of the loan commitment  
27 on a non-decreasing or level term plan. Insurance on educational  
28 credit transactions commitments may be written up to the amount of  
29 the loan commitment less the amount of any repayments made on the  
30 loan.

31 c. A policy issued to a labor union, or similar employee  
32 organization, which shall be deemed to be the policyholder, to insure  
33 members of the union or organization for the benefit of persons other  
34 than the union or organization or any of its officials, representatives  
35 or agents, shall be subject to the following requirements:

36 (1) The members eligible for insurance under the policy shall be all  
37 of the members of the union or organization, or all of any class or  
38 classes thereof.

39 (2) The premium for the policy shall be paid either from funds of  
40 the union or organization, or from funds contributed by the insured  
41 members specifically for their insurance, or from both. Except as  
42 provided in paragraph (3) of this subsection, a policy on which no part  
43 of the premium is to be derived from funds contributed by the insured  
44 members specifically for their insurance shall insure all eligible  
45 members, except those who reject the coverage in writing.

46 (3) An insurer may exclude or limit the coverage on any person as

1 to whom evidence of individual insurability is not satisfactory to the  
2 insurer.

3 d. A policy issued to a trust or to the trustees of a fund established  
4 or adopted by two or more employees, or by one or more labor unions  
5 or similar employee organizations, or by one or more employers and  
6 one or more labor unions or similar employee organizations, which  
7 trust or trustees shall be deemed the policyholder, to insure employees  
8 of the employers or members of the unions or organizations for the  
9 benefit of persons other than the employers or the unions or  
10 organizations, subject to the following requirements:

11 (1) The persons eligible for insurance shall be all of the employees  
12 of the employers or all of the members of the unions or organizations,  
13 or all of any class thereof. The policy may provide that the term  
14 "employees" shall include the employees of one or more subsidiary  
15 corporations, and the employees, individual proprietors, and partners  
16 of one or more affiliated corporations, proprietorships or partnerships  
17 if the business of the employer and of the affiliated corporations,  
18 proprietorships or partnerships is under common control. The policy  
19 may provide that the term "employees" shall include the individual  
20 proprietor or partners if the employer is an individual proprietorship  
21 or partnership. The policy may provide that the term "employees"  
22 shall include retired employees, former employees and directors of a  
23 corporate employer. The policy may provide that the term  
24 "employees" shall include the trustees or their employees, or both, if  
25 their duties are principally connected with the trusteeship.

26 (2) The premium for the policy shall be paid from funds  
27 contributed by the employer of the insured persons, or by the union or  
28 similar employee organizations, or by both, or from funds contributed  
29 by the insured persons or from both the insured persons and the  
30 employers or unions or similar employee organizations. Except as  
31 provided in paragraph (3) of this subsection, a policy on which no part  
32 of the premium is to be derived from funds contributed by the insured  
33 persons specifically for their insurance shall insure all eligible persons,  
34 except those who reject the coverage in writing.

35 (3) An insurer may exclude or limit the coverage on any person as  
36 to whom evidence of individual insurability is not satisfactory to the  
37 insurer.

38 e. (1) A policy issued to an association or to a trust or to the  
39 trustees of a fund established, created or maintained for the benefit of  
40 members of one or more associations. The association shall have at  
41 the outset a minimum of 100 persons; shall have been organized and  
42 maintained in good faith for purposes other than that of obtaining  
43 insurance; shall have been in active existence for at least two years;  
44 and shall have a constitution and by-laws which provide that the  
45 association hold regular meetings not less than annually to further  
46 purposes of the members; except for credit unions, the association,

1 collect dues or solicit contributions from members; and the members  
2 have voting privileges and representation on the governing board and  
3 committees.

4 (2) The policy shall be subject to the following requirements:

5 (a) The policy may insure members of the association, employees  
6 thereof or employees of members, or one or more of the preceding or  
7 all of any class thereof for the benefit of persons other than the  
8 employee's employer.

9 (b) The premium for the policy shall be paid from funds  
10 contributed by the association, or by employer members, or by both,  
11 or from funds contributed by the covered persons or from both the  
12 covered persons and the associations, or employer members.

13 (c) Except as provided in subparagraph (d) of this paragraph, a  
14 policy on which no part of the premium is to be derived from funds  
15 contributed by the covered persons specifically for the insurance shall  
16 insure all eligible persons, except those who reject the coverage in  
17 writing.

18 (d) An insurer may exclude or limit the coverage on any person as  
19 to whom evidence of individual insurability is not satisfactory to the  
20 insurer.

21 f. A policy issued to a credit union or to a trustee or agent  
22 designated by two or more credit unions, which credit union, trustee  
23 or agent shall be deemed the policyholder, to insure members of the  
24 credit union for the benefit of persons other than the credit union,  
25 trustee or agent, or any of their officials, subject to the following  
26 requirements:

27 (1) The members eligible for insurance shall be all of the members  
28 of the credit union, or all of any class thereof.

29 (2) The premium for the policy shall be paid by the policyholder  
30 from the credit union's funds and, except as provided in paragraph (3)  
31 of this section, shall insure all eligible members.

32 (3) An insurer may exclude or limit the coverage on any member  
33 as to whom evidence of individual insurability is not satisfactory to the  
34 insurer.

35 g. A policy issued to a bank, savings and loan association, or other  
36 regulated financial institution or to a trustee or agent designated by  
37 two or more such financial institutions, or to a regulated issuer of a  
38 credit card, charge card or payment card used to buy goods or  
39 services, which shall be deemed policyholders, to insure the  
40 depositors, account holders or card holders of such policyholders.  
41 Such insurance shall be for the benefit of persons other than the  
42 policyholders or any of their officials. The insurance shall be subject  
43 to the following requirements:

44 (1) Those eligible for insurance shall be all of the depositors,  
45 account holders or card holders of the policyholder, or all of any class  
46 or classes thereof.

1 (2) The premium for the policy shall be paid from funds  
2 contributed by the policyholder, or contributed by the insured persons,  
3 or contributed by both. Except as provided in paragraph (3) of this  
4 subsection, a policy on which no part of the premium is to be derived  
5 from funds contributed by the insured persons, shall insure all eligible  
6 persons, except those who reject the coverage in writing.

7 (3) An insurer may exclude or limit the coverage on any member  
8 as to whom evidence of individual insurability is not satisfactory to the  
9 insurer.

10 h. A policy issued to a duly incorporated State Policemen's  
11 Benevolent Association or Fraternal Order of Police, which  
12 association or order shall be deemed the policyholder, to insure  
13 members of the association or order for the benefit of persons other  
14 than the association, order or any of its officials, subject to the  
15 following requirements:

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

20 (2) The premium for the policy shall be paid by the policyholder  
21 wholly from the association's or order's funds. No policy may be  
22 issued on which any part of the premium is to be derived from funds  
23 contributed by the insured members specifically for their insurance.  
24 The policy must insure all eligible members, or all except any as to  
25 whom evidence of individual insurability is not satisfactory to the  
26 insurer.

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

28 (4) The amounts of insurance under the policy must be based upon  
29 some plan precluding individual selection either by the members or the  
30 association or order. In no event may the amount of insurance under  
31 the policy on a member exceed \$5,000.

32  
33 2. a. Group life insurance offered to a resident of this State under  
34 a group life insurance policy issued to a group other than one  
35 described in section 1 of this act shall be subject to the requirements  
36 of this section.

37 b. A group life insurance policy shall not be delivered in this State  
38 unless the commissioner finds that:

39 (1) The issuance of the group policy is not contrary to the best  
40 interest of the public;

41 (2) The issuance of the group policy would result in economies of  
42 acquisition or administration; and

43 (3) The benefits are reasonable in relation to the premiums  
44 charged.

45 c. Group life insurance coverage may not be offered in this State  
46 by an insurer under a policy issued in another state unless this State or



1 another state having requirements substantially similar to those  
2 included in paragraphs (1), (2) and (3) of subsection b. of this section  
3 has made a determination that those requirements have been met.

4 d. The premium for the policy shall be paid either from the  
5 policyholder's funds or from funds contributed by the covered persons,  
6 or from both.

7 e. An insurer may exclude or limit the coverage on any person as  
8 to whom evidence of individual insurability is not satisfactory to the  
9 insurer.

10  
11 3. a. With respect to a program of insurance which, if issued on a  
12 group basis, does not meet the requirements of section 1 of this act,  
13 the insurer shall cause to be distributed to prospective insureds a  
14 written notice that compensation shall or may be paid, if compensation  
15 of any kind shall or may be paid to:

16 (1) A policyholder or sponsoring or endorsing entity in the case of  
17 a group policy; or

18 (2) A sponsoring or endorsing entity in the case of individual,  
19 blanket or franchise policies marketed by means of direct response  
20 solicitation.

21 b. The notice shall be distributed:

22 (1) Whether compensation is direct or indirect; and

23 (2) Whether the compensation is paid to or retained by the  
24 policyholder or sponsoring or endorsing entity, or paid to or retained  
25 by a third party at the direction of the policyholder or sponsoring or  
26 endorsing entity, or an entity affiliated therewith by way of ownership,  
27 contract or employment.

28 c. The notice required by this section shall be placed on or  
29 accompany an application or enrollment form provided to prospective  
30 insureds.

31 d. For the purposes of this section:

32 (1) "Direct response solicitation" means a solicitation through a  
33 sponsoring or endorsing entity through the mails, telephone or other  
34 mass communications media; and

35 (2) "Sponsoring or endorsing entity" means an organization that  
36 has arranged for the offering of a program of insurance in a manner  
37 that communicates that eligibility for participation in the program is  
38 dependent upon affiliation with the organization or that it encourages  
39 participation in the program.

40  
41 4. Except for a policy issued under subsection b. of section 1 of  
42 this act, a group life insurance policy may be extended to insure the  
43 employees or members against loss due to the death of their spouses  
44 and dependent children, and any other persons dependent upon the  
45 insured employees or members, or any class thereof, subject to the  
46 following:

1 a. The premium for the insurance shall be paid either from funds  
2 contributed by the employer, union, association or other person to  
3 whom the policy has been issued, or from funds contributed by the  
4 covered persons, or from both. Except as provided in subsection b. of  
5 section 1 of this act, a policy on which no part of the premium for the  
6 spouse's and dependent child's coverage is to be derived from funds  
7 contributed by the covered persons shall insure all eligible employees  
8 or members with respect to their spouses and dependent children, or  
9 any class thereof.

10 b. An insurer may exclude or limit the coverage on any spouse or  
11 dependent child or any other person dependent upon the insured  
12 employee or member as to whom evidence of individual insurability is  
13 not satisfactory to the insurer.

14 c. The amounts of insurance for any covered spouse or dependent  
15 child or any other person dependent upon the insured employee or  
16 member under the policy may not exceed 100% of the amount of  
17 insurance for which the employee or member is insured.

18

19 5. a. No policy of group life insurance shall be delivered in this  
20 State unless it contains in substance the following provisions, or  
21 provisions which in the opinion of the Commissioner of Banking and  
22 Insurance are more favorable to the persons insured, or at least as  
23 favorable to the persons insured and more favorable to the  
24 policyholder. However, subsections g. through l. of this section shall  
25 not apply to policies insuring the lives of debtors; the standard  
26 provisions required for individual life insurance policies shall not apply  
27 to group life insurance policies; and if the group life insurance policy  
28 is on a plan of insurance other than the term plan, it shall contain a  
29 nonforfeiture provision which, in the opinion of the commissioner, is  
30 equitable to the insured persons and to the policyholder. Nothing  
31 herein shall be construed to require that group life insurance policies  
32 contain the same nonforfeiture provisions as are required for individual  
33 life insurance policies.

34 b. The policy shall contain a provision that the policyholder is  
35 entitled to a grace period of 31 days for the payment of any premium  
36 due except the first, during which grace period the death benefit  
37 coverage shall continue in force, unless the policyholder gives the  
38 insurer written notice of discontinuance in advance of the date of  
39 discontinuance and in accordance with the terms of the policy. The  
40 policy may provide that the policyholder shall be liable to the insurer  
41 for the payment of a pro rata premium for the time the policy was in  
42 force during the grace period.

43 c. The policy shall contain a provision that the validity of the policy  
44 shall not be contested except for nonpayment of premiums after it has  
45 been in force for two years from its date of issue; and that no  
46 statement made by any person insured under the policy relating to the

1 person's insurability shall be used in contesting the validity of the  
2 insurance with respect to which the statement was made after the  
3 insurance has been in force prior to the contest for a period of two  
4 years during the person's lifetime or unless it is contained in a written  
5 instrument signed by the person. This provision shall not preclude the  
6 assertion at any time of defenses based upon provisions in the policy  
7 that relate to eligibility for coverage.

8 d. The policy shall contain a provision that a copy of the  
9 application of the policyholder, if any, shall be attached to the policy  
10 when issued, that all statements made by the policyholder or by the  
11 persons insured shall be deemed representations and not warranties,  
12 and that no statement made by any person insured shall be used in any  
13 contest unless a copy of the instrument containing the statement is or  
14 has been furnished to the person or, in the event of death or incapacity  
15 of the insured person, to the insured person's beneficiary or personal  
16 representative.

17 e. The policy shall contain a provision setting forth the conditions,  
18 if any, under which the insurer reserves the right to require a person  
19 eligible for insurance to furnish evidence of individual insurability  
20 satisfactory to the insurer as a condition to part or all of his coverage.

21 f. The policy shall contain a provision specifying an equitable  
22 adjustment of premiums or benefits, or both, to be made in the event  
23 the age of a person insured has been misstated. The provision shall  
24 contain a clear statement of the method of adjustment to be made.

25 g. The policy shall contain a provision that any sum becoming due  
26 by reason of the death of the person insured shall be payable to the  
27 beneficiary designated by the person insured, except that, where the  
28 policy contains conditions pertaining to family status, the beneficiary  
29 may be the family member specified by the policy terms, subject to the  
30 provisions of the policy in the event there is no designated beneficiary,  
31 as to all or any part of the sum, living at the death of the person  
32 insured, and subject to any right reserved by the insurer in the policy  
33 and set forth in the certificate to pay at its option a part of the sum not  
34 exceeding \$2,000 to any person appearing to the insurer to be  
35 equitably entitled to it by reason of having incurred funeral or other  
36 expenses incident to the last illness or death of the person insured.

37 h. The policy shall contain a provision that the insurer will issue to  
38 the policyholder, for delivery to each person insured, a certificate  
39 setting forth a statement as to the insurance protection to which the  
40 person is entitled, to whom the insurance benefits are payable, a  
41 statement as to any dependent's coverage included in the certificate,  
42 and the rights and conditions set forth in subsections i., j., k., and l. of  
43 this subsection.

44 i. The policy shall contain a provision that, if the insurance, or any  
45 portion of it, on a person covered under the policy or on the  
46 dependent of a person covered, ceases because of termination of

1 employment or of membership in the class eligible for coverage under  
2 the policy, the person shall be entitled to have issued to him by the  
3 insurer, without evidence of insurability, an individual policy of life  
4 insurance without disability or other supplementary benefits, provided  
5 application for the individual policy shall be made, and the first  
6 premium paid to the insurer, within 31 days after termination and  
7 provided further that:

8 (1) The individual policy shall, at the option of the person, be on  
9 any one of the forms then customarily issued by the insurer at the age  
10 and for the amount applied for, except that the group policy may  
11 exclude the option to elect term insurance;

12 (2) The individual policy shall be in an amount not in excess of the  
13 amount of life insurance that ceases because of termination, less the  
14 amount of any life insurance for which the person becomes eligible  
15 under the same or any other group policy within 31 days after  
16 termination, provided that any amount of insurance that shall have  
17 matured on or before the date of termination as an endowment payable  
18 to the person insured, whether in one sum or in installments or in the  
19 form of an annuity, shall not, for the purposes of this provision, be  
20 included in the amount that is considered to cease because of  
21 termination; and

22 (3) The premium on the individual policy shall be at the insurer's  
23 then customary rate applicable to the form and amount of the  
24 individual policy, to the class of risk to which the person then belongs,  
25 and to the individual age attained on the effective date of the  
26 individual policy. Subject to the conditions established in paragraphs  
27 (1) and (2) of this subsection, the conversion privilege shall be  
28 available:

29 (a) To a surviving dependent, if any, at the death of the employee  
30 or member, with respect to the coverage under the group policy that  
31 terminates by reason of the death; and

32 (b) To the dependent of the employee or member upon termination  
33 of coverage of the dependent, while the employee or member remains  
34 insured under the group policy, by reason of the dependent ceasing to  
35 be a qualified family member under the group policy.

36 j. The policy shall contain a provision that if the group policy  
37 terminates or is amended so as to terminate the insurance of any class  
38 of insured persons, every person insured thereunder at the date of  
39 termination whose insurance terminates, including the insured  
40 dependent of a covered person, and who has been so insured for at  
41 least five years prior to the termination date, shall be entitled to have  
42 issued by the insurer an individual policy of life insurance, subject to  
43 the same conditions and limitations as are provided by subsection i. of  
44 this section, except that the group policy may provide that the amount  
45 of the individual policy shall not exceed the smaller of:

46 (1) The amount of the person's life insurance protection ceasing

1 because of the termination or amendment of the group policy, less the  
2 amount of any life insurance for which the person is or becomes  
3 eligible under a group policy issued or reinstated by the same or  
4 another insurer within 31 days after termination; or

5 (2) \$10,000.

6 k. The policy shall contain a provision that, if a person insured  
7 under the group policy, or the insured dependent of a covered person,  
8 dies during the period within which the individual would have been  
9 entitled to have an individual policy issued in accordance with  
10 subsection i. or j. of this section and before the individual policy shall  
11 have become effective, the amount of life insurance which he would  
12 have been entitled to have issued under the individual policy shall be  
13 payable as a claim under the group policy, whether or not application  
14 for the individual policy or the payment of the first premium therefor  
15 had been made.

16 l. Where active employment is a condition of insurance, the policy  
17 shall contain a provision that an insured may continue coverage during  
18 the insured's total disability by timely payment to the policyholder of  
19 that portion, if any, of the premium that would have been required  
20 from the insured had total disability not occurred. The continuation  
21 shall be on a premium paying basis for a period of six months from the  
22 date on which the total disability started, but not beyond the earlier of:

23 (1) Approval by the insurer of continuation of the coverage under  
24 any disability provision which the group insurance policy may contain;  
25 or

26 (2) The discontinuance of the group insurance policy.

27 m. In the case of a policy insuring the lives of debtors, the policy  
28 shall contain a provision that the insurer shall furnish to the  
29 policyholder for delivery to each debtor insured under the policy a  
30 certificate of insurance describing the coverage and specifying that the  
31 death benefit shall first be applied to reduce or extinguish the  
32 indebtedness.

33 n. In participating policies, there shall be a provision that the policy  
34 shall participate in the divisible surplus of the insurer as determined by  
35 the insurer and that the insurer shall determine annually the extent of  
36 such participation, if any; and that the policyholder shall have the right  
37 to any dividend arising from the participation paid in cash unless  
38 another dividend option contained in the policy has been elected.

39  
40 6. If an individual insured under a group insurance policy hereafter  
41 delivered in this State becomes entitled under the terms of the policy  
42 to have an individual policy of life insurance issued without evidence  
43 of insurability, subject to making application and payment of the first  
44 premium within the period specified in the policy, and if the individual  
45 is not given notice of the existence of the right at least 15 days prior  
46 to the expiration date of the period, then the individual shall have an

1 additional period within which to exercise the right, but nothing herein  
2 contained shall be construed to continue any insurance beyond the  
3 period provided in the policy. This additional period shall expire 15  
4 days after the individual is given notice but in no event shall the  
5 additional period extend beyond 60 days after the expiration date of  
6 the period provided in the policy. Written notice presented to the  
7 individual or mailed by the policyholder to the last known address of  
8 the individual or mailed by the insurer to the last known address of the  
9 individual as furnished by the policyholder shall constitute notice for  
10 the purpose of this section.

11

12 7. a. No group life insurance policy, or application, if a written  
13 application is required and is to be made a part of the policy,  
14 certificate, printed rider or endorsement for use with the policy, shall  
15 be delivered or issued for delivery in this State unless the form has  
16 been filed with the Commissioner of Banking and Insurance for  
17 approval in accordance with the provisions of section 16 of P.L.1995,  
18 c.73 (C.17B:25-18.2).

19 b. If a form is disapproved for filing by the commissioner during  
20 the 60 day period provided in section 16 of P.L.1995, c.73 (C.17B:25-  
21 18.2), it may not be delivered or issued for delivery unless it is  
22 resubmitted and approved in accordance with the provisions of  
23 subsections b., c., and d., of section 16 of P.L.1995, c.73 (C.17B:25-  
24 18.2). Such disapproval shall be subject to review in accordance with  
25 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
26 seq.).

27 c. Any form which is filed by the commissioner or deemed filed  
28 may be so delivered or issued for delivery until such time as any  
29 subsequent withdrawal of the filing by the commissioner, following an  
30 opportunity for a hearing held in accordance with the "Administrative  
31 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), becomes final  
32 in accordance therewith.

33 d. This section shall not apply to documents which relate only to  
34 the manner of distribution of benefits or to the reservation of rights  
35 and benefits under group life insurance policies and which are used at  
36 the request of the individual insured or policyholder.

37 e. The disapproval by the commissioner of any form may be on the  
38 grounds that the form contains provisions which are unjust, unfair,  
39 inequitable, misleading, or contrary to law or to the public policy of  
40 this State.

41

42 8. a. Notwithstanding any policy provision to the contrary,  
43 benefits under a group life insurance policy subject to this act shall  
44 become payable by reason of the death of the insured within 60 days  
45 after the receipt of due proof of death and, at the insurer's option,  
46 proof of the interest of the claimant.

1       b. If a claim or a portion of a claim for benefits under a policy  
2 requires additional investigation or is denied by the insurer, the  
3 claimant shall be notified in writing no later than 45 days following  
4 receipt by the insurer of due proof of death, proof of the interest of the  
5 claimant, or any other document or information requested by the  
6 insurer under the terms of the policy, that the claim, or a portion  
7 thereof, is subject to additional investigation or denied, and the reason  
8 the claim is being investigated or denied. Notwithstanding the  
9 provisions of this subsection b. to the contrary, the notice to the  
10 claimant for any claim which the insurer concludes, based upon its  
11 investigation and which conclusion is reasonably based upon the  
12 contents of the insurer's claim file, constitutes probable cause for fraud  
13 shall not be required to contain the specific reasons for the  
14 investigation. A conclusion of fraud that is not reasonably based upon  
15 the contents of the insurer's claim file shall be a violation of section 1  
16 of P.L.1975, c.101 (C.17B:30-13.1), notwithstanding that the  
17 violation did not occur with such frequency as to indicate a general  
18 business practice. Any uncontested portion of a claim shall be paid no  
19 later than 60 days following receipt of due proof of death, proof of the  
20 interest of the claimant, or any other document or information  
21 requested by the insurer under the terms of the policy.

22       c. The insurer, upon receipt of any document or information  
23 requested relating to a claim or portion of a claim under investigation,  
24 shall pay the benefits for which the claim is made, or deny the claim no  
25 later than 90 days following the receipt of the document or  
26 information.

27       d. Payment of a claim or a portion thereof that is not under  
28 investigation by the insurer shall be overdue if not remitted to the  
29 claimant by the insurer on or before 60 days following receipt of due  
30 proof of death, proof of the interest of the claimant, or any other  
31 document or information requested by the insurer pursuant to the  
32 policy. Payment of a claim, or a portion of a claim under  
33 investigation, or denied, that becomes eligible for payment shall be  
34 overdue if not remitted to the claimant by the insurer on or before 90  
35 days following receipt of due proof of death, proof of the interest of  
36 the claimant, or any other document or information requested by the  
37 insurer. Overdue payments shall bear an annual rate of interest equal  
38 to the average rate of return of the State of New Jersey Cash  
39 Management Fund, established pursuant to section 1 of P.L.1977,  
40 c.281 (C.52:18A-90.4), for the preceding fiscal year, rounded to the  
41 nearest one-half percent.

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43       9. This act shall take effect on the 90th day after enactment.

STATEMENT

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This bill establishes groups eligible for, standard policy provisions of and other matters related to group life insurance.

The bill establishes that no policy of group life insurance issued to an employer, creditor, labor union, association, credit union, bank, savings and loan association or other regulated financial institution, or fraternal benefit society or association, which entity is deemed the policyholder, shall be delivered in this State unless the policy meets certain criteria enumerated in the bill. For group life insurance policies issued to other types of groups, the bill requires a determination by the Commissioner of Banking and Insurance that the issuance of the policy is not contrary to the best interest of the public, would result in economies of acquisition or administration, and the benefits are reasonable in relation to the premiums charged.

With respect to group life insurance available through direct mail, telephone or other mass communication solicitation offered by a sponsoring or endorsing agency that specifies that eligibility for participation in the group life insurance program is dependent upon affiliation with the organization, the bill requires the insurer to distribute a notice to prospective insureds that explains the manner in which, and to whom, compensation is paid under the terms of the group policy.

The bill also provides certain criteria that shall be followed if a group life insurance policy is extended to insure employees or members against loss due to the death of their spouses and dependent children, and any other persons dependent upon the insured employees or members.

Finally, the bill establishes standard provisions for group life insurance policies, provides protections for individuals entitled under the terms of a group policy to have an individual life insurance policy issued without evidence of insurability, requires approval by the Commissioner of Banking and Insurance of policy forms and applications, and establishes time periods within which benefits shall be paid under a group insurance policy.



ASSEMBLY FINANCIAL INSTITUTIONS AND INSURANCE  
COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3158**

with committee amendments

**STATE OF NEW JERSEY**

DATED: MAY 2, 2005

The Assembly Financial Institutions and Insurance Committee reports favorably and with committee amendments Assembly Bill No. 3158.

As amended, this bill revises the standards for group life insurance. The bill establishes standard provisions for group life insurance policies, provides protections for individuals entitled under the terms of a group policy to have an individual life insurance policy issued without evidence of insurability, requires approval by the Commissioner of Banking and Insurance of policy and application forms, and establishes time periods within which benefits shall be paid under a group insurance policy. The bill also provides certain criteria that shall be followed if a group life insurance policy is extended to insure employees or members against loss due to the death of their spouses, domestic partner, dependent children, and any other persons dependent upon the insured employees or members.

Under the bill, an employer, creditor, labor union, trust, association, credit union, bank, savings and loan association or other regulated financial institution, or fraternal benefit society or association, may be the policyholder, of the group life insurance. For group life insurance policies issued to other types of groups, the bill requires a determination by the Commissioner of Banking and Insurance that the issuance of the policy is not contrary to the best interest of the public, would result in economies of acquisition or administration, and the benefits are reasonable in relation to the premiums charged.

COMMITTEE AMENDMENTS

The committee amended the bill to make various revisions. With respect to the group policyholder, the amendments specify that an employer may be the policyholder of a group life insurance policy used to fund employee benefit plans and clarify that the group policyholder shall be responsible for remitting all premiums, whether paid from the policyholder's funds or by the insured group's members.

The amendments also allow group life insurance policies issued to an association to provide coverage to retirees of member companies of the association, as is the case when the employer itself is the group policyholder. The amendments delete a provision in the bill which would have limited to \$5,000 the amount of insurance under a policy issued to a duly incorporated State Policemen's Benevolent Association or Fraternal Order of Police. The amendments also specify that domestic partners of an employee or group member are among those who may be covered under a group life insurance policy. Certain other amendments are made to avoid problems with respect to conversion rights under group policies which frequently arise, and the current law with respect to the conversion privilege of debtors upon the absolute assignment by the creditor is continued. The amendments repeal provisions of the current law which the bill's provisions replace. The amendments change the bill's effective date to January 1, 2005.