

REFERENCE TITLE: group life insurance; coverage requirement

State of Arizona
Senate
Forty-seventh Legislature
Second Regular Session
2006

SB 1070

Introduced by
Senator Martin

AN ACT

AMENDING SECTIONS 20-1251.01, 20-1252, 20-1253, 20-1254, 20-1255 AND 20-1257,
ARIZONA REVISED STATUTES; RELATING TO GROUP LIFE INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-1251.01, Arizona Revised Statutes, is amended to
3 read:

4 20-1251.01. Credit union groups

5 The lives of a group of individuals may be insured under a policy
6 issued to a credit union organized under the laws of this state or the
7 federal credit union act, which shall be considered the policyholder, to
8 insure eligible members for amounts of insurance related to the share balance
9 of each member, based upon some plan which will preclude individual
10 selection, for the benefit of someone other than the credit union or its
11 officials and subject to the following requirements:

12 1. The members eligible for insurance under the policy shall be all
13 the members of the credit union who meet standard physical requirement
14 conditions of the insurer, or all of any class or classes of them determined
15 by conditions pertaining to their age or to membership in the credit union or
16 both.

17 2. The premiums for the policy shall be paid by the policyholder,
18 either from the credit union's funds, or from funds contributed by the
19 insured members specifically for their insurance, or from both. ~~A policy on
20 which part of the premium is to be derived from funds contributed by the
21 insured members specifically for their insurance may be placed only if at
22 least seventy-five per cent of the then eligible members, excluding those
23 whose evidence of individual insurability is not satisfactory to the insurer,
24 elect to make the required contribution.~~ A policy on which no part of the
25 premium is to be derived from funds contributed by the insured members
26 specifically for their insurance must insure all eligible members or all
27 except those whose evidence of individual insurability is not satisfactory to
28 the insurer.

29 3. The policy must cover at least twenty-five members at the date of
30 issue.

31 Sec. 2. Section 20-1252, Arizona Revised Statutes, is amended to read:

32 20-1252. Employee groups

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

38 1. The employees eligible for insurance under the policy shall be all
39 of the employees of the employer, or all of any class or classes thereof
40 determined by conditions pertaining to their employment. The policy may
41 provide that the term "employees" shall include the employees of one or more
42 subsidiary corporations, and the employees, individual proprietors and
43 partners of one or more affiliated corporations, proprietors or partnerships
44 if the business of the employer and of such affiliated corporations,
45 proprietors or partnerships is under common control through stock ownership,

1 contract or otherwise. The policy may provide that the term "employees"
2 shall include the individual proprietor or partners if the employer is an
3 individual proprietor or a partnership. The policy may provide that the term
4 "employees" shall include retired employees. No director of a corporate
5 employer shall be eligible for insurance under the policy unless such person
6 is otherwise eligible as a bona fide employee of the corporation by
7 performing services other than the usual duties of a director. No individual
8 proprietor or partner shall be eligible for insurance under the policy unless
9 he is actively engaged in and devotes a substantial part of his time to the
10 conduct of the business of the proprietor or partnership. A policy issued to
11 insure the employees of a public body may provide that the term "employees"
12 shall include elected or appointed officials.

13 2. The premium for the policy shall be paid by the policyholder,
14 either from the employer's funds or funds contributed by him, or from funds
15 contributed by the insured employees, or from both. ~~A policy on which part
16 of the premium is to be derived from funds contributed by the insured
17 employees may be placed in force only if at least seventy-five per cent of
18 the then eligible employees, excluding any as to whom evidence of individual
19 insurability is not satisfactory to the insurer, elect to make the required
20 contributions.~~ A policy on which no part of the premium is to be derived
21 from funds contributed by the insured employees shall insure all eligible
22 employees, or all except any as to whom evidence of individual insurability
23 is not satisfactory to the insurer.

24 3. The policy must cover at least two employees at date of issue.

25 4. The amounts of insurance under the policy must be based upon some
26 plan precluding individual selection either by the employees or by the
27 employer or trustees.

28 Sec. 3. Section 20-1253, Arizona Revised Statutes, is amended to read:
29 20-1253. Debtor groups

30 The lives of a group of individuals may be insured under a policy
31 issued to a creditor, who shall be deemed the policyholder, to insure debtors
32 of the creditor, subject to the following requirements:

33 1. The debtors eligible for insurance under the policy shall be all of
34 the debtors of the creditor whose indebtedness is repayable in installments,
35 or all of any class or classes thereof determined by conditions pertaining to
36 the indebtedness or to the purchase giving rise to the indebtedness. The
37 policy may provide that the term "debtors" shall include the debtors of one
38 or more subsidiary corporations, and the debtors of one or more affiliated
39 corporations, proprietors or partnerships if the business of the policyholder
40 and of such affiliated corporations, proprietors or partnerships is under
41 common control through stock ownership, contract or otherwise.

42 2. The premium for the policy shall be paid by the policyholder,
43 either from the creditor's funds, or from charges collected from the insured
44 debtors, or from both. ~~A policy on which part or all of the premium is to be
45 derived from the collection from the insured debtors of identifiable charges~~

1 ~~not required of uninsured debtors shall not include, in the class or classes~~
2 ~~of debtors eligible for insurance, debtors under obligations outstanding at~~
3 ~~its date of issue without evidence of individual insurability unless at least~~
4 ~~seventy five per cent of the then eligible debtors elect to pay the required~~
5 ~~charges.~~ A policy on which no part of the premium is to be derived from the
6 collection of such identifiable charges shall insure all eligible debtors, or
7 all except any as to whom evidence of individual insurability is not
8 satisfactory to the insurer.

9 3. The policy may be issued only if the group of eligible debtors is
10 then receiving new entrants at the rate of at least one hundred persons
11 yearly, or may reasonably be expected to receive at least one hundred new
12 entrants during the first policy year, and only if the policy reserves to the
13 insurer the right to require evidence of individual insurability if less than
14 seventy-five per cent of the new entrants become insured.

15 4. The amount of insurance on the life of any debtor shall at no time
16 exceed the amount of the unpaid indebtedness.

17 5. The insurance shall be payable to the policyholder. Such payment
18 shall reduce or extinguish the unpaid indebtedness of the debtor to the
19 extent of such payment.

20 Sec. 4. Section 20-1254, Arizona Revised Statutes, is amended to read:

21 20-1254. Labor union groups

22 The lives of a group of individuals may be insured under a policy
23 issued to a labor union, which shall be deemed the policyholder, to insure
24 members of the union for the benefit of persons other than the union or any
25 of its officials, representatives or agents, subject to the following
26 requirements:

27 1. The members eligible for insurance under the policy shall be all of
28 the members of the union, or all of any class or classes thereof determined
29 by conditions pertaining to their employment, or to membership in the union,
30 or both.

31 2. The premium for the policy shall be paid by the policyholder,
32 either from the union's funds, or from funds contributed by the insured
33 members specifically for their insurance, or from both. ~~A policy on which~~
34 ~~part of the premium is to be derived from funds contributed by the insured~~
35 ~~members specifically for their insurance may be placed in force only if at~~
36 ~~least seventy five per cent of the then eligible members, excluding any as to~~
37 ~~whom evidence of individual insurability is not satisfactory to the insurer,~~
38 ~~elect to make the required contributions.~~ A policy on which no part of the
39 premium is to be derived from funds contributed by the insured members
40 specifically for their insurance shall insure all eligible members, or all
41 except any as to whom evidence of individual insurability is not satisfactory
42 to the insurer.

43 3. The policy shall cover at least two members at date of issue.

44 4. The amounts of insurance under the policy shall be based upon some
45 plan precluding individual selection either by the members or by the union.

1 Sec. 5. Section 20-1255, Arizona Revised Statutes, is amended to read:
2 20-1255. Trustee groups

3 The lives of a group of individuals may be insured under a policy
4 issued to the trustees of a fund established in this state by two or more
5 employers in the same industry, if a majority of the employees to be insured
6 of each employer are located within this state, or to the trustees of a fund
7 established by one or more labor unions, or by one or more employers in the
8 same industry and one or more labor unions, or by one or more employers and
9 one or more labor unions whose members are in the same or related occupations
10 or trades, which trustees shall be deemed the policyholder, to insure
11 employees of the employers or members of the unions for the benefit of
12 persons other than the employers or the unions, subject to the following
13 requirements:

14 1. The persons eligible for insurance shall be all of the employees of
15 the employers or all of the members of the unions, or all of any class or
16 classes thereof determined by conditions pertaining to their employment, or
17 to membership in the unions, or to both. The policy may provide that the
18 term "employees" shall include retired employees, and the individual
19 proprietor or partners if an employer is an individual proprietor or a
20 partnership. No director of a corporate employer shall be eligible for
21 insurance under the policy unless such person is otherwise eligible as a bona
22 fide employee of the corporation by performing services other than the usual
23 duties of a director. No individual proprietor or partner shall be eligible
24 for insurance under the policy unless he is actively engaged in and devotes a
25 substantial part of his time to the conduct of the business of the proprietor
26 or partnership. The policy may provide that the term "employees" shall
27 include the trustees or their employees, or both, if their duties are
28 principally connected with such trusteeship.

29 2. The premium for the policy shall be paid by the trustees, either
30 from funds contributed by the employer or employers of the insured persons or
31 by the union or unions, or from the insured persons specifically for their
32 insurance, or from both, or, except in the case of a policy issued to the
33 trustees of a fund established wholly by two or more employers, from such
34 funds, or from funds contributed by the insured persons, or from both. ~~A
35 policy on which part of the premium is to be derived from funds contributed
36 by the insured persons specifically for their insurance may be placed in
37 force only if at least seventy-five per cent of the then eligible persons,
38 excluding any as to whom evidence of insurability is not satisfactory to the
39 insurer, elect to make the required contributions.~~ A policy on which no part
40 of the premium is to be derived from funds contributed by insured persons
41 specifically for their insurance shall insure all eligible persons, or all
42 except any as to whom evidence of individual insurability is not satisfactory
43 to the insurer.

44 3. The policy shall cover at date of issue at least one hundred
45 persons and not less than an average of five persons, other than individual

1 proprietors or partners, per employer unit. If the fund is established by
2 the members of an association of employers the policy may be issued only if
3 either the participating employers constitute at date of issue at least sixty
4 per cent of those employer members whose employees are not already covered
5 for group life insurance, or the total number of persons covered at date of
6 issue exceeds six hundred, and if the policy does not require that, if a
7 participating employer discontinues membership in the association, the
8 insurance of his employees shall cease solely by reason of such
9 discontinuance.

10 4. The amounts of insurance under the policy shall be based upon some
11 plan precluding individual selection either by the insured persons or by the
12 policyholder, employers or unions.

13 Sec. 6. Section 20-1257, Arizona Revised Statutes, is amended to read:

14 20-1257. Coverage of dependents; definition

15 A. Insurance under any group life insurance policy that is issued
16 pursuant to section 20-1252, 20-1254 or 20-1255 may, ~~if seventy-five per cent~~
17 ~~of the eligible persons then insured under the policy elect,~~ be extended to
18 insure the dependents, or any class or classes of dependents, of each insured
19 person who so elects, in amounts in accordance with a plan that precludes
20 individual selection by the insured persons or by the policyholder and that
21 on the life of any one dependent or the spouse of an insured person shall not
22 be more than one hundred per cent of the insurance on the life of the insured
23 person.

24 B. Premiums for any dependent coverage issued pursuant to this section
25 shall be paid by the policyholder, from the policyholder's monies, from
26 monies contributed by the policyholder or from monies contributed by the
27 persons insured under the group policy or from any or all of those sources.

28 C. A dependent insured pursuant to this section has the same
29 conversion right as to the insurance on the dependent insured's life as is
30 vested by the terms of the group policy in the persons insured under the
31 group policy.

32 D. For the purposes of this section, "dependent" means the spouse of
33 an insured person, the minor children of an insured person and any other
34 children of an insured person as provided in the group life insurance policy.