

# SENATE MOTION

**MR. PRESIDENT:**

**I move** that Senate Bill 233 be amended to read as follows:

- 1           Replace the effective dates in SECTIONS 1 through 3 with  
2 "[EFFECTIVE UPON PASSAGE]".  
3           Page 1, line 5, strike "IC 23-2-1-15(a)" and insert "**section 15(a) of**  
4 **this chapter**".  
5           Page 4, line 27, strike "(i)" and insert "**(1)**".  
6           Page 4, line 30, strike "(ii)" and insert "**(2)**".  
7           Page 4, line 37, strike "(iii)" and insert "**(3)**".  
8           Page 7, line 42, delete "shall, except in the event of fraud," and  
9 insert "shall:  
10           **(A) except as provided in clause (B),"**  
11           Page 8, line 3, after "date" delete ", " and insert "**; and**  
12           **(B) in the event of fraud in connection with an application**  
13           **for life insurance benefits under a policy that is part of a**  
14           **viatical settlement contract (as defined in IC 27-8-19.8-6),**  
15           **be incontestable after the policy has been in force during**  
16           **the lifetime of the insured for six (6) years after the date of**  
17           **issue, or, at the option of the company after the policy has**  
18           **been in force for six (6) years after the date of issue;"**.  
19           Page 8, line 4, begin a new line blocked left beginning with  
20 "except".  
21           Page 10, between lines 11 and 12, begin a new paragraph and insert:  
22 "SECTION 3. IC 27-1-12-41 IS AMENDED TO READ AS  
23 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 41. (a) A policy of  
24 group life insurance may not be delivered in Indiana unless it contains  
25 in substance:  
26           (1) the provisions described in subsection (b); or  
27           (2) provisions that, in the opinion of the commissioner, are:  
28           (A) more favorable to the persons insured; or  
29           (B) at least as favorable to the persons insured and more  
30           favorable to the policyholder;  
31           than the provisions set forth in subsection (b).

- 1 (b) The provisions referred to in subsection (a)(1) are as follows:  
 2 (1) A provision that the policyholder is entitled to a grace period  
 3 of thirty-one (31) days for the payment of any premium due  
 4 except the first, during which grace period the death benefit  
 5 coverage shall continue in force, unless the policyholder has  
 6 given the insurer written notice of discontinuance in advance of  
 7 the date of discontinuance and in accordance with the terms of the  
 8 policy. The policy may provide that the policyholder is liable to  
 9 the insurer for the payment of a pro rata premium for the time the  
 10 policy was in force during the grace period.  
 11 (2) A provision that the validity of the policy may not be  
 12 contested ~~except for nonpayment of premiums; after the policy~~  
 13 ~~has been in force for two (2) years after its date of issue; and that~~  
 14 ~~no statement made by a person insured under the policy relating~~  
 15 ~~to the person's insurability may be used in contesting the validity~~  
 16 ~~of the insurance with respect to which the statement was made;~~  
 17 ~~unless: except as provided in clause (A), (B), (C), or (D):~~  
 18 (A) ~~the insurance has not been in force for a period of two (2)~~  
 19 ~~years or longer during the person's lifetime; or The validity of~~  
 20 ~~a policy may be contested at any time for nonpayment of~~  
 21 ~~premiums.~~  
 22 (B) ~~the statement is contained in a written instrument signed~~  
 23 ~~by the insured person. The validity of a policy may be~~  
 24 ~~contested based on a statement made by a person insured~~  
 25 ~~under the policy that relates to the person's insurability if:~~  
 26 (i) ~~the statement is set forth in a written instrument~~  
 27 ~~signed by the insured; and~~  
 28 (ii) ~~the policy has not been in force for two (2) years after~~  
 29 ~~the date of issue.~~  
 30 (C) ~~The validity of a policy may be contested based on a~~  
 31 ~~statement made by a person insured under the policy that~~  
 32 ~~relates to the person's insurability if:~~  
 33 (i) ~~the policy has not been in force for at least two (2)~~  
 34 ~~years during the person's lifetime; and~~  
 35 (ii) ~~the policy has not been in force for two (2) years after~~  
 36 ~~its date of issue.~~  
 37 (D) ~~The validity of a policy that is part of a viatical~~  
 38 ~~settlement contract (as defined in IC 27-8-19.8-6) may be~~  
 39 ~~contested on the grounds of fraud in connection with an~~  
 40 ~~application for life insurance benefits under the policy~~  
 41 ~~until the policy has been in force for six (6) years after the~~  
 42 ~~date of issue.~~  
 43 However, a provision under this subdivision may not preclude the  
 44 assertion at any time of defenses based upon provisions in the  
 45 policy that relate to eligibility for coverage.  
 46 (3) A provision that a copy of the application, if any, of the  
 47 policyholder must be attached to the policy when issued, that all

- 1 statements made by the policyholder or by the persons insured are  
2 to be deemed representations and not warranties, and that no  
3 statement made by any person insured may be used in any contest  
4 unless a copy of the instrument containing the statement is or has  
5 been furnished to the insured person or, in the event of death or  
6 incapacity of the insured person, to the insured person's  
7 beneficiary or personal representative.
- 8 (4) A provision setting forth the conditions, if any, under which  
9 the insurer reserves the right to require a person eligible for  
10 insurance to furnish evidence of individual insurability  
11 satisfactory to the insurer as a condition to part or all of the  
12 person's coverage.
- 13 (5) A provision specifying an equitable adjustment of premiums,  
14 benefits, or both to be made in the event the age of a person  
15 insured has been misstated. A provision under this subdivision  
16 must contain a clear statement of the method of adjustment to be  
17 made.
- 18 (6) A provision that any sum becoming due by reason of the death  
19 of the person insured must be payable to the beneficiary  
20 designated by the person insured. However, if a policy contains  
21 conditions pertaining to family status, the beneficiary may be the  
22 family member specified by the policy terms, subject to the  
23 provisions of the policy in the event there is no designated  
24 beneficiary, as to all or any part of the sum, living at the death of  
25 the person insured, and subject to any right reserved by the  
26 insurer in the policy and set forth in the certificate to pay at its  
27 option a part of the sum not exceeding two thousand dollars  
28 (\$2,000) to any person appearing to the insurer to be equitably  
29 entitled to that payment by reason of having incurred funeral or  
30 other expenses incident to the last illness or death of the person  
31 insured.
- 32 (7) A provision that the insurer will issue to the policyholder, for  
33 delivery to each person insured, a certificate setting forth a  
34 statement that:
- 35 (A) explains the insurance protection to which the person  
36 insured is entitled;
  - 37 (B) indicates to whom the insurance benefits are payable;
  - 38 (C) explains any dependent's coverage included in the  
39 certificate; and
  - 40 (D) sets forth the rights and conditions that apply to the person  
41 under subdivisions (8), (9), (10), and (11).
- 42 (8) A provision that if the insurance, or any portion of it, on a  
43 person covered under the policy, or on the dependent of a person  
44 covered, ceases because of termination of employment or  
45 termination of membership in the class or classes eligible for  
46 coverage under the policy, the person or dependent is entitled,  
47 without evidence of insurability, to an individual policy of life

1 insurance issued to the person or dependent by the insurer without  
 2 disability or other supplementary benefits, provided that an  
 3 application for the individual policy is made and that the first  
 4 premium is paid to the insurer within thirty-one (31) days after the  
 5 termination, and provided further that:

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

11 (B) the individual policy must be in an amount not in excess  
 12 of the amount of life insurance that ceases because of the  
 13 termination, less the amount of any life insurance for which  
 14 the person or dependent becomes eligible under the same  
 15 policy or any other group policy within thirty-one (31) days  
 16 after the termination (however, any amount of insurance that  
 17 has matured on or before the date of the termination as an  
 18 endowment payable to the person insured, whether in one (1)  
 19 sum, in installments, or in the form of an annuity, may not, for  
 20 the purposes of this clause, be included in the amount of  
 21 insurance that is considered to cease because of the  
 22 termination); and

23 (C) the premium on the individual policy must be at the  
 24 insurer's then customary rate applicable to the form and  
 25 amount of the individual policy, to the class of risk to which  
 26 the person or dependent then belongs, and to the individual  
 27 age attained by the person or dependent on the effective date  
 28 of the individual policy.

29 Subject to the conditions set forth in this subdivision, the  
 30 conversion privilege created by this subdivision must be available  
 31 to a surviving dependent of a person covered under a group  
 32 policy, with respect to the coverage under the group policy that  
 33 terminates by reason of the death of the person covered, and to the  
 34 dependent of an employee or member after termination of the  
 35 coverage of the dependent because the dependent ceases to be a  
 36 qualified family member under the group policy, while the  
 37 employee or member remains insured under the group policy.

38 (9) A provision that if the group policy terminates or is amended  
 39 so as to terminate the insurance of any class of insured persons,  
 40 every person insured under the policy at the date of the  
 41 termination whose insurance terminates, including the insured  
 42 dependent of a covered person, and who has been so insured for  
 43 at least five (5) years before the termination date, is entitled to  
 44 have issued by the insurer an individual policy of life insurance,  
 45 subject to the same conditions and limitations as are provided in  
 46 subdivision (8), except that the group policy may provide that the  
 47 amount of the individual policy may not exceed the lesser of:

- 1 (A) the amount of the person's life insurance protection that is  
 2 ceasing because of the termination or amendment of the group  
 3 policy, less the amount of any life insurance for which the  
 4 person is eligible or becomes eligible under a group policy  
 5 issued or reinstated by the same insurer or another insurer  
 6 within thirty-one (31) days after the termination; or  
 7 (B) ten thousand dollars (\$10,000).
- 8 (10) A provision that if a person insured under the group policy,  
 9 or the insured dependent of a covered person, dies during the  
 10 period within which the covered person or dependent would have  
 11 been entitled to have an individual policy issued under  
 12 subdivision (8) or (9) or before such an individual policy becomes  
 13 effective, the amount of life insurance that the covered person or  
 14 dependent would have been entitled to have issued under an  
 15 individual policy is payable as a claim under the group policy,  
 16 whether or not application for the individual policy or the  
 17 payment of the first premium for the individual policy has been  
 18 made.
- 19 (11) If active employment is a condition of insurance, a provision  
 20 that an insured may continue coverage during the insured's total  
 21 disability by timely payment to the policyholder of that portion,  
 22 if any, of the premium that would have been required for the  
 23 insured had total disability not occurred. The continuation of  
 24 coverage under this subdivision on a premium paying basis must  
 25 extend for a period of six (6) months from the date on which the  
 26 total disability started, but not beyond the earlier of:
- 27 (A) the date of approval by the insurer of continuation of the  
 28 coverage under any disability provision that the group  
 29 insurance policy may contain; or  
 30 (B) the date of discontinuance of the group insurance policy.
- 31 (12) In the case of a policy insuring the lives of debtors, a  
 32 provision that the insurer will furnish to the policyholder, for  
 33 delivery to each debtor insured under the policy, a certificate of  
 34 insurance describing the coverage and specifying that the death  
 35 benefit will first be applied to reduce or extinguish the  
 36 indebtedness.
- 37 (c) Subsections (b)(6) through (b)(11) do not apply to policies  
 38 insuring the lives of debtors. The standard provisions required under  
 39 ~~IC 27-1-12~~ **this chapter** for individual life insurance policies do not  
 40 apply to group life insurance policies.
- 41 (d) If a group life insurance policy is on a plan of insurance other  
 42 than the group plan, it must contain a nonforfeiture provision that, in  
 43 the opinion of the commissioner, is equitable to the insured persons  
 44 and to the policyholder. However, group life insurance policies need  
 45 not contain the same nonforfeiture provisions as are required for  
 46 individual life insurance policies under ~~IC 27-1-12~~ **this chapter**."
- 47 Page 10, after line 39, begin a new paragraph and insert:

- 1 "SECTION 5. **An emergency is declared for this act.**"
- 2 Renumber all SECTIONS consecutively.  
(Reference is to SB 233 as printed January 25, 2000.)

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Senator PAUL