

STATE OF OKLAHOMA

2nd Session of the 47th Legislature (2000)

HOUSE BILL HB2429

By: Braddock

AS INTRODUCED

An Act relating to insurance; creating the Life Settlement Act; providing short title; defining terms; requiring licensing and providing procedure and fee therefor; providing for denial, revocation, suspension or nonrenewal of license; requiring approval of life settlement contracts and related forms by the Insurance Commissioner; providing procedure for approval and disapproval; requiring the filing of annual statements by a certain date; providing for examination of business and affairs of licensee or applicant for license; requiring certain disclosures; providing standards for evaluation or reasonable payments; requiring life settlement provider to obtain certain documents prior to entering into a life settlement contract; requiring a refund provision; requiring payment of proceeds of settlement into an escrow or trust account; providing requirements for escrow or trust account; providing for transfer of proceeds to owner; providing powers of Commissioner; declaring certain acts to be unfair life settlement practices and providing fines therefor; providing for deposit of fines; prohibiting life settlement business after certain date unless in compliance with the Life Settlement Act; amending Section 9, Chapter 248, O.S.L. 1998 (36 O.S. Supp. 1999, Section 4049), which relates to the Viatical Settlement Act; providing minimum discounts; prohibiting viatical settlement broker or provider from seeking or obtaining compensation from viator without prior written agreement; amending 36 O.S. 1991, Section 4101, which relates to group life insurance policies; expanding classes of policies permitted; defining term; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4085 of Title 36, unless there is created a duplication in numbering, reads as follows:

Sections 1 through 12 of this act shall constitute a part of the Insurance Code and shall be known and may be cited as the "Life Settlement Act".

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4086 of Title 36, unless there is created a duplication in numbering, reads as follows:

For purposes of the Life Settlement Act:

1. "Person" means any natural or artificial entity including, but not limited to, individuals, partnerships, associations, trusts, or corporations;

2. "Life settlement" means an agreement that is solicited, negotiated, offered, entered into, delivered, or issued for delivery in this state under which a person pays compensation or anything of value that is less than the expected death benefit of a policy insuring the life of an individual who does not have a catastrophic or life-threatening illness or condition in return for the policy owner's or certificate holder's assignment, transfer, sale, devise, or bequest of the death benefit or ownership of the policy;

3. "Life settlement broker" means an individual, partnership, corporation or other entity who or which for another and for a fee, commission or other valuable consideration offers or advertises the availability of life settlements, introduces to life settlement providers, or offers or attempts to negotiate life settlements between an owner and one or more life settlement providers. Life settlement broker does not include an attorney, accountant, or financial planner retained to represent the insured whose compensation is not paid by the life settlement provider;

4. "Life settlement contract" means a written agreement entered into between a life settlement provider and a person owning a life insurance policy or who owns or is covered under a group policy insuring the life of a person who does not have a catastrophic or life-threatening illness or condition. The agreement shall

establish the terms under which the life settlement provider will pay compensation or anything of value, which compensation or value is less than the expected death benefit of the insurance policy or certificate, in return for the policyowner's assignment, transfer, sale, devise, or bequest of death benefit or ownership of the insurance policy or certificate to the life settlement provider;

5. "Life settlement provider" means an individual, partnership, corporation, or other entity that enters into an agreement with a person owning a life insurance policy or who owns or is covered under a group policy insuring the life of a person who does not have a catastrophic or life-threatening illness or condition, under the terms of which the life settlement provider pays compensation or anything of value, which compensation or value is less than the expected death benefit of the insurance policy or certificate, in return for the policyowner's assignment, transfer, sale, devise, or bequest of the death benefit or ownership of the insurance policy or certificate to the life settlement provider. Life settlement provider does not include:

- a. any bank, savings bank, savings and loan association, credit union or other licensed lending institution which takes an assignment of a life insurance policy as collateral for a loan,
- b. the issuer of a life insurance policy providing accelerated benefits, or
- c. any natural person who enters into no more than one agreement in a calendar year for the transfer of life insurance policies for any value less than the expected death benefit;

6. "Owner" means the owner of a life insurance policy insuring the life of a person that does not have a catastrophic or life threatening illness or condition or the certificate holder who enters into an agreement under which the life settlement provider

will pay compensation or anything of value, which compensation or value is less than the expected death benefit of the insurance policy or certificate, in return for the owner's assignment, transfer, sale, devise, or bequest of the death benefit or ownership of the insurance policy or certificate to the life settlement provider; and

7. "Commissioner" means the Insurance Commissioner of the State of Oklahoma.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4087 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. No individual, partnership, corporation, or other entity may act as a life settlement provider or enter into or solicit a life settlement contract without first having obtained a license from the Insurance Commissioner.

B. Application for a life settlement provider license shall be made to the Commissioner by the applicant on a form prescribed by the Commissioner, and the application shall be accompanied by a fee of Five Hundred Dollars (\$500.00).

C. Licenses may be renewed from year to year on the anniversary date upon payment of the annual renewal fee of Five Hundred Dollars (\$500.00). Failure to pay the fee within the terms prescribed shall result in the automatic revocation of the license.

D. The applicant shall provide such information as the Commissioner may require on forms prepared by the Commissioner. The Commissioner shall have authority, at any time, to require the applicant to fully disclose the identity of all stockholders, partners, officers, and employees, and the Commissioners may, in the exercise of discretion, refuse to issue a license in the name of any firm, partnership, or corporation or any other entity if not satisfied that any officer, employee, stockholder, or partner

thereof who may materially influence the applicant's conduct meets the standards of the Life Settlement Act.

E. A license issued to a firm, partnership, corporation, or other entity authorizes all members, officers, and designated employees to act as life settlement providers under the license, and all such persons must be named in the application and any supplements to the application.

F. Upon filing an application and payment of the license fee, the Commissioner shall investigate each applicant and may issue a license if the Commissioner finds that the applicant:

1. Has provided a detailed plan of operation;
2. Is competent and trustworthy and intends to act in good faith in the capacity for which licensure is sought;
3. Has a good business reputation and has had experience, training, or educating so as to be qualified in the business for which licensure is sought; and
4. If the applicant is a corporation, is incorporated under the laws of this state or is a foreign corporation authorized to transact business in this state.

G. The Commissioner shall not issue any license to any nonresident applicant, unless a written designation of an agent for service of process is filed and maintained with the Commissioner or the applicant has filed with the Commissioner the applicant's written irrevocable consent that any action against the applicant may be commenced against the applicant by service of process on the Commissioner.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4088 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. The Commissioner shall have the right to suspend, revoke, or refuse to renew the license of any life settlement provider or broker if the Commissioner finds that:

1. There was any misrepresentation in the application for the license;

2. The holder of the license has been guilty of fraudulent or dishonest practices, is subject to final administrative actions, or is otherwise shown to be untrustworthy or incompetent to act as a life settlement provider;

3. The licensee demonstrates a pattern of unreasonable payments to policyholders;

4. The licensee has been convicted of a felony or any misdemeanor of which criminal fraud is an element; or

5. The licensee has violated any of the provisions of the Life Settlement Act.

B. Before the Commissioner shall deny a license application or suspend, revoke or refuse to renew the license of a life settlement provider or broker, the Commissioner shall conduct a hearing in accordance with the Administrative Procedures Act.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4089 of Title 36, unless there is created a duplication in numbering, reads as follows:

No life settlement provider shall use any life settlement contract or related forms, including applications and advertisements, in this state unless it has been filed with and approved by the Commissioner. Any life settlement contract form filed with the Commissioner shall be deemed approved if it has not been disapproved within sixty (60) days of the filing. The Commissioner shall disapprove a life settlement contract or related forms if, in the Commissioner's opinion, the contract or any of the provisions are unreasonable, contrary to the interests of the public, or otherwise misleading or unfair to the policyowner.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4090 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Each licensee shall file with the Commissioner on or before March 1 of each year an annual statement containing such information as the Commissioner may prescribe by rule.

B. The Commissioner may, when the Commissioner deems it reasonably necessary to protect the interest of the public, examine the business and affairs of any licensee or applicant for a license. The Commissioner shall have the authority to order any licensee or applicant to produce any records, books, files, or other information reasonably necessary to ascertain whether or not the licensee or applicant is acting or has acted in violation of the law or otherwise contrary to the interests of the public. The expenses incurred in conducting any examination shall be paid by the licensee or applicant.

C. Names and individual identification data for all insureds and owners shall be considered confidential information and shall not be disclosed by the Commissioner, unless required by law.

D. Records of all transactions of life settlement contracts shall be maintained by the licensee and shall be available to the Commissioner for inspection during reasonable business hours.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4091 of Title 36, unless there is created a duplication in numbering, reads as follows:

A life settlement provider shall disclose the following information to the owner no later than the date the life settlement contract is signed by all parties:

1. That possible alternatives to life settlement contracts for persons may exist including, but not limited to, nonforfeiture options offered by the issuer of the life insurance policy;

2. That some or all of the proceeds of the life settlement may be taxable and that assistance should be sought from a personal tax advisor;

3. That the life settlement could be subject to creditors' claims;

4. That receipt of a life settlement may adversely affect the recipient's eligibility for Medicaid or other government benefits or entitlements, and that advice should be obtained from the appropriate agencies;

5. The policyowner's right to rescind a life settlement contract within thirty (30) days after it is executed by all parties or within fifteen (15) days from the receipt of the life settlement proceeds by the owner, whichever is less, as provided in subsection B of Section 9 of this act; and

6. The date by which the funds will be available to the owner and the source of the funds.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4092 of Title 36, unless there is created a duplication in numbering, reads as follows:

In order to assure reasonable return for selling an insurance policy to a life settlement provider or negotiating a settlement with a life settlement provider or broker, the following shall be the minimum percentage of face value less outstanding loans, based on attained age of the insured:

<u>Attained Age</u>	<u>Minimum Percentage</u>
60-64 years of age	50%
65-69 years of age	60%
70-74 years of age	65%
75-79 years of age	70%
80-84 years of age	80%
85 years and over	85%

A life settlement broker or provider shall not, without the written agreement of the owner obtained prior to performing any services in connection with a life settlement, seek or obtain any compensation from the owner.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4093 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. A life settlement provider entering into a life settlement contract with any person shall first obtain:

1. A written statement from a licensed attending physician, as defined in Section 725.2 of Title 59 of the Oklahoma Statutes, that the person is of sound mind and under no constraint or undue influence; and

2. A witnessed document in which the person:

- a. consents to the life settlement contract,
- b. represents a full and complete understanding of the life settlement contract,
- c. represents a full and complete understanding of the benefits of the life insurance policy, and
- d. acknowledges that the life settlement contract has been entered into freely and voluntarily.

The witness, as required in this paragraph, shall be a disinterested third party.

B. All life settlement contracts entered into in this state shall contain an unconditional refund provision extending at least thirty (30) days from the date of the contract, or fifteen (15) days from or after the receipt of the life settlement proceeds, whichever is less.

C. Immediately upon receipt from the owner of documents to effect the transfer of the insurance policy, the life settlement provider shall pay the proceeds of the settlement to an escrow or trust account managed by a trustee or escrow agent in a bank approved by the Commissioner, pending acknowledgement of the transfer by the issuer of the policy. The trustee or escrow agent shall be required to transfer the proceeds due to the owner

immediately upon receipt of acknowledgement of the transfer from the insurer.

D. Failure to tender the life settlement by the date disclosed to the owner renders the contract null and void.

SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4094 of Title 36, unless there is created a duplication in numbering, reads as follows:

The Commissioner shall have the authority to:

1. Promulgate rules implementing the Life Settlement Act;
2. Establish standards for evaluating reasonableness of payments under life settlements contracts. This authority includes, but is not limited to, regulation of discount rates used to determine the amount paid in exchange for assignment, transfer, sale, devise, or bequest of a benefit under a life insurance policy;
3. Establish appropriate licensing requirements and fees for agents and brokers; and
4. Require a penal bond in an amount to be set by the Commissioner.

SECTION 11. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4095 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Any of the following acts by a life settlement provider or broker constitutes an unfair life settlement practice:

1. Failing to fully disclose to an owner, benefits, coverages, or other provisions of any life settlement contract when such benefits, coverages or other provisions are pertinent to the contract;
2. Knowingly misrepresenting to an owner pertinent facts relating to the life settlement contract at issue;
3. Failing to adopt and implement reasonable standards for prompt payment of amounts arising under its life settlement contracts;

4. Not attempting in good faith to effectuate prompt, fair and equitable payment of amounts arising under its life settlement contracts;

5. Requesting an owner to sign a release that extends beyond the subject matter that gave rise to the life settlement contract;

6. Issuing checks or drafts in partial settlement of a loss or claim under a specified coverage which contains language which releases an insurer or its insured from its total liability;

7. Compelling, without just cause, a policyowner to institute a suit to recover an amount due under his or her insurance policy or insurance contract by offering substantially less than the amount ultimately recovered in a suit brought by him or her, when such policyholder has made claims for an amount reasonably similar to the amount ultimately recovered;

8. Failing to maintain a complete record of all complaints which the broker or provider has received during the preceding three (3) years or since the date of the last examination by the Commissioner, whichever time is shorter. This record shall indicate the total number of complaints, their classification, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint. For the purpose of this paragraph, "complaint" means any written communication primarily expressing a grievance;

9. Entering into a life settlement contract where the subject life insurance policy or certificate was issued by the life settlement provider; or

10. Offering or advertising the availability of life settlements or negotiating a life settlement contract with policyowners or certificate holders issued by the principal life settlement provider.

B. For any violation of this section, the Insurance Commissioner may, after notice and hearing, subject a life

settlement provider or broker to a civil fine of not less than One Thousand Dollars (\$1,000.00) for a nonwillful violation or Five Thousand Dollars (\$5,000.00) for a willful violation for each occurrence. Such fine may be enforced in the same manner in which civil judgments may be enforced. Such fines shall be placed in the Insurance Commissioner's Revolving Fund.

SECTION 12. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4096 of Title 36, unless there is created a duplication in numbering, reads as follows:

No life settlement provider transacting business in this state shall continue to do so on or after November 1, 2000, unless the provider is in compliance with the Life Settlement Act.

SECTION 13. AMENDATORY Section 9, Chapter 248, O.S.L. 1998 (36 O.S. Supp. 1999, Section 4049), is amended to read as follows:

Section 4049. A. A viatical settlement provider entering into a viatical settlement contract with any person with a catastrophic or life threatening illness or condition shall first obtain:

1. A written statement from a licensed attending physician, as defined in Section 725.2 of Title 59 of the Oklahoma Statutes, that the person is of sound mind and under no constraint or undue influence; and

2. A witnessed document in which the person:

- a. consents to the viatical settlement contract,
- b. acknowledges the catastrophic or life threatening illness,
- c. represents a full and complete understanding of the viatical settlement contract,
- d. represents a full and complete understanding of the benefits of the life insurance policy,
- e. releases medical records, and

f. acknowledges that the viatical settlement contract has been entered into freely and voluntarily.

The witness, as required in this paragraph, shall be a disinterested third party.

B. All medical information solicited or obtained by any licensee shall be subject to the applicable provisions of state law relating to confidentiality of medical information.

C. All viatical settlement contracts entered into in this state shall contain an unconditional refund provision extending at least thirty (30) days from the date of the contract, or fifteen (15) days from or after the receipt of the viatical settlement proceeds, whichever is less.

D. Immediately upon receipt from the viator of documents to effect the transfer of the insurance policy, the viatical settlement provider shall pay the proceeds of the settlement to an escrow or trust account managed by a trustee or escrow agent in a bank approved by the Commissioner, pending acknowledgment of the transfer by the issuer of the policy. The trustee or escrow agent shall be required to transfer the proceeds due to the viator immediately upon receipt of acknowledgment of the transfer from the insurer.

E. Failure to tender the viatical settlement by the date disclosed to the viator renders the contract null and void.

F. In order to assure that viators receive reasonable return for viaticating an insurance policy, the following shall be minimum discounts:

<u>Insured's Life</u>	<u>Minimum Percentage of Face</u>
<u>Expectancy</u>	<u>Value Less Outstanding</u>
	<u>Loans Received by Viator</u>
<u>Less than six (6) months</u>	<u>80%</u>
<u>At least six (6) but less</u>	
<u>than twelve (12) months</u>	<u>70%</u>
<u>At least twelve (12) but less</u>	

<u>than eighteen (18) months</u>	<u>65%</u>
<u>At least eighteen (18) but less</u>	
<u>than twenty-four (24) months</u>	<u>60%</u>
<u>Twenty-four (24) months or more</u>	<u>50%</u>

A viatical settlement broker or provider shall not, without the written agreement of the viator obtained prior to performing any services in connection with a viatical settlement, seek or obtain any compensation from the viator.

SECTION 14. AMENDATORY 36 O.S. 1991, Section 4101, is amended to read as follows:

Section 4101. No policy of group life insurance shall be delivered in this state unless it conforms to one of the following descriptions:

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

- a. The employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof determined by conditions pertaining to their employment. The policy may provide that the term "employees" shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors and partners of one or more affiliated corporations, proprietors or partnerships if the business of the employer and of such affiliated corporations, proprietors or partnerships is under common control through stock ownership or contract, or otherwise. The policy may provide that the term "employees" shall include the individual proprietor or partners if the employer is

an individual proprietor or a partnership. The policy may provide that the term "employees" shall include retired employees. No director of a corporate employer shall be eligible for insurance under the policy unless such a person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership. The policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship. A policy issued to insure the employees of a public body may provide that the term "employee" shall include elected or appointed officials.

- b. The premium for the policy shall be paid by the policyholder, either wholly from the employer's funds or funds contributed by him, or partly from such funds and partly from funds contributed by the insured employees, or from funds contributed wholly by the insured employees. A policy on which part or all of the premium is to be derived from funds contributed by the insured employees may be placed in force only if at least seventy-five percent (75%) of the then eligible employees, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured

employees must insure all eligible employees, or all except any as to whom evidence of insurability is not satisfactory to the insurer.

- c. The policy must cover at least ten employees as of date of issue.
- d. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the employees or by the employer or trustee;

2. A policy issued to a creditor, who shall be deemed to be the policyholder, to insure debtors of the creditor. Credit unions and associations formed for the purpose of making loans to their members shall be deemed to be creditors within the meaning of this section. Policies issued to a creditor to insure debtors of the creditor are subject to the following requirements:

- a. The debtors eligible for insurance under the policy shall be all of the debtors of the creditor or all of any class or classes thereof determined by conditions pertaining to the indebtedness or to the purchase giving rise to the indebtedness. The policy may provide that the term "debtors" shall include the debtors of one or more subsidiary corporations, and the debtors of one or more affiliated corporations, proprietors or partnerships if the business of the policyholder and of such affiliated corporations, proprietors or partnerships is under common control through stock ownership, contract or otherwise.
- b. The premium for the policy shall be paid by the policyholder, either from the creditor's funds, or from charges collected from the insured debtors, or from both. A policy on which part or all of the premium is to be derived from the collection from the

insured debtors of identifiable charges not required of uninsured debtors shall not include, in the class or classes of debtors eligible for insurance, debtors under obligation outstanding at its date of issue without evidence of individual insurability unless at least seventy-five percent (75%) of the then eligible debtors elect to pay the required charges. A policy on which no part of the premium is to be derived from the collection of such identifiable charges must insure all eligible debtors, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

- c. The policy may be issued only if the group of eligible debtors is then receiving new entrants at the rate of at least one hundred persons yearly, or may reasonably be expected to receive at least one hundred new entrants during the first policy year, and only if the policy reserves to the insurer the right to require evidence of individual insurability if less than seventy-five percent (75%) of the new entrants become insured.
- d. The amount of insurance on the life of any debtor shall at no time exceed the amount owed by him which is repayable to the creditor, or One Hundred Thousand Dollars (\$100,000.00), whichever is less, provided further, no company licensed to do business in this state shall issue in excess of One Hundred Thousand Dollars (\$100,000.00) group credit life insurance on one individual in the State of Oklahoma.
- e. The insurance shall be payable to the policyholder. Such payment shall reduce or extinguish the unpaid

indebtedness of the debtor to the extent of such
payment-;

3. A policy issued to a labor union, which shall be deemed the policyholder, to insure members of such union for the benefit of persons other than the union or any of its officials, representatives or agents, subject to the following requirements:

- a. The members eligible for insurance under the policy shall be all of the members of the union, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the union, or both.
- b. The premium for the policy shall be paid by the policyholder, either wholly from the union's funds, or partly from such funds and partly from funds contributed by the insured members specifically for their insurance, or from funds contributed wholly by the insured members. A policy on which part or all of the premium is to be derived from funds contributed by the insured members specifically for their insurance may be placed in force only if at least seventy-five percent (75%) of the then eligible members, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.
- c. The policy must cover at least ten members at date of issue.

- d. The amount of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the union-;

4. A policy issued to the trustees of a fund established in this state by two or more employers in the same industry, provided a majority of the employees to be insured of each employer are located within this state, or to the trustees of a fund established by one or more labor unions, or by one or more employers in the same industry and one or more labor unions or by one or more employers and one or more labor unions whose members are in the same or related occupation or trades, or by an association of persons, licensed by the State of Oklahoma to engage in a recognized profession, which trustees shall be deemed the policyholder to insure employees of the employers or members of the unions or members of an association of persons, licensed by the State of Oklahoma to engage in a recognized profession, for the benefit of persons other than the employers or the unions, or the association of persons, licensed by the State of Oklahoma to engage in a recognized profession, subject to the following requirements:

- a. The persons eligible for insurance shall be all of the employees of the employers or all of the members of the union, or all the members of an association of persons, licensed by the State of Oklahoma to engage in a recognized profession, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the unions, or to both, or pertaining to membership in the association of persons, licensed by the State of Oklahoma to engage in a recognized profession. The policy may provide that the term "employees" shall include the individual proprietor or partners if any employer is an individual proprietor or a partnership.

The policy may provide that the term "employees" shall include retired employees. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or a partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership. The policy may provide that the term "employees" shall include the trustees or their employees, or both if their duties are principally connected with such trusteeship, and that the term "members of an association" shall include employees of members.

- b. The premium for the policy shall be paid by the trustees wholly from funds contributed by the employer or employers of the insured persons, or by the union or unions, or by both, or by an association of persons, licensed by the State of Oklahoma to engage in a recognized profession, or from funds contributed wholly or in part by the insured persons. A policy on which part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance may be placed in force only if at least seventy-five percent (75%) of the then eligible persons, excluding any as to whom evidence of insurability is not satisfactory to the insurer, elect to make the required contributions. A policy issued to the trustees of a fund established by an association of persons, licensed by the State of

Oklahoma to engage in a recognized profession, on which part or all the premium is to be derived from funds contributed by the insured persons specifically for their insurance, may be placed in force only if the total number of persons covered at the date of issue exceeds six hundred or seventy-five percent (75%) of the eligible persons, whichever is less, excluding any as to whom evidence of insurability is not satisfactory to the insurer, elect to make the required contribution. A policy on which no part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance must insure all eligible persons, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

- c. The policy must cover at date of issue at least one hundred persons; and if the fund is established by the members of an association of employers the policy may be issued only if (a) either (i) the participating employers constitute at date of issue at least sixty percent (60%) of those employer members whose employees are not already covered by group life insurance or (ii) the total number of persons covered at date of issue exceeds six hundred; and (b) the policy shall not require that if a participating employer discontinues membership in the association, the insurance of his employees shall cease solely by reason of such discontinuance.
- d. The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the insured persons or by the policyholder, employers, or unions;

5. A policy issued to any nonprofit industrial association to insure the executives of employer members of a nonprofit industrial association, which is now and has been actively functioning for a period of not less than ten (10) years, such policy to be issued to such association which shall be deemed to be the employer for the purposes of this article, or to the association and executives of such employer members jointly and insuring only all of such executives for amounts of insurance based upon some plan which will preclude individual selection, for the benefit of persons other than such association, and the premium on which shall be paid by the employer members or the employer members and the executives of such employer members jointly-;

6. A policy issued to a credit union which shall be deemed the policyholder, to insure eligible members for the benefit of someone other than the credit union or its officials and subject to the following requirements:

- a. The members eligible for insurance under the policy shall be all the members of the credit union or all of any class or classes thereof.
- b. The premiums for the policy shall be paid by the policyholder, either wholly from the credit union's funds, or partly from such funds and partly from funds contributed by the insured members specifically for their insurance. A policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.
- c. The amount of insurance under the policy may be based on the amount of the member's savings in the credit union or upon some other plan precluding individual

selection either by the members or by the credit union-;

7. A policy issued to a charitable, benevolent, educational or religious institution, or their agencies, to insure the members thereof for the purpose set forth in subsection D of Section 3604 of this title-;

8. A policy issued to an alumni association of an institution of higher education accredited by the Oklahoma State Regents for Higher Education, to insure the members thereof for the purpose set forth in subsection E of Section 3604 of this title-;

9. A policy to an association, which has a constitution and bylaws and which has been organized and is maintained in good faith for purposes other than that of obtaining insurance, that insures at least ten members, employees, or employees of members of the association or its officers or trustees. The term "employees" as used in this paragraph shall include retired employees.

"Association" means, with respect to life insurance coverage offered, an association which:

- a. has been actively in existence for at least five (5) years,
- b. has been formed and maintained in good faith for purposes other than obtaining insurance,
- c. does not condition membership in the association on any health status-related factor relating to an individual, including an employee of an employer or a dependent of an employee or association member,
- d. makes life insurance coverage offered through the association available to all members regardless of any health status-related factor relating to such member or individuals eligible for coverage through a member,

- e. does not make life insurance coverage offered through the association available other than in connection with a member of the association, and
- f. meets such additional requirements as may be imposed under state law;

10. A policy issued to cover any other group subject to the following requirements:

- a. no such group life insurance policy shall be delivered in this state unless the Commissioner of Insurance finds that:
 - (1) the issuance of such group policy is not contrary to the best interest of the public,
 - (2) the issuance of the group policy would result in economies of acquisition or administration, and
 - (3) the benefits are reasonable in relation to the premiums charged, and
- b. the premium for the policy shall be paid either from the policyholder's funds or from funds contributed by the covered person or from both; or

11. A policy issued to cover any other substantially similar group which, in the discretion of the Insurance Commissioner, may be subject to the issuance of a group life policy or contract.

SECTION 15. This act shall become effective November 1, 2000.

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