

Senate Engrossed

**FILED**

**JANICE K. BREWER  
SECRETARY OF STATE**

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

**CHAPTER 216**

# **SENATE BILL 1070**

AN ACT

AMENDING SECTIONS 20-1251.01, 20-1252, 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 20-1254, Arizona Revised Statutes, is amended to read:  
29 20-1254. Labor union groups

30 The lives of a group of individuals may be insured under a policy  
31 issued to a labor union, which shall be deemed the policyholder, to insure  
32 members of the union for the benefit of persons other than the union or any  
33 of its officials, representatives or agents, subject to the following  
34 requirements:

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

39 2. The premium for the policy shall be paid by the policyholder,  
40 either from the union's funds, or from funds contributed by the insured  
41 members specifically for their insurance, or from both. ~~A policy on which~~  
42 ~~part of the premium is to be derived from funds contributed by the insured~~  
43 ~~members specifically for their insurance may be placed in force only if at~~  
44 ~~least seventy five per cent of the then eligible members, excluding any as to~~  
45 ~~whom evidence of individual insurability is not satisfactory to the insurer,~~

1 ~~elect to make the required contributions.~~ A policy on which no part of the  
2 premium is to be derived from funds contributed by the insured members  
3 specifically for their insurance shall insure all eligible members, or all  
4 except any as to whom evidence of individual insurability is not satisfactory  
5 to the insurer.

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

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

9 Sec. 4. Section 20-1255, Arizona Revised Statutes, is amended to read:  
10 20-1255. Trustee groups

11 The lives of a group of individuals may be insured under a policy  
12 issued to the trustees of a fund established in this state by two or more  
13 employers in the same industry, if a majority of the employees to be insured  
14 of each employer are located within this state, or to the trustees of a fund  
15 established by one or more labor unions, or by one or more employers in the  
16 same industry and one or more labor unions, or by one or more employers and  
17 one or more labor unions whose members are in the same or related occupations  
18 or trades, which trustees shall be deemed the policyholder, to insure  
19 employees of the employers or members of the unions for the benefit of  
20 persons other than the employers or the unions, subject to the following  
21 requirements:

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

37 2. The premium for the policy shall be paid by the trustees, either  
38 from funds contributed by the employer or employers of the insured persons or  
39 by the union or unions, or from the insured persons specifically for their  
40 insurance, or from both, or, except in the case of a policy issued to the  
41 trustees of a fund established wholly by two or more employers, from such  
42 funds, or from funds contributed by the insured persons, or from both. A  
43 ~~policy on which part of the premium is to be derived from funds contributed~~  
44 ~~by the insured persons specifically for their insurance may be placed in~~  
45 ~~force only if at least seventy five per cent of the then eligible persons,~~

1 ~~excluding any as to whom evidence of insurability is not satisfactory to the~~  
2 ~~insurer, elect to make the required contributions.~~ A policy on which no part  
3 of the premium is to be derived from funds contributed by insured persons  
4 specifically for their insurance shall insure all eligible persons, or all  
5 except any as to whom evidence of individual insurability is not satisfactory  
6 to the insurer.

7 3. The policy shall cover at date of issue at least one hundred  
8 persons and not less than an average of five persons, other than individual  
9 proprietors or partners, per employer unit. If the fund is established by  
10 the members of an association of employers the policy may be issued only if  
11 either the participating employers constitute at date of issue at least sixty  
12 per cent of those employer members whose employees are not already covered  
13 for group life insurance, or the total number of persons covered at date of  
14 issue exceeds six hundred, and if the policy does not require that, if a  
15 participating employer discontinues membership in the association, the  
16 insurance of his employees shall cease solely by reason of such  
17 discontinuance.

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

21 Sec. 5. Section 20-1257, Arizona Revised Statutes, is amended to read:  
22 20-1257. Coverage of dependents; definition

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

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

36 C. A dependent insured pursuant to this section has the same  
37 conversion right as to the insurance on the dependent insured's life as is  
38 vested by the terms of the group policy in the persons insured under the  
39 group policy.

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

**APPROVED BY THE GOVERNOR APRIL 25, 2006.**

**FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 25, 2006.**