

*Sen Commerce 3/30/87 Re Pass 4/4 (p 1185)*

MAR 20 1987

Place On Calendar

HOUSE FILE 610

BY COMMITTEE ON SMALL BUSINESS  
AND COMMERCE

(Formerly House Study Bill 272)

Passed House, Date 3-27-87 (p. 897) Passed Senate, Date 4-14-87 (p. 1301)

Vote: Ayes 94 Nays 0 Vote: Ayes 44 Nays 0

Approved April 24, 1987 (p. 1686)

### A BILL FOR

1 An Act to grant the commissioner of insurance the authority to  
2 approve discretionary group insurance.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 610

1 Section 1. Section 509.1, Code 1987, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 8. A policy issued to a resident of this  
4 state under a group life, accident, or health insurance policy  
5 issued to a group other than one described in subsections 1  
6 through 7, subject to the following requirements:

7 a. The commissioner determines that all of the following  
8 apply:

9 (1) The issuance of the group policy is not contrary to  
10 the best interest of the public.

11 (2) The issuance of the group policy will result in  
12 economies of acquisition or administration.

13 (3) The benefits under the group policy are reasonable in  
14 relation to the premium charged.

15 b. The commissioner need not make a determination under  
16 paragraph "a" if the commissioner determines that the group  
17 insurance coverage offered in this state by an insurer or  
18 other person is offered under a policy issued in another state  
19 and that state or another state in which the policy is  
20 offered, having requirements substantially similar to those in  
21 paragraph "a", has determined that the policy meets those  
22 requirements.

23 c. The premium for the policy shall be paid either from  
24 the policyholder's funds, or from funds contributed by the  
25 covered person, or both.

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

29 e. If compensation of any kind will or may be paid to the  
30 policyholder in connection with the group policy, the insurer  
31 shall provide to prospective insured written notice that  
32 compensation will or may be paid. Notice shall be provided  
33 whether the compensation is direct or indirect, and whether  
34 the compensation is paid to or retained by the policyholder,  
35 or paid to or retained by a third party at the direction of

1 the policyholder or any entity affiliated with the  
2 policyholder by ownership, contract, or employment. The  
3 notice shall be placed on or accompany any document designed  
4 for the enrollment of prospective insureds.

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## EXPLANATION

6 Present Iowa law does not prohibit an insurer from  
7 organizing a discretionary group insurance trust outside of  
8 Iowa with membership requirements that encompass no definable  
9 group and without regulatory oversight by the state where the  
10 trust is sited, and then offer coverage through the mail or by  
11 agents in Iowa. This bill permits this kind of group  
12 insurance coverage to be sold only if it meets the criteria  
13 established in this bill appropriate for group insurance, or  
14 meets similar criteria in another state.

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SMALL BUSINESS AND COMMERCE

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED DIVISION OF  
INSURANCE BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

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3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SUB COMMITTEE ASSIGNMENTS  
CHAIR: *Granger*  
COMMITTEE: *Small Business*  
*3/13/87*

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3 NEW SUBSECTION. 8. A policy issued to a resident of this  
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5 issued to a group other than one described in subsections 1  
6 through 7, subject to the following requirements:

7 a. The commissioner determines that all of the following  
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10 the best interest of the public.

11 (2) The issuance of the group policy will result in  
12 economies of acquisition or administration.

13 (3) The benefits under the group policy are reasonable in  
14 relation to the premium charged.

15 b. The commissioner need not make a determination under  
16 paragraph "a" if the commissioner determines that the group  
17 insurance coverage offered in this state by an insurer or  
18 other person is offered under a policy issued in another state  
19 and that state or another state in which the policy is  
20 offered, having requirements substantially similar to those in  
21 paragraph "a", has determined that the policy meets those  
22 requirements.

23 c. The premium for the policy shall be paid either from  
24 the policyholder's funds, or from funds contributed by the  
25 covered person, or both.

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

29 e. If compensation of any kind will or may be paid to the  
30 policyholder in connection with the group policy, the insurer  
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5 EXPLANATION

6 Present Iowa law does not prohibit an insurer from  
7 organizing a discretionary group insurance trust outside of  
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HOUSE FILE 610

AN ACT

TO GRANT THE COMMISSIONER OF INSURANCE THE AUTHORITY TO  
APPROVE DISCRETIONARY GROUP INSURANCE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 509.1, Code 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 8. A policy issued to a resident of this state under a group life, accident, or health insurance policy issued to a group other than one described in subsections 1 through 7, subject to the following requirements:

a. The commissioner determines that all of the following apply:

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

(2) The issuance of the group policy will result in economies of acquisition or administration.

(3) The benefits under the group policy are reasonable in relation to the premium charged.

b. The commissioner need not make a determination under paragraph "a" if the commissioner determines that the group insurance coverage offered in this state by an insurer or other person is offered under a policy issued in another state and that state or another state in which the policy is offered, having requirements substantially similar to those in paragraph "a", has determined that the policy meets those requirements.

c. The premium for the policy shall be paid either from the policyholder's funds, or from funds contributed by the covered person, or both.

d. The insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

e. If compensation of any kind will or may be paid to the policyholder in connection with the group policy, the insurer shall provide to prospective insured written notice that compensation will or may be paid. Notice shall be provided whether the compensation is direct or indirect, and whether the compensation is paid to or retained by the policyholder, or paid to or retained by a third party at the direction of the policyholder or any entity affiliated with the policyholder by ownership, contract, or employment. The notice shall be placed on or accompany any document designed for the enrollment of prospective insureds.

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DONALD D. AVENSON  
Speaker of the House

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JO ANN ZIMMERMAN  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 610, Seventy-second General Assembly.

Approved *April 24* 1987  
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JOSEPH O'HERN  
Chief Clerk of the House

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TERRY E. BRANSTAD  
Governor

HF 610