Hundredth Legislature - Second Session - 2008
Introducer's Statement of Intent
LB 855

Chairperson: **Rich Pahls**
Committee: **Banking, Commerce and Insurance**
Date of Hearing: **January 29, 2008**

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 855 is a bill introduced by the Banking, Commerce and Insurance Committee, at the request of the Nebraska Department of Insurance, and would do the following:

(1)   The bill conforms the standards for group life insurance sponsored by an employer to the National Association of Insurance Commissioners ("NAIC") Model Act. The bill adds former employees and directors of a corporate employer as permissible groups to which group life insurance may be issued. Section 1 updates an incorporation by reference. The bill repeals the restriction on eligibility of directors and officers to participate in the group, the minimum number of lives that must be covered under an employer sponsored group life insurance plan, and the requirement that the amount of insurance must be based on a plan to preclude individual selection. (Sections 44-1601 and 44-1602) (Sections 1 and 2 of the bill).

(2)   The bill expands the creditor entities that could sponsor coverage to a trust established by the creditor, repeals the minimum participation requirement for the plan, revises the standards for the amount of coverage that could be offered, and allows payment to be made to the creditor. The bill repeals the restriction on payment of the entire premium by the insured members, the requirement for the minimum number of lives that must be covered of a labor union group, and the requirement that the amount of insurance must be based on a plan to preclude individual selection. (Sections 44-1603 and 44-1604) (Section 3 and 4 of the bill).

(3)   The bill repeals the restriction on payment of the entire premium by the insured members, the requirement for the minimum number of lives that must be covered for group life insurance plans sponsored by a group of employers or labor unions or similar organizations, and the requirement that the amount of insurance must be based on a plan to preclude individual selection.   The bill sets standards for such group life insurance sponsored by associations. The bill also repeals the restriction on payment of the entire premium by the insured members, the requirement for the minimum number of lives that must be covered for such groups, and the requirement that the amount of insurance for

such groups must be based on a plan to preclude individual selection. (Sections 44-1605 and 44-1606.01) (Sections 5 and 6 of the bill)

(4)   The bill adopts standards for group life insurance sponsored by a credit union and specifies eligibility for the coverage. The bill adopts standards for group life insurance sponsored by a discretionary group, a group which does not meet the test for a group on other bases. The bill permits the Director of Insurance to recognize such groups that comply with the act, sets standards for such coverage, specifies eligibility for the coverage, and requires notice to policyholders if compensation is paid to the organizers of the discretionary group. (Sections 7 and 8 of the bill).

(5)   The bill specifies that a group life insurer may assert a defense based on eligibility for coverage to the no-contest clause of the policy and revises standards for the ability of insured members to convert group life insurance policies to individual life insurance policies and to continue policies in the event of disability. The bill would amend the standards by including the term "or similar employee organization" after "labor union". The bill revises the standards for group life insurance coverage of a spouse or dependent and restricts the amount of coverage for a spouse or dependent to fifty percent of the coverage of the insured member. (Sections 44-1607, 44-1607.01, 44-1613, and 44-1614) (Sections 9 through 12 of the bill).

Principal Introducer: **_____**

                                     Rich Pahls, Chairperson
                                     Committee on Banking, Commerce and Insurance