

LEGISLATURE OF NEBRASKA

ONE HUNDREDTH LEGISLATURE

SECOND SESSION

LEGISLATIVE BILL 855

Introduced by Banking, Commerce and Insurance Committee: Pahls, 31,
Chairperson; Carlson, 38; Christensen, 44; Gay, 14;
Hansen, 42; Langemeier, 23; Pankonin, 2; Pirsch, 4.

Read first time January 11, 2008

Committee: Banking, Commerce and Insurance

A BILL

1 FOR AN ACT relating to insurance; to amend sections 44-1601,
2 44-1603, 44-1604, 44-1605, 44-1606.01, 44-1607,
3 44-1607.01, 44-1613, and 44-1614, Reissue Revised
4 Statutes of Nebraska, and section 44-1602, Revised
5 Statutes Cumulative Supplement, 2006; to change and
6 eliminate provisions relating to group life insurance;
7 to harmonize provisions; and to repeal the original
8 sections.

9 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 44-1601, Reissue Revised Statutes of
2 Nebraska, is amended to read:

3 44-1601 No policy of group life insurance shall be
4 delivered in this state unless it is issued under one of the
5 provisions of sections ~~21-1773~~, 21-1740, 44-1602 to 44-1606.01, and
6 44-1615 and sections 7 and 8 of this act or under a policy or
7 contract issued to any other substantially similar group which, in
8 the discretion of the Director of Insurance, may be subject to the
9 issuance of a group life insurance policy or contract.

10 Sec. 2. Section 44-1602, Revised Statutes Cumulative
11 Supplement, 2006, is amended to read:

12 44-1602 A policy issued to an employer or to the trustees
13 of a fund established by an employer, which employer or trustees
14 shall be deemed the policyholder, to insure employees of the
15 employer for the benefit of persons other than the employer shall
16 be subject to the following requirements:

17 (1) The employees eligible for insurance under the policy
18 shall be all of the employees of the employer or all of any
19 class or classes thereof. ~~determined by conditions pertaining to~~
20 ~~their employment.~~ The policy may provide that the term employees
21 shall include the employees of one or more subsidiary corporations
22 and the employees, individual proprietors, partners, and members
23 of one or more affiliated corporations, proprietors, partnerships,
24 or limited liability companies if the business of the employer
25 and of such affiliated corporations, proprietors, partnerships,

1 or limited liability companies is under common control. ~~through~~
2 ~~stock ownership or contract.~~ The policy may provide that the term
3 employees shall include the individual proprietor, partners, or
4 members if the employer is an individual proprietor, partnership,
5 or limited liability company. The policy may provide that the term
6 employee ~~shall~~ may include retired employees, former employees,
7 and directors of a corporate employer. No director of a corporate
8 employer shall be eligible for insurance under the policy unless
9 such person is otherwise eligible as a bona fide employee of the
10 corporation by performing services other than the usual duties
11 of a director. No individual proprietor, partner, or member shall
12 be eligible for insurance under the policy unless he or she is
13 actively engaged in and devotes a substantial part of his or her
14 time to the conduct of the business of the proprietor, partnership,
15 or limited liability company.

16 (2) The premium for the policy shall be paid either
17 from the employer's funds or from funds contributed by the insured
18 employees or from both such funds. A policy on which no part
19 of the premium is to be derived from funds contributed by the
20 insured employees must insure all eligible employees, except those
21 who reject the coverage in writing, or all except any as to whom
22 evidence of individual insurability is not satisfactory to the
23 insurer.

24 ~~(3) The policy must cover at least five employees at date~~
25 ~~of issue.~~

1 ~~(4) The amounts of insurance under the policy must be~~
2 ~~based upon some plan precluding individual selection either by the~~
3 ~~employees or by the employer or trustees.~~

4 Sec. 3. Section 44-1603, Reissue Revised Statutes of
5 Nebraska, is amended to read:

6 44-1603 A policy issued to a creditor, ~~who~~ or its
7 parent holding company or to a trustee or agent designated by
8 two or more creditors, which creditor, parent holding company,
9 affiliate, trustee, or agent shall be deemed the policyholder, to
10 insure debtors of the creditor shall be subject to the following
11 requirements:

12 (1) The debtors eligible for insurance under the policy
13 shall be all of the debtors of the creditor ~~whose indebtedness~~
14 ~~is repayable either (a) in installments or (b) in one sum at~~
15 ~~the end of a period not in excess of eighteen months from the~~
16 ~~initial date of the debt, or all of any class or classes thereof~~
17 ~~determined by conditions pertaining to the indebtedness or to~~
18 ~~the purchase giving rise to the indebtedness.~~ or creditors, or
19 all of any class or classes of the creditors. The policy may
20 provide that the term debtors shall include borrowers of money or
21 purchasers or lessees of goods, services, or property for which
22 payment is arranged through a credit transaction, the debtors
23 of one or more subsidiary corporations, and the debtors of one
24 or more affiliated corporations, proprietors, partnerships, or
25 limited liability companies if the business of the policyholder

1 and of such affiliated corporations, proprietors, partnerships, or
2 limited liability companies is under common control; ~~through stock~~
3 ~~ownership, contract, or otherwise.~~ No debtor shall be eligible
4 unless the indebtedness constitutes an irrevocable obligation to
5 repay which is binding upon him or her during his or her lifetime,
6 at and from the date the insurance becomes effective upon his or
7 her life;

8 (2) The premium for the policy shall be paid by the
9 policyholder from the creditor's funds, from charges collected from
10 the insured debtors, or from both. A policy on which part or all of
11 the premium is to be derived from the collection from the insured
12 debtors of identifiable charges not required of uninsured debtors
13 shall not include, in the class or classes of debtors eligible
14 for insurance, debtors under obligations outstanding at its date of
15 issue without evidence of individual insurability unless at least
16 seventy-five percent of the then eligible debtors elect to pay the
17 required charges. A policy on which no part of the premiums is to
18 be derived from the collection of such identifiable charges funds
19 contributed by insured debtors specifically for their insurance
20 must insure all eligible debtors or all except any as to whom
21 evidence of individual insurability is not satisfactory to the
22 insurer;

23 (3) The policy may be issued (a) only if the group of
24 eligible debtors is then receiving new entrants at the rate of
25 at least one hundred persons yearly or may reasonably be expected

1 to receive at least one hundred new entrants during the first
2 policy year and ~~(b)~~ only if the policy reserves to the insurer
3 the right to require evidence of individual insurability if less
4 than seventy-five percent of the new entrants become insured. The
5 policy may exclude from the classes eligible for insurance classes
6 of debtors determined by age;

7 ~~(4)~~ (3) The amount of insurance on the life of any debtor
8 shall at no time exceed the amount owed by such debtor which is
9 repayable in installments to the creditor. Where the indebtedness
10 is repayable in one sum to the creditor, the insurance on the
11 life of any debtor shall in no instance be in effect for a period
12 in excess of eighteen months, except that such insurance may be
13 continued for an additional period not exceeding six months in the
14 case of default, extension, or recasting of the loan. The amount
15 of the insurance on the life of any debtor shall at no time exceed
16 the amount of the unpaid indebtedness, and greater of the scheduled
17 or actual amount of unpaid indebtedness to the creditor, except
18 that insurance written in connection with open-end credit having a
19 credit limit exceeding ten thousand dollars may be in an amount not
20 exceeding the credit limit;

21 ~~(5)~~ (4) The insurance shall be payable to the
22 policyholder and such creditor or any successor to the right,
23 title, and interest of the creditor. The payment shall reduce or
24 extinguish the unpaid indebtedness of the debtor to the extent of
25 such payment and any excess of the insurance shall be payable to

1 the estate of the insured; and -

2 (5) Notwithstanding subdivisions (1) through (4) of this
 3 section, insurance on agricultural credit transaction commitments
 4 may be written up to the amount of the loan commitment on a
 5 nondecreasing or level term plan and insurance on educational
 6 credit transaction commitments may be written up to the amount of
 7 the loan commitment less the amount of any repayments made on the
 8 loan.

9 Sec. 4. Section 44-1604, Reissue Revised Statutes of
 10 Nebraska, is amended to read:

11 44-1604 A policy issued to a labor union or similar
 12 employee organization, which shall be deemed the policyholder,
 13 to insure members of such union or organization for the benefit
 14 of persons other than the union or organization or any of its
 15 officials, representatives, or agents shall be subject to the
 16 following requirements:

17 (1) The members eligible for insurance under the policy
 18 shall be all of the members of the union or organization, or
 19 all of any class or classes thereof; and determined by conditions
 20 pertaining to their employment, or to membership in the union, or
 21 both.

22 (2) The premium for the policy shall be paid by the
 23 policyholder, either wholly from the union's funds, or partly
 24 from such funds and partly from funds contributed by the insured
 25 members specifically for their insurance or from both. No policy

1 may be issued on which the entire premium is to be derived
 2 from funds contributed by the insured members specifically for
 3 their insurance. A policy on which part of the premium is to be
 4 derived from funds contributed by the insured members specifically
 5 for their insurance may be placed in force only if at least
 6 seventy-five percent of the then eligible members, excluding any
 7 as to whom evidence of individual insurability is not satisfactory
 8 to the insurer, elect to make the required contributions. A policy
 9 on which no part of the premium is to be derived from funds
 10 contributed by the insured members specifically for their insurance
 11 must insure all eligible members, except those who reject the
 12 coverage in writing, or all except any as to whom evidence of
 13 individual insurability is not satisfactory to the insurer.

14 ~~(3) The policy must cover at least twenty-five members at~~
 15 ~~date of issue.~~

16 ~~(4) The amounts of insurance under the policy must be~~
 17 ~~based upon some plan precluding individual selection either by the~~
 18 ~~members or by the union.~~

19 Sec. 5. Section 44-1605, Reissue Revised Statutes of
 20 Nebraska, is amended to read:

21 44-1605 A policy issued to a trust or to the trustees
 22 of a fund established or adopted by two or more employers or by
 23 one or more labor unions or similar employee organizations, or by
 24 one or more employers and one or more labor unions or similar
 25 employee organizations, which trust or trustees shall be deemed the

1 policyholder, to insure employees of the employers or members of
2 the unions or organizations for the benefit of persons other than
3 the employers or the unions or organizations shall be subject to
4 the following requirements:

5 (1) The persons eligible for insurance shall be all of
6 the employees of the employers or all of the members of the
7 unions or organizations, or all of any class or classes thereof,
8 determined by conditions pertaining to their employment, or to
9 membership in the unions, or to both. The policy may provide
10 that the term employees shall include retired employees and the
11 individual proprietor, partners, or members if an employer is an
12 individual proprietor, partnership, or limited liability company.
13 No director of a corporate employer shall be eligible for insurance
14 under the policy unless such person is otherwise eligible as a
15 bona fide employee of the corporation by performing services other
16 than the usual duties of a director. No individual proprietor,
17 partner, or member shall be eligible for insurance under the
18 policy unless he or she is actively engaged in and devotes a
19 substantial part of his or her time to the conduct of the business
20 of the proprietorship, partnership, or limited liability company.
21 The policy may provide that the term employees shall include
22 the employees of one or more subsidiary corporations and the
23 employees, individual proprietors, members, and partners of one or
24 more affiliated corporations, proprietorships, or partnerships if
25 the business of the employer and of the affiliated corporations,

1 proprietorships, or partnerships is under common control. The
2 policy may provide that the term employees shall include the
3 individual proprietor or partners if the employer is an individual
4 proprietorship or partnership. The policy may provide that the
5 term employees may include retired employees, former employees, and
6 directors of a corporate employer. The policy may provide that
7 the term employees shall include the trustees or their employees,
8 or both, if their duties are principally connected with such
9 trusteeship; and

10 (2) The premium for the policy shall be paid by the
11 ~~trustees wholly~~ from funds contributed by the employer or employers
12 of the insured persons, ~~or~~ by the union or unions or similar
13 employee organizations, or by both, or from funds contributed by
14 the insured persons or from both the insured persons and the
15 employers or unions or similar employee organizations. No policy
16 may be issued on which any part of the premium is to be derived
17 from funds contributed by the insured persons specifically for
18 their insurance. The A policy on which no part of the premium
19 is to be derived from funds contributed by the insured persons
20 specifically for their insurance shall insure all eligible persons,
21 except those who reject the coverage in writing, or all except any
22 as to whom evidence of individual insurability is not satisfactory
23 to the insurer. +

24 (3) The policy shall cover at date of issue at least
25 fifty persons and not less than an average of three persons per

1 ~~employer unit. If the fund is established by the members of an~~
2 ~~association of employers, the policy may be issued only if (a)~~
3 ~~either the participating employers constitute at the date of issue~~
4 ~~at least sixty percent of those employer members whose employees~~
5 ~~are not already covered for group life insurance or the total~~
6 ~~number of persons covered at date of issue exceeds six hundred and~~
7 ~~(b) the policy shall not require that, if a participating employer~~
8 ~~discontinues membership in the association, the insurance of his or~~
9 ~~her employees shall cease solely by reason of such discontinuance,~~
10 ~~and~~

11 ~~(4) The amount of insurance under the policy shall be~~
12 ~~based upon some plan precluding individual selection either by the~~
13 ~~insured persons or by the policyholder, employers, or unions.~~

14 Sec. 6. Section 44-1606.01, Reissue Revised Statutes of
15 Nebraska, is amended to read:

16 44-1606.01 (1) A policy may be issued to an association
17 whose eligible members have the same profession, trade, or
18 occupation and which has been organized and is maintained for
19 purposes other than that of obtaining insurance, which shall
20 be deemed the policyholder, to insure members, or employees of
21 members, of such association for the benefit of persons other
22 than the association, or any of its officials, representatives, or
23 agents, or to a trust or to the trustees of a fund established,
24 created, or maintained for the benefit of members of one or
25 more associations. The association or associations shall have at

1 the outset a minimum of one hundred persons, shall have been
2 organized and maintained in good faith for purposes other than
3 that of obtaining insurance, shall have been in active existence
4 for at least two years, and shall have a constitution and bylaws
5 which provides that (a) the association or associations shall hold
6 regular meetings not less than annually to further the purposes
7 of the members, (b) except for credit unions, the association
8 or associations shall collect dues or solicit contributions from
9 members, and (c) the members shall have voting privileges and
10 representation on the governing board and committees.

11 (2) The policy shall be subject to the following
12 requirements:

13 ~~(1) The members or employees eligible for insurance under~~
14 ~~the policy shall be all the members, and all the employees of the~~
15 ~~members, of the association, or all of any class or classes thereof~~
16 ~~determined by conditions pertaining to their employment, or to~~
17 ~~membership in the association, or both. The policy may provide that~~
18 ~~the term employees shall include the employees of the association~~
19 ~~if their duties are principally connected with such association;~~

20 (a) The policy may insure members of the association or
21 associations, employees thereof or employees of members, or one or
22 more of the preceding or all of any class or classes thereof for
23 the benefit of persons other than the employee's employer;

24 ~~(2) (b) The premium for the policy shall be paid by~~
25 ~~the policyholder, either from the association's own funds, or~~

1 from charges collected from the insured members or employees
2 specifically for their insurance, or from both. A policy on which
3 any part or all of the premium is to be derived from funds
4 contributed by the insured members or employees specifically for
5 their insurance may be placed in force only if at least fifty
6 percent of the then eligible members or a minimum of two hundred
7 members and employees, whichever is less, excluding any as to
8 whom evidence of individual insurability is not satisfactory to
9 the insurer, elect to make the required contributions. from funds
10 contributed by the association or associations, by the employer
11 members, or by both, or from funds contributed by the covered
12 persons or from both the covered persons and the associations or
13 employer members; and

14 (c) A policy on which no part of the premium is to be
15 derived from funds contributed by the insured members or employees
16 covered persons specifically for their insurance must insure all
17 eligible members or employees, persons, except those who reject
18 the coverage in writing, or all except any as to whom evidence of
19 individual insurability is not satisfactory to the insurer. +

20 (3) The policy must cover at least twenty-five persons,
21 members or employees at date of issuance, and

22 (4) The amounts of insurance under the policy must be
23 based upon some plan precluding individual selection either by the
24 members or employees or by the association.

25 Sec. 7. A policy issued to a credit union or to a trustee

1 or trustees or agent designated by two or more credit unions,
2 which credit union, trustee, trustees, or agent shall be deemed
3 the policyholder, to insure members of the credit union or credit
4 unions for the benefit of persons other than the credit union
5 or credit unions, trustee or trustees, or agent or any of their
6 officials, shall be subject to the following requirements:

7 (1) The members eligible for insurance shall be all of
8 the members of the credit union or credit unions, or all of any
9 class or classes of the members; and

10 (2) The premium for the policy shall be paid by the
11 policyholder from the credit union's funds and shall insure
12 all eligible members or all except any as to whom evidence of
13 individual insurability is not satisfactory to the insurer.

14 Sec. 8. (1) Group life insurance offered to a resident
15 of this state under a group life insurance policy issued to a
16 group other than one described in sections 21-1740, 44-1602 to
17 44-1606.01, and 44-1615 and section 7 of this act shall be subject
18 to the following requirements:

19 (a) A group life insurance policy shall not be delivered
20 in this state unless the Director of Insurance finds that:

21 (i) The issuance of the group policy is not contrary to
22 the best interests of the public;

23 (ii) The issuance of the group policy would result in
24 economies of acquisition or administration; and

25 (iii) The benefits are reasonable in relation to the

1 premiums charged;

2 (b) A group life insurance policy shall not be offered
3 in this state by an insurer under a policy issued in another
4 state unless this state or another state having requirements
5 substantially similar to those contained in subdivision (1)(a) of
6 this section has made a determination that the requirements have
7 been met;

8 (c) The premium for the policy shall be paid either from
9 the policyholder's funds or from funds contributed by the covered
10 persons, or from both; and

11 (d) An insurer may exclude or limit the coverage on
12 any person as to whom evidence of individual insurability is not
13 satisfactory to the insurer.

14 (2)(a) In the case of a program of insurance which, if
15 issued on a group basis, would not qualify under sections 21-1740,
16 44-1602 to 44-1606.01, and 44-1615 and section 7 of this act,
17 the insurer shall cause to be distributed to prospective insureds
18 a written notice that compensation shall or may be paid, if
19 compensation of any kind shall or may be paid, to:

20 (i) A policyholder or sponsoring or endorsing entity in
21 the case of a group policy; or

22 (ii) A sponsoring or endorsing entity in the case of
23 an individual, blanket, or franchise policy marketed by means of
24 direct response solicitation;

25 (b) The notice shall be distributed:

1 (i) Whether compensation is direct or indirect; and
 2 (ii) Whether the compensation is paid to or retained by
 3 the policyholder or sponsoring or endorsing entity, or paid to or
 4 retained by a third party at the direction of the policyholder or
 5 sponsoring or endorsing entity, or an entity affiliated therewith
 6 by way of ownership, contract, or employment;

7 (c) The notice required by this section shall be placed
 8 on or accompany an application or enrollment form provided to
 9 prospective insureds; and

10 (d) For purposes of this section:

11 (i) Direct response solicitation means a solicitation by
 12 a sponsoring or endorsing entity through the mail, telephone, or
 13 other mass communications media; and

14 (ii) Sponsoring or endorsing entity means an organization
 15 that has arranged for the offering of a program of insurance in a
 16 manner that communicates that eligibility for participation in the
 17 program is dependent upon affiliation with the organization or that
 18 it encourages participation in the program.

19 Sec. 9. Section 44-1607, Reissue Revised Statutes of
 20 Nebraska, is amended to read:

21 44-1607 No policy of group life insurance shall be
 22 delivered in this state unless it contains in substance the
 23 following provisions or provisions which in the opinion of the
 24 Director of Insurance are more favorable to the persons insured or
 25 at least as favorable to the persons insured and more favorable

1 to the policyholder, except that provisions of subdivisions (6)
2 through (10) of this section shall not apply to policies ~~issued to~~
3 ~~a creditor to insure debtors of such creditor,~~ insuring the lives
4 of debtors, that the standard provisions required for individual
5 life insurance policies shall not apply to group life insurance
6 policies, and that if the group life insurance policy is on a
7 plan of insurance other than the term plan, it shall contain a
8 nonforfeiture provision or provisions which in the opinion of the
9 Director of Insurance is or are equitable to the insured persons
10 and to the policyholder, but nothing in this section shall be
11 construed to require that group life insurance policies contain the
12 same nonforfeiture provisions as are required for individual life
13 insurance policies:

14 (1) A provision that the policyholder is entitled to a
15 grace period of thirty-one days for the payment of any premium
16 due except the first, during which grace period the death benefit
17 coverage shall continue in force, unless the policyholder shall
18 have given the insurer written notice of discontinuance in advance
19 of the date of discontinuance and in accordance with the terms of
20 the policy. The policy may provide that the policyholder shall be
21 liable to the insurer for the payment of a pro rata premium for the
22 time the policy was in force during such grace period;

23 (2) A provision that the validity of the policy shall
24 not be contested, except for nonpayment of premiums, after it has
25 been in force for two years from its date of issue; and that no

1 statement made by any person insured under the policy relating to
2 his or her insurability shall be used in contesting the validity
3 of the insurance with respect to which such statement was made
4 after such insurance has been in force prior to the contest for
5 a period of two years during such person's lifetime nor unless it
6 is contained in a written instrument signed by him or her. This
7 provision shall not preclude the assertion at any time of defenses
8 based upon provisions in the policy that relate to eligibility for
9 coverage;

10 (3) A provision that a copy of the application, if any,
11 of the policyholder shall be attached to the policy when issued,
12 that all statements made by the policyholder or by the persons
13 insured shall be deemed representations and not warranties, and
14 that no statement made by any person insured shall be used in any
15 contest unless a copy of the instrument containing the statement is
16 or has been furnished to such person ~~or to his or her beneficiary,~~
17 or, in the event of death or incapacity of the insured person, to
18 his or her beneficiary or personal representative;

19 (4) A provision setting forth the conditions, if
20 any, under which the insurer reserves the right to require a
21 person eligible for insurance to furnish evidence of individual
22 insurability satisfactory to the insurer as a condition to part or
23 all of his or her coverage;

24 (5) A provision specifying that an equitable adjustment
25 of premiums, of benefits, or of both is to be made in the event

1 the age of a person insured has been misstated, such provision to
2 contain a clear statement of the method of adjustment to be used;

3 (6) A provision that any sum becoming due by reason of
4 the death of the person insured shall be payable to the beneficiary
5 designated by the person insured, except that, if the policy
6 contains conditions pertaining to family status, the beneficiary
7 may be the family member specified by the policy terms, subject to
8 the provisions of the policy in the event there is no designated
9 beneficiary, as to all or any part of such sum, living at the death
10 of the person insured, and subject to any right reserved by the
11 insurer in the policy and set forth in the certificate to pay at
12 its option a part of such sum not exceeding two thousand dollars
13 to any person appearing to the insurer to be equitably entitled
14 thereto by reason of having incurred funeral or other expenses
15 incident to the last illness or death of the person insured;

16 (7) A provision that the insurer will issue to the
17 policyholder for delivery to each person insured an individual
18 certificate setting forth a statement as to the insurance
19 protection to which he or she is entitled, to whom the insurance
20 benefits are payable, a statement as to any dependent's coverage
21 included in the certificate, and the rights and conditions set
22 forth in subdivisions (8), (9), and (10) of this section;

23 (8) A provision that if the insurance, or any portion
24 of it, on a person covered under the policy ceases because of
25 termination of employment or of membership in the class or classes

1 eligible for coverage under the policy, such person shall be
2 entitled to have issued to him or her by the insurer, without
3 evidence of insurability, an individual policy of life insurance
4 without disability or other supplementary benefits if application
5 for the individual policy is made and the first premium paid to
6 the insurer within thirty-one days after such termination and if
7 (a) the individual policy shall, at the option of such person, be
8 on any one of the forms, ~~except term insurance,~~ then customarily
9 issued by the insurer at the age and for the amount applied for
10 except that the group policy may exclude the option to elect term
11 insurance, (b) the individual policy shall be in an amount not
12 in excess of the amount of life insurance which ceases because
13 of such termination, less the amount of any life insurance for
14 which the person becomes eligible under the same or any other
15 group policy within thirty-one days after termination, except that
16 any amount of insurance which shall have matured on or before the
17 date of such termination as an endowment payable to the person
18 insured, whether in one sum or in installments or in the form of
19 an annuity, shall not, for the purposes of this subdivision, be
20 included in the amount which is considered to cease because of such
21 termination, ~~and~~ (c) the premium on the individual policy shall be
22 at the insurer's then customary rate applicable to the form and
23 amount of the individual policy, to the class of risk to which
24 such person then belongs, and to his or her age attained on the
25 effective date of the individual policy, and (d) subject to the

1 conditions set forth in subdivisions (8) (a) through (c) of this
2 section, the conversion privilege shall also be available (i) to
3 a spouse and a surviving dependent, if any, at the death of the
4 employee or member, with respect to the coverage under the group
5 policy that terminates by reason of death and (ii) to the dependent
6 of the employee or member upon termination of coverage of the
7 dependent, while the employee or member remains insured under the
8 group policy, by reason of the dependent ceasing to be a qualified
9 family member under the group policy;

10 (9) A provision that if the group policy terminates or
11 is amended so as to terminate the insurance of any class of
12 insured persons, every person insured thereunder at the date of
13 such termination whose insurance terminates, including the insured
14 dependent of a covered person, and who has been so insured for
15 at least five years prior to such termination date shall be
16 entitled to have issued to him or her by the insurer an individual
17 policy of life insurance, subject to the same conditions and
18 limitations as are provided by subdivision (8) of this section,
19 except that the group policy may provide that the amount of such
20 individual policy shall not exceed the smaller of the amount of
21 the person's life insurance protection ceasing because of the
22 termination or amendment of the group policy, less the amount of
23 any life insurance for which he or she is or becomes eligible
24 under any group policy issued or reinstated by the same or another
25 insurer within thirty-one days after such termination, and ~~three~~

1 ten thousand dollars;

2 (10) A provision that if a person insured under the
3 group policy or the insured dependent of a covered person dies
4 during the period within which he or she would have been entitled
5 to have an individual policy issued to him or her in accordance
6 with subdivision (8) or (9) of this section and before such an
7 individual policy shall have become effective, the amount of life
8 insurance which he or she would have been entitled to have issued
9 to him or her under such individual policy shall be payable as a
10 claim under the group policy, whether or not application for the
11 individual policy or the payment of the first premium therefor has
12 been made; and

13 (11) If active employment is a condition of insurance,
14 a provision that an insured may continue coverage during the
15 insured's total disability by timely payment to the policyholder
16 of that portion, if any, of the premium that would have been
17 required from the insured had total disability not occurred. The
18 continuation shall be on a premium-paying basis for a period of six
19 months from the date on which the total disability started, but not
20 beyond the earlier of:

21 (a) Approval by the insurer of continuation of the
22 coverage under any disability provision which the group insurance
23 policy may contain; or

24 (b) The discontinuance of the group insurance policy; and

25 ~~(11)~~ (12) In the case of a policy issued to a creditor

1 ~~to insure debtors of such creditor,~~ insuring the lives of debtors,
2 a provision that the insurer will furnish to the policyholder for
3 delivery to each debtor insured under the policy a ~~form which will~~
4 ~~contain a statement that the life of the debtor is insured under~~
5 ~~the policy and~~ certificate of insurance describing the coverage and
6 specifying that any death benefit paid ~~thereunder by reason of his~~
7 ~~or her death~~ shall first be applied to reduce or extinguish the
8 indebtedness.

9 Sec. 10. Section 44-1607.01, Reissue Revised Statutes of
10 Nebraska, is amended to read:

11 44-1607.01 Individual life insurance policies, uniform
12 as to amounts of insurance for each reasonable class eligible
13 therefor, may be issued on a franchise or wholesale basis to five
14 or more employees of a common employer or ten or more members of
15 any trade or professional association, of a labor union or similar
16 employee organization, or of any other association having had an
17 active existence for at least two years when such association or
18 union or organization has a constitution or bylaws and is formed
19 in good faith for purposes other than that of obtaining insurance.
20 Nothing in this section shall be construed to prohibit the issuance
21 of individual life insurance policies on salary savings, bank
22 draft, or similar type plans.

23 Sec. 11. Section 44-1613, Reissue Revised Statutes of
24 Nebraska, is amended to read:

25 44-1613 If any individual insured under a group life

1 insurance policy hereafter delivered in this state becomes entitled
2 under the terms of such policy to have an individual policy of life
3 insurance issued ~~to him~~ without evidence of insurability, subject
4 to making of application and payment of the first premium within
5 the period specified in such policy, and if such individual is
6 not given notice of the existence of such right at least fifteen
7 days prior to the expiration date of such period, then in such
8 event the individual shall have an additional period within which
9 to exercise such right, but nothing herein contained shall be
10 construed to continue any insurance beyond the period provided in
11 such policy. This additional period shall expire fifteen days ~~next~~
12 after the individual is given such notice but in no event shall
13 such additional period extend beyond sixty days ~~next~~ after the
14 expiration date of the period provided in such policy. Written
15 notice presented to the individual or mailed by the policyholder
16 to the last-known address of the individual or mailed by the
17 insurer to the last-known address of the individual as furnished by
18 the policyholder shall constitute notice for the purpose of this
19 section.

20 Sec. 12. Section 44-1614, Reissue Revised Statutes of
21 Nebraska, is amended to read:

22 44-1614 ~~(1) Insurance, further referred to in subsection~~
23 ~~(2) of this section,~~ under any group life insurance policy
24 issued pursuant to section 44-1602, 44-1604, 44-1605, 44-1606,
25 or 44-1606.01 or sections 7 and 8 of this act may be extended

1 to insure the employees or members against loss due to the death
2 of their spouse and dependent children, or any class or classes
3 thereof, ~~of each insured employee or member.~~ Premiums for the
4 insurance ~~on such spouse and dependent children~~ shall be paid
5 by the ~~policyholder~~ either from the ~~policyholder's fund or funds~~
6 contributed by ~~him or her~~ the employer, the labor union or similar
7 employee organization, or other person to whom the policy has
8 been issued or from funds contributed by the ~~insured employees or~~
9 ~~members,~~ covered persons, or from both. A policy on which no part
10 of the premium for the spouse's and dependent child's coverage
11 is to be derived from funds contributed by the covered persons
12 shall insure all eligible employees or members with respect to
13 their spouses and dependent children, or any class or classes of
14 employees or members or all except any as to whom evidence of
15 individual insurability is not satisfactory to the insurer. The
16 amount of insurance for any covered spouse or dependent child under
17 the policy may not exceed fifty percent of the amount of insurance
18 for which the employee or member is insured.

19 ~~(2) Upon termination of the insurance, referred to in~~
20 ~~subsection (1) of this section, with respect to the spouse~~
21 ~~or dependent children of any employee or member by reason of~~
22 ~~termination of employment, termination of membership in the class~~
23 ~~or classes eligible for coverage under the policy, or death, the~~
24 ~~spouse shall be entitled to have issued by the insurer, without~~
25 ~~evidence of insurability, an individual policy of life insurance~~

1 without disability or other supplementary benefits if application
2 for the individual policy is made and the first premium paid to
3 the insurer within thirty-one days after such termination, subject
4 to the requirements of subdivision (8) of section 44-1607. If
5 the group policy terminates or is amended so as to terminate the
6 insurance of any class of employees or members and the employee
7 or member is entitled to have issued an individual policy under
8 subdivision (9) of section 44-1607, the spouse shall also be
9 entitled to have issued by the insurer an individual policy subject
10 to the conditions and limitations provided in this section. If the
11 spouse dies within the period during which he or she would have
12 been entitled to have an individual policy issued in accordance
13 with this section, the amount of life insurance which he or she
14 would have been entitled to have issued under such individual
15 policy shall be payable as a claim under the group policy, whether
16 or not application for the individual policy or the payment of the
17 first premium therefor has been made. Notwithstanding subdivision
18 (7) of section 44-1607 only one certificate need be issued for
19 delivery to an insured person if a statement concerning any
20 dependents' coverage is included in such certificate.

21 Sec. 13. Original sections 44-1601, 44-1603, 44-1604,
22 44-1605, 44-1606.01, 44-1607, 44-1607.01, 44-1613, and 44-1614,
23 Reissue Revised Statutes of Nebraska, and section 44-1602, Revised
24 Statutes Cumulative Supplement, 2006, are repealed.