

1 Introduced by Committee on Commerce and Economic Development

2 Date:

3 Subject: Insurance; life; property and casualty; workers' compensation

4 Statement of purpose of bill as introduced: This bill proposes to make various  
5 amendments to Vermont's insurance laws.

6 An act relating to insurance laws

7 It is hereby enacted by the General Assembly of the State of Vermont:

8 \* \* \* Cooperative Insurance; Bylaws \* \* \*

9 Sec. 1. 8 V.S.A. § 3925 is amended to read:

10 § 3925. BYLAWS; COMPULSORY PROVISIONS

11 The bylaws of a cooperative insurance corporation to which a certificate of  
12 authority is issued shall include substantially the following provisions:

13 (1) The corporate powers of such corporation shall be exercised by a  
14 board of directors, who shall be not less than five in number. Such directors  
15 shall be divided into classes and a portion only elected each year. They shall  
16 be elected for a term of not more than four years each and shall choose ~~from~~  
17 ~~their number~~ a president, secretary, and such other officers as may be deemed  
18 necessary. After the first year, the directors shall be chosen at an annual  
19 meeting to be held on the second Tuesday of January, unless some other day is  
20 designated in such bylaws, at which meeting each person insured shall have

1 one vote and may be entitled to vote by proxy under such rules and regulations  
2 as may be prescribed by the bylaws;

3 (2) Such corporation shall keep proper books, including a policy  
4 register, in which the secretary shall enter the complete record of all its  
5 transactions and those of the board of directors and executive committee. Such  
6 books shall at all times show fully and truly the condition, affairs, and business  
7 of such corporation and shall be open for inspection by every person insured,  
8 each day from nine o'clock in the forenoon to four o'clock in the afternoon,  
9 Saturdays, Sundays, and legal holidays excepted;

10 (3) If authorized as an assessment cooperative insurance corporation as  
11 outlined in subsection 3920(a) of this title, such corporation may assess for the  
12 purposes specified in section 3927 of this title and the bylaws shall specify the  
13 manner of giving notice of such assessments, which may be either personal or  
14 by mail, and, if by mail, shall be deemed complete if such notice is deposited,  
15 postage prepaid, in the post office at the place where the principal office of the  
16 corporation is located, directed to the person insured at his or her last known  
17 place of residence or business. A person insured who neglects or refuses to  
18 pay his or her assessments, for that reason or for any other reason satisfactory  
19 to the board of directors or its executive committee, may be excluded from  
20 such corporation and, when thus excluded, the secretary shall cancel or  
21 withdraw his or her policy or policies, subject to the cancellation provisions in

1 sections 3879 through 3882 and subchapter 2 of chapter 113 of this title,  
2 provided that such person shall remain liable for his or her pro rata share of  
3 losses and expenses incurred on or before the date of his or her exclusion and  
4 for the penalty herein provided, in case an action is brought against him or her.  
5 If a member of such corporation is so excluded and his or her policy so  
6 canceled, the secretary shall forthwith enter such cancellation and the date  
7 thereof on the records kept in the office of the corporation and serve notice of  
8 such cancellation on the person so excluded, as provided herein for the service  
9 of notice of assessment. However, in such event, the person so excluded or  
10 whose policy is so canceled shall be entitled to the repayment of an equitable  
11 portion of the unearned paid premium on such policy. The officers of such  
12 corporation shall proceed to collect all assessments within 30 days after the  
13 expiration of the notice to pay the same. Neglect or refusal on their part so to  
14 proceed or to perform any of the duties imposed on them by law shall render  
15 them individually liable for the amount lost to any person, due to such neglect  
16 or refusal, and an action may be maintained by such person against such  
17 officers to collect such amount. An action may be brought by the corporation  
18 against a person insured therein to recover all assessments which he or she may  
19 neglect or refuse to pay, and there may be recovered from him or her in such  
20 action both the amount so assessed, with lawful interest thereon, and, as a

1 penalty for such neglect or refusal, 50 percent of such assessment in addition  
2 thereto;.

3 (4) Any person insured by an assessment cooperative insurance  
4 corporation may withdraw therefrom at any time by giving written notice to  
5 the corporation, stating the date of withdrawal, paying his or her share of all  
6 claims then existing against such corporation and surrendering his or her policy  
7 or policies;.

8 (5) Any person insured by a nonassessment cooperative insurance  
9 corporation may withdraw from it at any time by giving written notice to the  
10 corporation stating the date of withdrawal and surrendering his or her policy or  
11 policies;.

12 (6) Persons residing or owning property within ~~the state of Vermont~~ any  
13 state where the corporation is authorized to do business may be insured upon  
14 the same terms and conditions as original members and such other terms as  
15 may be prescribed in the bylaws of the corporation;.

16 ~~(7) Nonresidents owning property within the state of Vermont~~ any state  
17 where the corporation is authorized to do business may be insured therein and  
18 shall have all the rights and privileges of the corporation and be accountable as  
19 are other persons insured therein, but shall not be eligible to hold office in the  
20 corporation;

21 ~~(8)~~ The bylaws of such corporation may be amended at any time.

1                   \* \* \* Group Life Insurance; Employee Pay All \* \* \*

2           Sec. 2. 8 V.S.A. § 3803 is amended to read:

3           § 3803. EMPLOYEE GROUPS

4           The lives of a group of individuals may be insured under a policy issued to  
5           an employer, or to the trustees of a fund established by an employer, which  
6           employer or trustees shall be deemed the policyholder, to insure employees of  
7           the employer for the benefit of persons other than the employer, subject to the  
8           following requirements:

9           (1) The employees eligible for insurance under the policy shall be all of  
10          the employees of the employer, or all of any class or classes thereof  
11          determined by conditions pertaining to their employment. The policy may  
12          provide that the term “employees” shall include the employees of one or more  
13          subsidiary corporations, and the employees, individual proprietors, and  
14          partners of one or more affiliated corporations, proprietors, or partnerships if  
15          the business of the employer and of such affiliated corporations, proprietors, or  
16          partnerships is under common control through stock ownership, contract, or  
17          otherwise. The policy may provide that the term “employees” shall include the  
18          individual proprietor or partners if the employer is an individual proprietor or a  
19          partnership. The policy may provide that the term “employees” shall include  
20          retired employees. No director of a corporate employer shall be eligible for  
21          insurance under the policy unless such person is otherwise eligible as a bona

1        fide employee of the corporation, by performing services other than the usual  
2        duties of a director. No individual proprietor or partner shall be eligible for  
3        insurance under the policy unless he or she is actively engaged in and devotes  
4        a substantial part of his or her time to the conduct of the business of the  
5        proprietor or partnership. A policy issued to insure the employees of a public  
6        body may provide that the term “employees” shall include elected or appointed  
7        officials.

8            (2) The premium for the policy shall be paid by the policyholder, either  
9        wholly from the employer’s funds or funds contributed by him or her, or partly  
10       from such funds and partly from funds contributed by the insured employees,  
11       or wholly from funds contributed by the insured employees. ~~No policy may be~~  
12       ~~issued on which the entire premium is to be derived from funds contributed by~~  
13       ~~the insured employees.~~ A policy on which no part of the premium is to be  
14       derived from funds contributed by the insured employees must insure all  
15       eligible employees, or all except any as to whom evidence of individual  
16       insurability is not satisfactory to the insurer.

17            (3) The policy must cover at least two employees at date of issue.

18            (4) The amounts of insurance under the policy must be based upon some  
19        plan precluding individual selection either by the employees or by the  
20        employer or trustees.

21        Sec. 3. 8 V.S.A. § 3804 is amended to read:

1 § 3804. LABOR UNION GROUPS

2 The lives of a group of individuals may be insured under a policy issued to  
3 a labor union, which shall be deemed the policyholder, to insure members of  
4 such union for the benefit of persons other than the union or any of its officials,  
5 representatives, or agents, subject to the following requirements:

6 (1) The members eligible for insurance under the policy shall be all of  
7 the members of the union, or all of any class or classes thereof determined by  
8 conditions pertaining to their employment or to membership in the union, or  
9 both.

10 (2) The premium for the policy shall be paid by the policyholder, either  
11 wholly from the union's funds, or partly from such funds and partly from funds  
12 contributed by the insured members specifically for their insurance, or wholly  
13 from funds contributed by the insured members specifically for their insurance.  
14 ~~No policy may be issued on which the entire premium is to be derived from~~  
15 ~~funds contributed by the insured members specifically for their insurance.~~ A  
16 policy on which part of the premium is to be derived from funds contributed by  
17 the insured members specifically for their insurance may be placed in force  
18 only if at least 75 percent of the then eligible members excluding any as to  
19 whom evidence of individual insurability is not satisfactory to the insurer, elect  
20 to make the required contributions. A policy on which no part of the premium  
21 is to be derived from funds contributed by the insured members specifically for

1 the insurance must insure all eligible members, or all except any as to whom  
2 evidence of individual insurability is not satisfactory to the insurer.

3 (3) The policy must cover at least 10 members at date of issue.

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

6 Sec. 4. 8 V.S.A. § 3808 is amended to read:

7 § 3808. TRUSTEE GROUPS

8 The lives of a group of individuals may be insured under a policy issued to  
9 the trustees of a fund established by, adopted by, or participated in by two or  
10 more employers, or by one or more labor unions, or by one or more employers  
11 and one or more labor unions, which trustees shall be deemed the policyholder,  
12 to insure employees of the employers or members of the unions for the benefit  
13 of persons other than the employers or the unions, subject to the following  
14 requirements:

15 (1) No policy may be issued to insure employees of any employer  
16 whose eligibility to participate in the fund as an employer arises out of  
17 considerations directly related to the employer being a commercial  
18 correspondent or business client or patron of another employer, except where  
19 such other employer exercises substantial control over the business operations  
20 of the participating employers.



1           (2) The persons eligible for insurance shall be all of the employees of  
2           the employers or all of the members of the unions, or all of any class or classes  
3           thereof determined by conditions pertaining to their employment, or to  
4           membership in the unions, or to both. The policy may provide that the term  
5           “employees” shall include retired employees, former employees, and the  
6           individual proprietor or partners if an employer is an individual proprietor or a  
7           partnership. No director of a corporate employer shall be eligible for insurance  
8           under the policy unless such person is otherwise eligible as a bona fide  
9           employee of the corporation by performing services other than the usual duties  
10          of a director. No individual proprietor or partner shall be eligible for insurance  
11          under the policy unless he or she is actively engaged in and devotes a  
12          substantial part of his or her time to the conduct of the business of the  
13          proprietor or partnership. The policy may provide that the term “employees”  
14          shall include the trustees or their employees, or both, if their duties are  
15          principally connected with such trusteeship.

16          (3) The premium for the policy shall be paid by the trustees wholly from  
17          funds contributed by the employer or employers of the insured persons, or by  
18          the union or unions, or by both, or partly from such funds and partly from  
19          funds contributed by the insured persons, or wholly from funds contributed by  
20          the insured persons. A policy on which no part of the premium is to be derived  
21          from funds contributed by the insured persons specifically for their insurance

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

3 (4) The policy must cover at date of issue at least 100 persons; and it  
4 must cover an average of not less than three persons per employer unit unless  
5 the policy is issued to the trustees of a fund established by employers which  
6 have assumed obligations through a collective bargaining agreement and are  
7 participating in the fund either pursuant to those obligations with regard to one  
8 or more classes of their employees which are encompassed in the collective  
9 bargaining agreement or as a method of providing insurance benefits for other  
10 classes of their employees, or unless the policy is issued to the trustees of a  
11 fund established by one or more labor unions.

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

15 Sec. 5. 8 V.S.A. § 3809 is amended to read:

16 § 3809. ASSOCIATION OF EMPLOYERS GROUPS

17 The lives of a group of individuals may be insured under a policy issued to  
18 an association of two or more employers, which association shall be deemed  
19 the policyholder, to insure employees of such employers for the benefits of  
20 persons other than the association or the employers, subject to the following  
21 requirements:

1 (1) The policy may be issued only if:

2 (A) the association has been in existence for at least five years and  
3 was formed for purposes other than obtaining the insurance; and

4 (B) the participating employers constitute at date of issue at least ~~fifty~~  
5 50 percent of the total employers eligible to participate, unless the total number  
6 of persons covered at date of issue exceeds 600, in which event such  
7 participating employers must constitute at least 25 percent of such total  
8 employers, in either case omitting from consideration any employer whose  
9 employees are already covered for group life insurance.

10 (2) The persons eligible for insurance under the policy shall be all of the  
11 employees of the participating employers, or all of any class or classes thereof  
12 determined by conditions pertaining to their employment. The policy may  
13 provide that the term “employees” shall include the individual proprietor or  
14 partners whenever a participating employer is an individual proprietor or a  
15 partnership. The policy may provide that the term “employees” shall include  
16 retired employees. The policy may provide that the term “employees” shall  
17 include the employees of the association to which the policy is issued.

18 (3) The premium for the policy shall be paid by the association, either  
19 wholly from the association’s funds or funds contributed by the employers, or  
20 partly from such funds and partly from funds contributed by the insured  
21 employees, or wholly from funds contributed by the insured employees. ~~No~~

1 ~~policy may be issued on which the entire premium payable by the policyholder~~  
2 ~~is to be derived from funds contributed by the insured employees.~~ A policy on  
3 which part of the premium so payable is to be derived from funds contributed  
4 by the insured employees may be placed in force only if at least 75 percent of  
5 the then eligible employees of each participating employer, excluding any as to  
6 whom evidence of individual insurability is not satisfactory to the insurer, elect  
7 to make the required contributions. A policy on which no part of the premiums  
8 so payable is to be derived from funds contributed by the insured employees  
9 must insure all eligible employees, or all except any as to whom evidence of  
10 individual insurability is not satisfactory to the insurer.

11 (4) The policy must cover at least 100 employees at date of issue.

12 (5) The amounts of insurance under the policy must be based upon some  
13 plan precluding individual selection either by the employees or by the  
14 policyholder or the employer.

15 Sec. 6. 8 V.S.A. § 3812a is added to read:

16 § 3812a. REQUIRED CONSUMER DISCLOSURE

17 A group life insurance policy on which premiums are to be derived wholly  
18 from funds contributed by the insured persons shall include the following  
19 notice on the face page of certificates issued under the policy:

20 REQUIRED CONSUMER DISCLOSURE: READ YOUR

21 CERTIFICATE CAREFULLY. Unlike individual insurance, group

1           insurance, while offering advantages for life insurance coverage, may be  
2           cancelled for reasons other than nonpayment of premium. To help fully  
3           understand the group life insurance described in this certificate as well as  
4           other life insurance options, you may want to consult a financial advisor.

5           Sec. 7. 8 V.S.A. § 3821 is amended to read:

6           § 3821. CONVERSION ON TERMINATION OF POLICY

7           The group life insurance policy shall contain a provision that if the group  
8           policy terminates or is amended so as to terminate the insurance of any class of  
9           insured persons, every person insured thereunder at the date of such  
10          termination whose insurance terminates and who has been so insured for at  
11          least five years prior to such termination date shall be entitled to have issued to  
12          him or her by the insurer an individual policy of life insurance, subject to the  
13          same conditions and limitations as are provided by section 3820 of this title  
14          except that the group policy may provide that the amount of such individual  
15          policy shall not exceed the smaller of:

16                (1) the amount of the person's life insurance protection ceasing because  
17                of the termination or amendment of the group policy, less the amount of any  
18                life insurance for which he or she is or becomes eligible under any group  
19                policy issued or reinstated by the same or another insurer within 31 days after  
20                such termination; or

21                (2) \$2,000.00.

1           \* \* \* Commissioner of Financial Regulation; Information Sharing \* \* \*

2           Sec. 8. 8 V.S.A. § 22(b) is amended to read:

3           (b) In order to assist in the performance of the Commissioner’s duties, the  
4           Commissioner:

5           (1) may share documents, materials, or other information, including  
6           confidential and privileged documents, materials, or other information with  
7           other state, federal, or international ~~regulatory~~ agencies; the National  
8           Association of Insurance Commissioners; the North American Securities  
9           Administrators Association; the International Association of Insurance  
10          Supervisors; the Conference of State Bank Supervisors; the National  
11          Association of State Credit Union Supervisors; self-regulatory organizations  
12          organized under 15 U.S.C. §§ 78f, 78o-3 and 78q-1; other self-regulatory  
13          organizations and their affiliates or subsidiaries; and with state, federal, and  
14          international law enforcement authorities, provided that the recipient agrees to  
15          maintain the confidentiality and privileged status of the document, material, or  
16          other information;

17          (2) may receive documents, materials, or information, including  
18          otherwise confidential and privileged documents, materials, or information,  
19          from other state, federal, and international ~~regulatory~~ agencies; the National  
20          Association of Insurance Commissioners; the North American Securities  
21          Administrators Association; the International Association of Insurance

1 Supervisors; the Conference of State Bank Supervisors; the National  
2 Association of State Credit Union Supervisors; self-regulatory organizations  
3 organized under 15 U.S.C. §§ 78f, 78o-3 and 78q-1; other self-regulatory  
4 organizations and their affiliates or subsidiaries; and from state, federal, and  
5 international law enforcement authorities, and shall maintain as confidential or  
6 privileged any document, material, or information received with notice or the  
7 understanding that it is confidential or privileged under the laws of the  
8 jurisdiction that is the source of the document, material, or information;

9 (3) may enter into agreements governing sharing and use of information  
10 consistent with this section; and

11 (4) shall determine, prior to sharing information about an individual  
12 pursuant to subdivision (1) of this subsection, that sharing the information will  
13 substantially further the performance of the regulatory or law enforcement  
14 duties of the recipient.

15 Sec. 9. 8 V.S.A. § 11505 is amended to read:

16 § 11505. COOPERATIVE AND OTHER AGREEMENTS

17 (a) The Commissioner may enter into cooperative, coordinating, and  
18 information-sharing agreements with any other governmental agency, the  
19 Federal Home Loan Bank, or any organization affiliated with or representing  
20 one or more governmental agencies with respect to the periodic examination or  
21 other supervision of any activity, branch, agency, office, or location in this

1 State of a state financial institution, or any activity or branch of a Vermont  
2 financial institution located in any host state. Such agreements may be used to  
3 resolve conflicts arising from inconsistent regulatory requirements and to  
4 specify the manner in which any application process under section 15201 or  
5 15202 of this title shall be coordinated.

6 (b) Agreements under this section may also be entered with nonbank  
7 regulatory agencies on matters affecting financial institutions organized or  
8 doing business in this State.

9 Sec. 10. 8 V.S.A. § 30605 is amended to read:

10 § 30605. COOPERATIVE AND OTHER AGREEMENTS

11 (a) The Commissioner may enter into cooperative, coordinating, and  
12 information-sharing agreements with any other governmental agency, the  
13 Federal Home Loan Bank, or any organization affiliated with or representing  
14 one or more governmental agencies with respect to the periodic examination or  
15 other supervision of any activity, office, or location in this State of a state  
16 credit union, or any activity or office of a Vermont credit union located in any  
17 host state. Such agreements may be used to resolve conflicts arising from  
18 inconsistent regulatory requirements and to specify the manner in which any  
19 application process under section 33102 or 33103 of this title shall be  
20 coordinated.



1 (b) Agreements under this section may also be entered with any other  
2 regulatory agencies on matters affecting any credit union organized or doing  
3 business in this State.

4 \* \* \* Study; Credit-Based Insurance Scoring \* \* \*

5 Sec. 11. STUDY OF CREDIT REPORTS AND INSURANCE RATES

6 (a) The Commissioner of Financial Regulation shall conduct a study of  
7 credit-based insurance scoring for personal lines insurance. The study shall  
8 make findings regarding the prevalence of use of insurance scoring and related  
9 rating factors in Vermont, its impact on Vermont insurance consumers, and  
10 how limitations on the use of insurance scoring would affect insurance  
11 companies doing business in Vermont and the affordability and availability of  
12 personal lines insurance. The Commissioner shall report his or her findings  
13 and recommendations to the General Assembly on or before December 15,  
14 2016.

15 (b) As used in this section, “personal lines insurance” means property and  
16 casualty insurance coverage sold to individuals and families for primarily  
17 noncommercial purposes.

18 \* \* \* Workers’ Compensation; Premium Payments \* \* \*

19 Sec. 12. PAYMENT OF WORKERS’ COMPENSATION PREMIUMS;

20 RULEMAKING

