

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Commerce and Economic Development to which was
3 referred Senate Bill No. 56 entitled “An act relating to life insurance policies
4 and the Vermont Uniform Securities Act” respectfully reports that it has
5 considered the same and recommends that the House propose to the Senate that
6 the bill be amended by striking out Sec. 8 (effective date) and its
7 accompanying reader assistance in their entirety and by inserting in lieu thereof
8 Secs. 8–23 and reader assistance to read as follows:

9 * * * Cooperative Insurance; Bylaws * * *

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

11 § 3925. BYLAWS; COMPULSORY PROVISIONS

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

14 (1) The corporate powers of such corporation shall be exercised by a
15 board of directors, who shall be not less than five in number. Such directors
16 shall be divided into classes and a portion only elected each year. They shall
17 be elected for a term of not more than four years each and shall choose ~~from~~
18 ~~their number~~ a president, a secretary, and such other officers as may be deemed
19 necessary. After the first year, the directors shall be chosen at an annual
20 meeting to be held on the second Tuesday of January, unless some other day is
21 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 chapter 113, subchapter 2 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
7 policy 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 may be~~
17 ~~insured therein and shall have all the rights and privileges of the corporation~~
18 ~~and be accountable as are other persons insured therein, but shall not be~~
19 ~~eligible to hold office in the corporation;~~

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

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

2 Sec. 9. 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.

1 Sec. 10. 8 V.S.A. § 3804 is amended to read:

2 § 3804. LABOR UNION GROUPS

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

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

11 (2) The premium for the policy shall be paid by the policyholder, either
12 wholly from the union's funds, or partly from such funds and partly from funds
13 contributed by the insured members specifically for their insurance, or wholly
14 from funds contributed by the insured members specifically for their insurance.

15 ~~No policy may be issued on which the entire premium is to be derived from~~
16 ~~funds contributed by the insured members specifically for their insurance.~~ A
17 policy on which part of the premium is to be derived from funds contributed by
18 the insured members specifically for their insurance may be placed in force
19 only if at least 75 percent of the then eligible members, excluding any as to
20 whom evidence of individual insurability is not satisfactory to the insurer, elect
21 to make the required contributions. A policy on which no part of the premium

1 is to be derived from funds contributed by the insured members specifically for
2 the insurance must insure all eligible members, or all except any as to whom
3 evidence of individual insurability is not satisfactory to the insurer.

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

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

7 Sec. 11. 8 V.S.A. § 3808 is amended to read:

8 § 3808. TRUSTEE GROUPS

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

16 (1) No policy may be issued to insure employees of any employer
17 whose eligibility to participate in the fund as an employer arises out of
18 considerations directly related to the employer being a commercial
19 correspondent or business client or patron of another employer, except where
20 such other employer exercises substantial control over the business operations
21 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 that have assumed obligations through a collective bargaining agreement and
7 are participating in the fund either pursuant to those obligations with regard to
8 one or more classes of their employees ~~which~~ that are encompassed in the
9 collective bargaining agreement or as a method of providing insurance benefits
10 for other classes of their employees, or unless the policy is issued to the
11 trustees of a 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. 12. 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. 13. GROUP LIFE INSURANCE; APPLICATION

16 A group life insurance policy authorized by 8 V.S.A. § 3803 (employee
17 groups), 3804 (labor union groups), 3808 (trustee groups), or 3809 (association
18 of employers groups) and in effect on or before the effective date of this act,
19 and renewed anytime thereafter, shall not require that the premium for the
20 policy be paid wholly from funds contributed by the insured persons. Only a
21 new group life insurance policy issued after the effective date of this act, and

1 renewed anytime thereafter, may collect a premium paid wholly from funds
2 contributed by the insured persons.

3 Sec. 14. 8 V.S.A. § 3812a is added to read:

4 § 3812a. REQUIRED CONSUMER DISCLOSURE

5 A group life insurance policy shall include the following notice on the face
6 page of certificates issued under the policy:

7 REQUIRED CONSUMER DISCLOSURE: READ YOUR

8 CERTIFICATE CAREFULLY. Unlike individual insurance, group

9 insurance, while offering advantages for life insurance coverage, may be

10 cancelled for reasons other than nonpayment of premium. To help you

11 to fully understand the group life insurance described in this certificate

12 as well as other life insurance options, you may want to consult a

13 financial advisor.

14 Sec. 15. 8 V.S.A. § 3821 is amended to read:

15 § 3821. CONVERSION ON TERMINATION OF POLICY

16 The group life insurance policy shall contain a provision that if the group
17 policy terminates or is amended so as to terminate the insurance of any class of
18 insured persons, every person insured thereunder at the date of such
19 termination whose insurance terminates and who has been so insured for at
20 least five years prior to such termination date shall be entitled to have issued to
21 him or her by the insurer an individual policy of life insurance, subject to the

1 same conditions and limitations as are provided by section 3820 of this title
2 ~~except that the group policy may provide that the amount of such individual~~
3 ~~policy shall not exceed the smaller of:~~

4 ~~(1) the amount of the person's life insurance protection ceasing because~~
5 ~~of the termination or amendment of the group policy, less the amount of any~~
6 ~~life insurance for which he or she is or becomes eligible under any group~~
7 ~~policy issued or reinstated by the same or another insurer within 31 days after~~
8 ~~such termination; or~~

9 ~~(2) \$2,000.00.~~

10 * * * Assistant Medical Examiners; Liability Protections * * *

11 Sec. 16. 18 V.S.A. § 511 is added to read:

12 § 511. ACTIONS AGAINST MEDICAL EXAMINERS

13 Actions taken by any person given authority under this chapter, including
14 an assistant medical examiner, shall be considered to be actions taken by a
15 State employee for the purposes of 3 V.S.A. chapter 29 and 12 V.S.A. chapter
16 189 if such actions occurred within the scope of such person's duties.

17 * * * Portable Electronics Insurance; Notice Requirements * * *

18 Sec. 17. 8 V.S.A. § 4260 is amended to read:

19 § 4260. NOTICE REQUIREMENTS

20 (a) Whenever notice or correspondence with respect to a policy of portable
21 electronics insurance is required pursuant to the policy or is otherwise required

1 by law, it shall be in writing. Notwithstanding any other provision of law,
2 notices and correspondence may be sent either by mail or by electronic means
3 as set forth in this section. If the notice or correspondence is mailed, it shall be
4 sent to the portable electronics vendor at the vendor's mailing address
5 specified for such purpose and to its affected customers' last known mailing
6 address on file with the insurer. The insurer or vendor of portable electronics
7 shall maintain proof of mailing in a form authorized or accepted by the U.S.
8 Postal Service or other commercial mail delivery service. If the notice or
9 correspondence is sent by electronic means, it shall be sent to the portable
10 electronics vendor at the vendor's electronic mail address specified for such
11 purpose and to its affected customers' last known electronic mail address as
12 provided by each customer to the insurer or vendor of portable electronics. A
13 ~~customer is deemed to consent to receive notice and correspondence by~~
14 ~~electronic means if the insurer or vendor first discloses to the customer that by~~
15 ~~providing an electronic mail address the customer consents to receive~~
16 ~~electronic notice and correspondence at the address, and the customer provides~~
17 ~~an electronic mail address~~ customer's provision of an electronic mail address
18 to the insurer or vendor of portable electronics is deemed consent to receive
19 notices and correspondence by electronic means at such address if notice of
20 that consent is provided to the customer within 30 calendar days. The insurer

1 or vendor of portable electronics shall maintain proof that the notice or
2 correspondence was sent.

3 * * *

4 * * * Workers' Compensation; High-Risk Occupations and Industries * * *

5 Sec. 18. WORKERS' COMPENSATION; INDUSTRIES AND

6 OCCUPATIONS WITH HIGH RISK, HIGH PREMIUMS, AND

7 FEW POLICY HOLDERS; STUDY; REPORT

8 (a) The Commissioner of Financial Regulation, in consultation with the
9 Commissioner of Labor, the National Council on Compensation Insurance, and
10 other interested stakeholders, shall identify and study industries and
11 occupations in Vermont that experience a high risk of workplace and on-the-
12 job injuries and whose workers' compensation insurance is characterized by
13 high premiums and few policy holders in the insurance pool. The industries
14 and occupations addressed in the study shall include, among others, logging
15 and log hauling, as well as arborists, roofers, and occupations in saw mills and
16 wood manufacturing operations. In particular, the Commissioner shall:

17 (1) examine difference in the potential for loss, premium rates, and
18 experience and participation in the workers' compensation marketplace
19 between the industries and occupations identified, and the average for all
20 industries and occupations in Vermont;

1 deductible provision that binds the employer to reimburse the workers'
2 compensation insurer for at least the first \$500.00 of benefits, medical or
3 indemnity, due to an injured employee. Claims shall be adjusted and paid by
4 the insurer, and the employer shall reimburse the insurer for the amount of the
5 deductible.

6 (2) All insurance carriers authorized to write workers' compensation
7 insurance coverage in Vermont shall offer employers the option of purchasing
8 either annual, semi-annual, or quarterly insurance policies. The Commissioner
9 of Financial Regulation, in consultation with the Commissioner of Labor, shall
10 adopt rules as necessary to implement this subdivision.

11 Sec. 20. SHORT-TERM WORKERS' COMPENSATION POLICIES;

12 STUDY; REPORT

13 The Commissioner of Financial Regulation, in consultation with the
14 Commissioner of Labor, shall examine potential measures to encourage the
15 creation of affordable seasonal and short-term workers' compensation policies
16 and measures to reduce the cost of workers' compensation insurance coverage
17 for small employers in seasonal occupations. On or before January 15, 2018,
18 the Commissioner shall report to the House Committee on Commerce and
19 Economic Development and the Senate Committee on Finance regarding his or
20 her finding and any recommendations for legislative action.

1 Sec. 21. REGIONAL ASSIGNED RISK POOL; STUDY; REPORT

2 The Commissioner of Financial Regulation shall examine potential
3 mechanisms for joining with neighboring states to create a regional assigned
4 risk pool for workers' compensation insurance and whether the creation of a
5 regional assigned risk pool could reduce the cost of administering Vermont's
6 assigned risk pool. On or before January 15, 2018, the Commissioner shall
7 submit a written report to the House Committee on Commerce and Economic
8 Development and the Senate Committee on Finance with his or her findings
9 and any recommendations for legislative action related to the implementation
10 of a regional assigned risk pool for workers' compensation insurance.

11 Sec. 22. ADMINISTRATION OF ASSIGNED RISK POOL; STUDY;
12 REPORT

13 The Commissioner of Financial Regulation shall examine whether any
14 premium savings or reductions in costs could be realized if the assigned risk
15 pool for workers' compensation was administered directly by the Department
16 of Financial Regulation rather than through a third-party. On or before
17 January 15, 2018, the Commissioner shall submit a written report to the House
18 Committee on Commerce and Economic Development and the Senate
19 Committee on Finance with his or her findings and any recommendations for
20 legislative action.

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* * * Effective Date; Application * * *

Sec. 23. EFFECTIVE DATE; APPLICATION

(a) This act shall take effect on July 1, 2017.

(b) Sec. 17 shall apply to portable electronics insurance policies issued or renewed on or after July 1, 2107.

and that after passage the title of the bill be amended to read: “An act relating to insurance”

(Committee vote: _____)

Representative _____

FOR THE COMMITTEE