

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005

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HOUSE BILL 655  
Committee Substitute Favorable 4/25/05

Short Title: Better Insurance/Annuity Disclosure.-AB

(Public)

Sponsors:

Referred to:

March 16, 2005

A BILL TO BE ENTITLED

AN ACT TO REORGANIZE ARTICLE 60 OF CHAPTER 58 OF THE GENERAL STATUTES AND AMEND CURRENT DISCLOSURE REQUIREMENTS FOR SOLICITATION OF LIFE INSURANCE PRODUCTS AND ANNUITIES; REQUIRE INSURERS TO NOTIFY EMPLOYEES OF THE EXISTENCE OF EMPLOYER-OWNED LIFE INSURANCE POLICIES WITHIN THIRTY DAYS AFTER THE EFFECTIVE DATE OF COVERAGE; AND REQUIRE GROUP ANNUITY INSURERS TO ISSUE INDIVIDUAL CERTIFICATES OF COVERAGE TO EACH ANNUITANT.

The General Assembly of North Carolina enacts:

**PART I. DISCLOSURES FOR ANNUITIES AND LIFE INSURANCE**

**SECTION 1.1.** The title of Article 60 of Chapter 58 of the General Statutes reads as rewritten:

"Article 60.

~~Regulation of Life Insurance Solicitation.~~ Standards of Disclosure for Annuities and Life Insurance."

**SECTION 1.2.** Article 60 of Chapter 58 of the General Statutes is amended by designating G.S. 58-60-1 through G.S. 58-60-35 as:

"Part 1. Regulation of Life Insurance Solicitation."

**SECTION 1.3.** G.S. 58-60-1 reads as rewritten:

**"§ 58-60-1. Purpose of Article. Short title; purpose.**

(a) This Part may be cited as the "Life Insurance Disclosure Act".

(b) The purpose of this ~~Article~~ Part is to require insurers to deliver to purchasers of life insurance, information which will improve the buyer's ability to select the most appropriate plan of life insurance for ~~their~~ the buyer's needs, improve the buyer's understanding of the basic features of the policy which has been purchased or which is under consideration and to improve the ability of the buyer to evaluate the relative costs of similar plans of life insurance.

1 This ~~Article- Part~~ does not prohibit an insurer ~~to use~~ from using additional material  
2 ~~which- that~~ is not in violation of Articles 1 through 64 of this Chapter nor any other  
3 statute or regulation."

4 **SECTION 1.4.** G.S. 58-60-5 reads as rewritten:

5 "**§ 58-60-5. ~~Scope of Article;~~ Scope; exemptions.**

6 (a) Except as otherwise provided in this ~~Article, Part~~, this ~~Article-Part~~ applies to  
7 any solicitation, negotiation or procurement of life insurance occurring within this State.  
8 This ~~Article-Part~~ applies to any issuer of a life insurance contract, including fraternal  
9 benefit societies.

10 (b) Unless otherwise specifically included, this ~~Article- Part~~ does not apply to:

11 (1) ~~Annuities;~~ Individual and group annuity contracts.

12 (2) Credit life ~~insurance;~~ insurance.

13 (3) Group life ~~insurance;~~ insurance (except for disclosures relating to  
14 preneed funeral contracts or prearrangements; these disclosure  
15 requirements shall extend to the issuance or delivery of certificates as  
16 well as to the master policy).

17 (4) Life insurance policies issued in connection with pension and welfare  
18 plans as defined by and that are subject to the federal Employee  
19 Retirement Income Security Act of 1974 (~~ERISA~~); (ERISA).

20 (5) Variable life insurance under which the death benefits and cash values  
21 vary in accordance with unit values of investments held in a separate  
22 account.

23 (c) The policy summary in this ~~Article-Part~~ is not required for policies that are  
24 sold subject to rules adopted by the Commissioner for life insurance illustrations."

25 **SECTION 1.5.** G.S. 58-60-10 reads as rewritten:

26 "**§ 58-60-10. Definitions.**

27 Unless the context of use indicates a different meaning, for the purposes of this  
28 ~~Article, Part~~, the following definitions shall apply:

29 "...."

30 **SECTION 1.6.** G.S. 58-60-10(7)k. reads as rewritten:

31 "k. The date on which the Policy Summary is prepared.

32 The Policy Summary must consist of a separate document.  
33 All information required to be disclosed must be set out in such  
34 a manner as to not minimize or render any portion thereof  
35 obscure. Any amounts which remain level for two or more  
36 years of the policy may be represented by a single number if it  
37 is clearly indicated what amounts are applicable for each policy  
38 year. Amounts in subparagraph e of this paragraph shall be  
39 listed in total, not on a per thousand nor per unit basis. If more  
40 than one insured is covered under one policy or rider,  
41 guaranteed death benefits shall be displayed separately for each  
42 insured or for each class of insureds if death benefits do not  
43 differ within the class. Zero amounts shall be displayed as zero  
44 and shall not be displayed as a blank space. If the insurer makes

1                    a material revision in the terms and conditions under which it  
2                    will limit its right to change any nonguaranteed factor, it shall,  
3                    no later than the first policy anniversary following the revision,  
4                    advise each affected policy owner residing in this State."

5                    **SECTION 1.7.** G.S. 58-60-20(a) reads as rewritten:

6                    "(a) Each insurer subject to this ~~Article-Part~~ shall maintain at its home office or  
7                    principal office a complete file containing one copy of each document authorized by the  
8                    insurer for use pursuant to this ~~Article-Part~~. Such file shall contain one copy of each  
9                    authorized form for a period of three years following the date of its last authorized use."

10                   **SECTION 1.8.** G.S. 58-60-20(i) reads as rewritten:

11                   "(i) For the purposes of this ~~Article,Part~~, the annual premium for a basic policy or  
12                   rider, for which the insurer reserves the right to change the premium, shall be the  
13                   maximum annual premium."

14                   **SECTION 1.9.** G.S. 58-60-25 reads as rewritten:

15                   **"§ 58-60-25. Adoption of Buyer's Guide; requirements.**

16                   Any insurer soliciting life insurance in this State on or after December 1, 1979, shall  
17                   adopt and use a Buyer's Guide, and the adoption and use by an insurer of the Buyer's  
18                   Guide promulgated by the National Association of Insurance Commissioners in the  
19                   NAIC Model Life Insurance Solicitation Regulations shall be in compliance with the  
20                   requirements of this ~~Article-Part~~."

21                   **SECTION 1.10.** Article 60 of Chapter 58 of the General Statutes is amended  
22                   by adding a new Part to read:

23                   "Part 2. Regulation of Home Service Life Insurance Solicitation.

24                   **"§ 58-60-40. Title and reference.**

25                   This Part may be cited as the "Home Service Disclosure Act".

26                   **"§ 58-60-45. Purpose.**

27                   The purpose of this Part is to establish standards that ensure that meaningful  
28                   information is provided to the purchasers of insurance policies distributed through the  
29                   home service distribution system.

30                   **"§ 58-60-50. Definitions.**

31                   As used in this Part:

32                   (1) "Home service distribution system" means a system in which  
33                   insurance products are marketed, sold, or serviced by agents in person  
34                   in the home or business of the insured, owner, or premium payor in  
35                   assigned territories and may be identified as "debits". The policies are  
36                   issued on a monthly or more frequent premium payment basis and  
37                   agents are charged with the responsibilities of servicing the debit,  
38                   which may include the collection of premium payments in the home or  
39                   designated location on a monthly or more frequent basis, along with  
40                   other services normally rendered.

41                   (2) "Small face amount life insurance policy" means an insurance policy  
42                   or certificate with a face amount of fifteen thousand dollars (\$15,000)  
43                   or less.

44                   **"§ 58-60-55. General disclosure requirements.**

1       (a) In accordance with the disclosure simplification standards set forth in  
2 G.S. 58-60-80 and at the time an insurance policy is issued through the home service  
3 distribution system, the insurer shall disclose:

4           (1) Whether the policyholder is allowed to change the method of premium  
5 payment and any conditions for that change.

6           (2) Whether or not at a subsequent date a policyholder may combine  
7 multiple policies from the same insurance company, its affiliates, and  
8 its subsidiaries into one policy in order to provide like or enhanced  
9 coverage at a comparable or reduced premium to eliminate duplicate  
10 administrative costs associated with each policy and, if the option is  
11 available:

12           a. Whether a policyholder will be subject to underwriting when  
13 combining multiple policies into one policy; and

14           b. Whether a policyholder will be subject to a new contestable  
15 period, waiting periods, etc., when combining multiple policies  
16 into one policy.

17       (b) An insurer issuing a small face amount life insurance policy through the  
18 home service distribution system shall provide the current disclosure included in  
19 Appendix A of the NAIC's Home Service Disclosure Model if at any point in time over  
20 the term of the policy the cumulative premiums paid may exceed the face amount of the  
21 policy at that point in time. The required disclosure shall be provided to the policy  
22 owner or certificate holder no later than at the time the policy or certificate is delivered.  
23 The disclosure shall not be attached to the policy but may be delivered with the policy.

24       If, for a particular policy form, the cumulative premiums may exceed the face for  
25 some demographic or benefit combination but not for all combinations, the insurer may  
26 choose to either:

27           (1) Provide the disclosure only in those circumstances where the  
28 premiums may exceed the face amount; or

29           (2) Provide the disclosure for all demographic and benefit combinations.

30       Cumulative premiums shall include premiums paid for riders. However, the face  
31 amount shall not include the benefit attributable to the riders.

32       If an illustration has been provided that satisfies the requirements of Title 11,  
33 Chapter 4, Section .0500 of the North Carolina Administrative Code, the disclosure  
34 requirements of subsection (b) of this section are deemed to have been met.

35       **§ 58-60-60. Disclosure of payment methods.**

36       At the time an insurance policy is issued through the home service distribution  
37 system, the insurer shall disclose:

38           (1) What premium savings may be realized by a different method or less  
39 frequent mode of premium payment.

40           (2) That premiums are still due and payable by the person responsible for  
41 premium payments even when an agent does not collect the premiums.

42           (3) The mailing address for payment of premiums to the company.

43           (4) That the consumer is entitled to receive a receipt for premium  
44 payments when premium payments are made in cash or in person.

**"§ 58-60-65. Evidence of payment.**

For every premium collected on a policy of life or disability insurance marketed, sold, or serviced through the home service distribution system in this State, the agent, solicitor, or broker, or any employee acting on the agent, solicitor, or broker's behalf, collecting or receiving the premium in person shall:

(1) Maintain and furnish to the policyholder a receipt indicating payment of premiums, which shall provide the payor with clearly understandable, written evidence of payment at the time the premium is collected. At a minimum, the receipt shall clearly show:

a. The name of the payor.

b. The name of the insured under each policy covered by the premium.

c. The amount paid.

d. The date paid.

e. The date-paid-to status of the policy.

f. The policy number.

g. The face amount and type of policy for which the payment will be credited.

h. The signature of the agent.

i. The agent's printed name and unique identification number.

j. The name, complete address, and phone number of the insurer.

(2) Remit to the insurer's home office or applicable district office, or deposit in a fiduciary account, the premium collected on behalf of the policyholder within 10 days of receipt from the premium payor or policy owner. In the event that the insurer utilizes an accounting system based on a monthly list bill, all premiums collected shall be credited from the date of collection. The premium shall be fully applied to that particular account.

**"§ 58-60-70. Proof of policy delivery.**

If an insurance policy marketed, sold, or serviced through the home service distribution system is delivered by an agent, solicitor, or broker, or an employee acting on the agent, solicitor, or broker's behalf, a receipt shall be signed by the purchaser and the agent acknowledging delivery to the purchaser of the policy or contract and the disclosures required by this Part. The receipt shall contain the name of the purchaser, the policy or contract number, the amount of the initial premium payment, and the date the delivery was completed. A policy shall be deemed to have been received six months after the date of issuance if the insured has paid premiums pursuant to the contract. All delivery receipts required by this section shall be retained by the company for not less than three years following delivery and shall be available for inspection upon request of the Commissioner.

**"§ 58-60-75. Company duties.**

Each insurer engaged in the home service distribution system in this State shall make available to the Commissioner for review:

- 1           (1) Established written procedures to audit agencies engaged in the home  
2           service system of distribution of policies in this State; and  
3           (2) Proof of audits conducted periodically that reasonably ensure that the  
4           premium payor's records accurately reflect the premium due date and  
5           premium paid-to status of the policy or policies purchased.

6 **"§ 58-60-80. Minimum disclosure language standards.**

7           All disclosure forms required under this Part shall comply with the readability  
8           standards in Article 38 of this Chapter. It is presumed the disclosure form in Appendix  
9           A of the NAIC's Home Service Disclosure Model Act complies with this Part."

10           **SECTION 1.11.** Article 60 of Chapter 58 of the General Statutes is amended  
11 by adding a new Part to read:

12           "Part 3. Regulation of Small Face Amount Life Insurance Solicitation.

13 **"§ 58-60-90. Title and reference.**

14           This Part may be cited as the "Small Face Amount Life Insurance Disclosure Act".

15 **"§ 58-60-95. Purpose; intent; and scope.**

16           (a) The purpose of this Part is to establish standards that ensure meaningful  
17 information is provided to the purchasers of small face amount policies.

18           (b) This Part applies to any life insurance policy or certificate with an initial face  
19 amount of fifteen thousand dollars (\$15,000) or less.

20           (c) This Part does not apply to:

21           (1) Variable life insurance.

22           (2) Individual and group annuity contracts.

23           (3) Credit life insurance.

24           (4) Group or individual policies of life insurance issued to members of an  
25 employer group or other permitted group where:

26           a. Every plan of coverage was selected by the employer or other  
27 group representative;

28           b. Some portion of the premium is paid by the group or through  
29 payroll deduction; and

30           c. Group underwriting or simplified underwriting is used.

31           (5) Policies and certificates where an illustration has been provided  
32 pursuant to the requirements of Title 11, Chapter 4, Section .0500 of  
33 the North Carolina Administrative Code.

34 **"§ 58-60-100. Disclosure requirements.**

35           (a) An insurer issuing a small face amount policy shall provide the current  
36 disclosure included in Appendix A of the NAIC Disclosure for Small Face Amount Life  
37 Insurance Policies Model Act if at any point in time over the term of the policy the  
38 cumulative premiums paid may exceed the face amount of the policy at that point in  
39 time. The required disclosure shall be provided to the policy owner or certificate holder  
40 no later than at the time the policy or certificate is delivered. The disclosure shall not be  
41 attached to the policy but may be delivered with the policy.

42           (b) If, for a particular policy form, the cumulative premiums may exceed the face  
43 amount for some demographic or benefit combination but not for all combinations, the  
44 insurer may choose to either:

1           (1) Provide the disclosure only in those circumstances where the  
2           premiums may exceed the face amount; or

3           (2) Provide the disclosure for all demographic and benefit combinations.

4           (c) Cumulative premiums shall include premiums paid for riders. However, the  
5 face amount shall not include the benefits attributable to the riders.

6 **"§ 58-60-105. Insurer duties.**

7           The insurer and its producers shall have a duty to provide information to  
8 policyholders or certificate holders that ask questions about the disclosure statement."

9           **SECTION 1.12.** Article 60 of Chapter 58 of the General Statutes is amended  
10 by adding a new Part to read:

11                               "Part 4. Regulation of Annuity Solicitation.

12 **"§ 58-60-120. Title and reference.**

13           This Part may be cited as the "Annuity Disclosure Act".

14 **"§ 58-60-125. Purpose; intent; scope.**

15           (a) The purpose of this Part is to provide standards for the disclosure of certain  
16 minimum information about annuity contracts to protect consumers and foster consumer  
17 education. This Part specifies the minimum information that must be disclosed and the  
18 method for disclosing it in connection with the sale of annuity contracts. The goal of  
19 this Part is to ensure that purchasers of annuity contracts understand certain basic  
20 features of annuity contracts.

21           (b) This Part applies to all group and individual annuity contracts and certificates  
22 except:

23           (1) Registered or nonregistered variable annuities or other registered  
24 products.

25           (2) Immediate and deferred annuities that contain no nonguaranteed  
26 elements.

27           (3) Annuities used to fund any of the following:

28           a. An employee pension plan, which is covered by the Employee  
29 Retirement Income Security Act (ERISA).

30           b. A plan described by section 401(a), 401(k), or 403(b) of the  
31 Internal Revenue Code, where the plan, for purposes of ERISA,  
32 is established or maintained by an employer.

33           c. A governmental or church plan defined in section 414 of the  
34 Internal Revenue Code or a deferred compensation plan of a  
35 state or local government or a tax-exempt organization under  
36 section 457 of the Internal Revenue Code.

37           d. A nonqualified deferred compensation arrangement established  
38 or maintained by an employer or plan sponsor.

39           e. Structured settlement annuities.

40           f. Charitable gift annuities.

41           g. Funding agreements.

42           (c) This Part shall apply to annuities used to fund a plan or arrangement that is  
43 funded solely by contributions an employee elects to make, whether on a pretax or  
44 after-tax basis, and where the insurance company has been notified that plan

1 participants may choose from among two or more fixed annuity providers and there is a  
2 direct solicitation of an individual employee by a producer for the purchase of an  
3 annuity contract. As used in this subsection, direct solicitation shall not include any  
4 meeting held by a producer solely for the purpose of educating or enrolling employees  
5 in the plan or arrangement.

6 **"§ 58-60-130. Definitions.**

7 As used in this Part:

- 8 (1) "Annuity buyer's guide" or "buyer's guide" means the current NAIC  
9 Model Buyer's Guide to Fixed Deferred Annuities, including any  
10 appendix thereto.
- 11 (2) "Charitable gift annuity" means a transfer of cash or other property by  
12 a donor to a charitable organization in return for an annuity payable  
13 over one or two lives, under which the actuarial value of the annuity is  
14 less than the value of the cash or other property transferred and the  
15 difference in value constitutes a charitable deduction for federal tax  
16 purposes but does not include a charitable remainder trust or a  
17 charitable lead trust or other similar arrangement where the charitable  
18 organization does not issue an annuity and incur a financial obligation  
19 to guarantee annuity payments.
- 20 (3) "Contract owner" means the owner named in the annuity contract or  
21 certificate holder in the case of a group annuity contract.
- 22 (4) "Determinable elements" means elements that are derived from  
23 processes or methods that are guaranteed at issue and not subject to  
24 company discretion but where the values or amounts cannot be  
25 determined until some point after issue. These elements include the  
26 premiums, credited interest rates (including any bonus), benefits,  
27 values, noninterest-based credits, charges, or elements of formulas  
28 used to determine any of these. These elements may be described as  
29 guaranteed but not determined at issue. An element is considered  
30 determinable if it was calculated from underlying determinable  
31 elements only or from both determinable and guaranteed elements.
- 32 (5) "Disclosure document" means the document the contents of which are  
33 described in G.S. 58-60-140.
- 34 (6) "Funding agreement" means an agreement for an insurer to accept and  
35 accumulate funds and to make one or more payments at future dates in  
36 amounts that are not based on mortality or morbidity contingencies.
- 37 (7) "Generic name" means a short title descriptive of the annuity contract  
38 being applied for or illustrated such as "single premium deferred  
39 annuity".
- 40 (8) "Guaranteed elements" means the premiums, credited interest rates,  
41 including any bonus, benefits, values, noninterest-based credits,  
42 charges, or elements of formulas used to determine any of these, that  
43 are guaranteed and determined at issue. An element is considered



1           guaranteed if all of the underlying elements that go into its calculation  
2           are guaranteed.

3           (9)   "Nonguaranteed elements" means the premiums, credited interest rates  
4           (including any bonus), benefits, values, noninterest-based credits,  
5           charges, or elements of formulas used to determine any of these that  
6           are subject to company discretion and are not guaranteed at issue. An  
7           element is considered nonguaranteed if any of the underlying  
8           nonguaranteed elements are used in its calculation.

9           (10) "Structured settlement annuity" means a "qualified funding asset" as  
10           defined in section 130(d) of the Internal Revenue Code or an annuity  
11           that would be a qualified funding asset under section 130(d) of the  
12           Internal Revenue Code but for the fact that it is not owned by an  
13           assignee under a qualified assignment.

14   **§ 58-60-135. Standards for the disclosure document and buyer's guide.**

15           (a)   Where the application for an annuity contract is taken in a face-to-face  
16           meeting, the applicant, at or before the time of application, shall be given both the  
17           disclosure document described in G.S. 58-60-140 and a copy of the buyer's guide.

18           (b)   Where the application for an annuity contract is taken by means other than in  
19           a face-to-face meeting, the applicant shall be sent both the disclosure document and the  
20           buyer's guide no later than five business days after the completed application is received  
21           by the insurer.

22           (1)   With respect to an application received as a result of a direct  
23           solicitation through the mail:

- 24           a.   Providing a buyer's guide in a mailing inviting prospective  
25           applicants to apply for an annuity contract shall be deemed to  
26           satisfy the requirement that the buyer's guide be provided no  
27           later than five business days after receipt of the application.  
28           b.   Providing a disclosure document in a mailing inviting a  
29           prospective applicant to apply for an annuity contract shall be  
30           deemed to satisfy the requirement that the disclosure document  
31           be provided no later than five business days after receipt of the  
32           application.

33           (2)   With respect to an application received via the Internet:

- 34           a.   Taking reasonable steps to make the buyer's guide available for  
35           viewing and printing on the insurer's Web site shall be deemed  
36           to satisfy the requirement that the buyer's guide be provided no  
37           later than five business days after receipt of the application.  
38           b.   Taking reasonable steps to make the disclosure document  
39           available for viewing and printing on the insurer's Web site  
40           shall be deemed to satisfy the requirement that the disclosure  
41           document be provided no later than five business days after  
42           receipt of the application.

43           (3)   A solicitation for an annuity contract provided in other than a  
44           face-to-face meeting shall include a statement that the proposed

1           applicant may contact the Department for a free annuity buyer's guide.  
2           In lieu of the foregoing statement, an insurer may include a statement  
3           that the prospective applicant may contact the insurer for a free annuity  
4           buyer's guide.

5           (c) Where the buyer's guide and disclosure document are not provided at or  
6           before the time of application, a free-look period of no less than 15 days shall be  
7           provided for the applicant to return the annuity contract without penalty. This free-look  
8           period shall run concurrently with any other free-look period provided under State law  
9           or regulation.

10       **"§ 58-60-140. Contents of disclosure document.**

11           At a minimum, all of the following information shall be included in the disclosure  
12           document required under this Part:

- 13           (1) The generic name of the contract, the company product name, if  
14           different, and form number, and the fact that it is an annuity.  
15           (2) The insurer's name and address.  
16           (3) A description of the contract and its benefits, emphasizing its  
17           long-term nature, including the following, if appropriate:  
18           a. The guaranteed, nonguaranteed, and determinable elements of  
19           the contract, and their limitations, if any, and an explanation of  
20           how they operate.  
21           b. An explanation of the initial crediting rate, specifying any  
22           bonus or introductory portion, the duration of the rate, and the  
23           fact that rates may change from time to time and are not  
24           guaranteed.  
25           c. Periodic income options both on a guaranteed and  
26           nonguaranteed basis.  
27           d. Any value reductions caused by withdrawals from or surrender  
28           of the contract.  
29           e. How values in the contract can be accessed.  
30           f. The death benefit, if available, and how it will be calculated.  
31           g. A summary of the federal tax status of the contract and any  
32           penalties applicable on withdrawal of values from the contract.  
33           h. The impact of any rider, such as a long-term care rider.  
34           (4) The specific dollar amount or percentage charges and fees with an  
35           explanation of how they apply.  
36           (5) Information about the current guaranteed rate for new contracts that  
37           contains a clear notice that the rate is subject to change.

38           Insurers shall define terms used in the disclosure statement in language that  
39           facilitates the understanding by a typical person within the segment of the public to  
40           which the disclosure statement is directed.

41       **"§ 58-60-145. Report to contract owners.**

42           For annuities in the payout period with changes in nonguaranteed elements and for  
43           the accumulation period of a deferred annuity, the insurer shall provide each contract

1 owner with a report, at least annually, on the status of the contract that contains at least  
2 all of the following information:

- 3 (1) The beginning and end dates of the current report period.
- 4 (2) The accumulation and cash-surrender value, if any, at the end of the  
5 previous report period and at the end of the current report period.
- 6 (3) The total amounts, if any, that have been credited, charged to the  
7 contract value, or paid during the current report period.
- 8 (4) The amount of outstanding loans, if any, as of the end of the current  
9 report period."

## 10 PART II. EMPLOYER-OWNED LIFE INSURANCE DISCLOSURE

11 SECTION 2. G.S. 58-58-75 reads as rewritten:

12 "**§ 58-58-75. Insurable interest in life and physical ability of employee or agent.**

13 (a) An employer, whether a partnership, joint venture, business trust, mutual  
14 association, corporation, any other form of business organization, or one or more  
15 individuals, or any religious, educational, or charitable corporation, institution or body,  
16 has an insurable interest in and the right to insure the physical ability or the life, or both  
17 the physical ability and the life, of an employee for the benefit of such employer. Any  
18 principal shall have a life insurable interest in and the right to insure the physical ability  
19 or the life, or both the physical ability and the life, of an agent for the benefit of such  
20 principal.

21 (b) An employee described in subsection (a) of this section shall be insured for  
22 the benefit of an employer described in subsection (a) of this section only if the  
23 employee receives written notification from the insurer of the existence of the coverage  
24 or that coverage will be purchased. The notice shall be provided to the employee in  
25 connection with the application for coverage or within 30 days after the effective date of  
26 the coverage and shall include a statement that the employer may maintain the life  
27 insurance coverage on the employee even after employment is terminated.

28 (c) For nonkey or nonmanagerial employees, the aggregate amount of coverage  
29 shall be reasonably related to the benefits provided to the employees in the aggregate.

30 (d) With respect to employer-provided pension and welfare plans, the life  
31 insurance coverage purchased to finance the plans may only cover the lives of those  
32 employees and retirees who, at the time their lives were first insured under the plan,  
33 either are participants, or would be eligible to participate, upon the satisfaction of age,  
34 service, or similar eligibility criteria in the plan."

## 35 PART III. GROUP ANNUITY CONTRACTS

36 SECTION 3. G.S. 58-58-145 reads as rewritten:

37 "**§ 58-58-145. Group annuity contracts defined; ~~requirements~~requirements;**  
38 **issuance of individual certificates.**

39 (a) Any policy or contract, except a joint, reversionary or survivorship annuity  
40 contract, whereby annuities are payable to more than one person, is a group annuity  
41 contract. The person, firm or corporation to whom or to which ~~such~~the contract is  
42 issued, ~~as herein provided~~, is the holder of the contract. The term "annuitant" means any  
43 person to whom or which payments are made under the group annuity contract. No  
44 authorized insurer shall deliver or issue for delivery in this State any group annuity

1 contract except upon a group of annuitants that conforms to the following: under a  
2 contract issued to an employer, or to the trustee of a fund established by an employer or  
3 two or more employers in the same industry or kind of business, the stipulated payments  
4 on which shall be paid by the holder of ~~such~~the contract either wholly from the  
5 employer's funds or funds contributed by ~~him~~the employer, or partly from ~~such~~the  
6 funds and partly from funds contributed by the employees covered by such contract, and  
7 providing a plan of retirement annuities under a plan which permits all of the employees  
8 of such employer or of any specified class or classes thereof to become annuitants. Any  
9 such group of employees may include retired employees, and may include officers and  
10 managers as employees, and may include the employees of subsidiary or affiliated  
11 corporations of a corporation employer, and may include the individual proprietors,  
12 partners and employees of affiliated individuals and firms controlled by the holders  
13 through stock ownership, contract or otherwise.

14 (b) The insurer of a group annuity contract shall issue to the policyholder, within  
15 30 days of the effective date of the group annuity contract, an individual certificate for  
16 delivery to each annuitant which:

17 (1) Identifies the annuity to which the annuitant is entitled.

18 (2) States the name of the person to whom the annuity is payable.

19 (3) Discloses all of the rights and obligations of the insurer, the  
20 policyholder, the annuitant, and the persons to whom the annuity is  
21 payable with respect to the group annuity contract.

22 G.S. 58-3-150 applies to the form of the individual certificate required by this  
23 subsection.

24 (c) Each group annuity contract shall include a provision that the insurer will  
25 issue to the policyholder within 30 days of the effective date of the contract, for delivery  
26 to each annuitant, an individual certificate setting forth the information described in  
27 subsection (b) of this section."

#### 28 **PART IV. EXPLANATION OF HEADINGS AND EFFECTIVE DATE**

29 **SECTION 4.** The headings to the parts of this act are a convenience to the  
30 reader and are for reference only. The headings do not expand, limit, or define the text  
31 of this act.

32 **SECTION 5.** This act becomes effective January 1, 2006, and applies to  
33 policies or certificates issued or renewed on or after that date.