

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE BILL 655
Committee Substitute Favorable 4/25/05
Senate Commerce Committee Substitute Adopted 6/29/05

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
12 or 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
25 amount for some demographic or benefit combination but not for all combinations, the
26 insurer may 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 where, over the term of the
36 policy, the cumulative policy premiums paid may exceed the face amount of the policy,
37 shall clearly and prominently disclose, on or before policy delivery, the length of time
38 until the cumulative policy premiums paid may exceed the face amount of the policy.

39 (b) If an insurer is required to provide a disclosure under subsection (a) of this
40 section, the insurer shall clearly and prominently disclose, on or before policy delivery,
41 available premium payment plan and product alternatives. If no alternatives exist, the
42 insurer shall clearly and prominently disclose that there are no such alternatives.

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

1 "§ 58-60-105. Insurer duties.

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

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

6 "Part 4. Regulation of Annuity Solicitation.

7 "§ 58-60-120. Title and reference.

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

9 "§ 58-60-125. Purpose; intent; scope.

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

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

18 (1) Registered or nonregistered variable annuities or other registered
19 products.

20 (2) Immediate and deferred annuities that contain no nonguaranteed
21 elements.

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

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

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

28 c. A governmental or church plan defined in section 414 of the
29 Internal Revenue Code or a deferred compensation plan of a
30 state or local government or a tax-exempt organization under
31 section 457 of the Internal Revenue Code.

32 d. A nonqualified deferred compensation arrangement established
33 or maintained by an employer or plan sponsor.

34 e. Structured settlement annuities.

35 f. Charitable gift annuities.

36 g. Funding agreements.

37 (c) This Part shall apply to annuities used to fund a plan or arrangement that is
38 funded solely by contributions an employee elects to make, whether on a pretax or
39 after-tax basis, and where the insurance company has been notified that plan
40 participants may choose from among two or more fixed annuity providers, and there is a
41 direct solicitation of an individual employee by a producer for the purchase of an
42 annuity contract. As used in this subsection, direct solicitation shall not include any
43 meeting held by a producer solely for the purpose of educating or enrolling employees
44 in the plan or arrangement.

1 **§ 58-60-130. Definitions.**

2 As used in this Part:

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

1 element is considered nonguaranteed if any of the underlying
2 nonguaranteed elements are used in its calculation.

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

8 **"§ 58-60-135. Standards for the disclosure document and buyer's guide.**

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

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

- 16 (1) With respect to an application received as a result of a direct
17 solicitation through the mail:

18 a. Providing a buyer's guide in a mailing inviting prospective
19 applicants to apply for an annuity contract shall be deemed to
20 satisfy the requirement that the buyer's guide be provided no
21 later than five business days after receipt of the application.

22 b. Providing a disclosure document in a mailing inviting a
23 prospective applicant to apply for an annuity contract shall be
24 deemed to satisfy the requirement that the disclosure document
25 be provided no later than five business days after receipt of the
26 application.

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

28 a. Taking reasonable steps to make the buyer's guide available for
29 viewing and printing on the insurer's Web site shall be deemed
30 to satisfy the requirement that the buyer's guide be provided no
31 later than five business days after receipt of the application.

32 b. Taking reasonable steps to make the disclosure document
33 available for viewing and printing on the insurer's Web site
34 shall be deemed to satisfy the requirement that the disclosure
35 document be provided no later than five business days after
36 receipt of the application.

- 37 (3) A solicitation for an annuity contract provided in other than a
38 face-to-face meeting shall include a statement that the proposed
39 applicant may contact the Department for a free annuity buyer's guide.
40 In lieu of the foregoing statement, an insurer may include a statement
41 that the prospective applicant may contact the insurer for a free annuity
42 buyer's guide.

43 (c) Where the buyer's guide and disclosure document are not provided at or
44 before the time of application, a free-look period of no less than 15 days shall be

1 provided for the applicant to return the annuity contract without penalty. This free-look
2 period shall run concurrently with any other free-look period provided under State law
3 or regulation.

4 **"§ 58-60-140. Contents of disclosure document.**

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

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

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

35 **"§ 58-60-145. Report to contract owners.**

36 For annuities in the payout period with changes in nonguaranteed elements and for
37 the accumulation period of a deferred annuity, the insurer shall provide each contract
38 owner with a report, at least annually, on the status of the contract that contains at least
39 all of the following information:

- 40 (1) The beginning and end dates of the current report period.
- 41 (2) The accumulation and cash-surrender value, if any, at the end of the
42 previous report period and at the end of the current report period.
- 43 (3) The total amounts, if any, that have been credited, charged to the
44 contract value, or paid during the current report period.

1 (4) The amount of outstanding loans, if any, as of the end of the current
2 report period."

3 **PART II. EMPLOYER-OWNED LIFE INSURANCE DISCLOSURE**

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

5 **"§ 58-58-75. Insurable interest in life and physical ability of employee or agent.**

6 (a) An employer, whether a partnership, joint venture, business trust, mutual
7 association, corporation, any other form of business organization, or one or more
8 individuals, or any religious, educational, or charitable corporation, institution or body,
9 has an insurable interest in and the right to insure the physical ability or the life, or both
10 the physical ability and the life, of an employee for the benefit of such employer. Any
11 principal shall have a life insurable interest in and the right to insure the physical ability
12 or the life, or both the physical ability and the life, of an agent for the benefit of such
13 principal.

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

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

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

28 **PART III. GROUP ANNUITY CONTRACTS**

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

30 **"§ 58-58-145. Group annuity contracts defined; ~~requirements.~~ requirements;**
31 **issuance of individual certificates.**

32 (a) Any policy or contract, except a joint, reversionary or survivorship annuity
33 contract, whereby annuities are payable to more than one person, is a group annuity
34 contract. The person, firm or corporation to whom or to which ~~such~~ the contract is
35 issued, ~~as herein provided,~~ is the holder of the contract. The term "annuitant" means any
36 person to whom or which payments are made under the group annuity contract. No
37 authorized insurer shall deliver or issue for delivery in this State any group annuity
38 contract except upon a group of annuitants that conforms to the following: under a
39 contract issued to an employer, or to the trustee of a fund established by an employer or
40 two or more employers in the same industry or kind of business, the stipulated payments
41 on which shall be paid by the holder of ~~such~~ the contract either wholly from the
42 employer's funds or funds contributed by ~~him,~~ the employer, or partly from ~~such~~ the
43 funds and partly from funds contributed by the employees covered by such contract, and
44 providing a plan of retirement annuities under a plan which permits all of the employees

1 of such employer or of any specified class or classes thereof to become annuitants. Any
2 such group of employees may include retired employees, and may include officers and
3 managers as employees, and may include the employees of subsidiary or affiliated
4 corporations of a corporation employer, and may include the individual proprietors,
5 partners and employees of affiliated individuals and firms controlled by the holders
6 through stock ownership, contract or otherwise.

7 (b) The insurer of a group annuity contract shall issue to the policyholder or to
8 the annuitant directly, within 30 days of the annuitant's enrollment in the group annuity
9 contract, an individual certificate for each annuitant which:

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

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

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

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

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

21 **PART IV. EXPLANATION OF HEADINGS AND EFFECTIVE DATE**

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

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