

**Kansas Administrative Regulations
Agency 40. Insurance Department
Article 2. Life Insurance**

40-2-11 Life insurance policies; ``wholesale" or ``franchise" plan; requirements.

a) Definitions.

(1) ``Wholesale" or ``franchise" insurance means a life insurance plan under which a number of individual life insurance policies are issued at special rates to a group of five or more persons.

(2) ``Special rate" means any rate lower than the rate shown in the issuing insurance manual for individual policies of the same type and class.

(3) ``Employee" means the officers, managers, employees, and retired employees of the employer and the individual proprietor or partner, if the employer is an individual proprietorship or partnership.

(b) ``Wholesale" or ``franchise" life insurance premiums may be paid to the insurer periodically by:

(1) the employer, with or without payroll deductions;

(2) the insured;

(3) an association or union acting for its members; or

(4) designated persons acting on behalf of the employer, association, or union.

(c) Each life insurance policy form issued on the ``wholesale" or ``franchise" plan may be approved by the commissioner only if the policy is issued to:

(1) Five or more employees of a common employer or affiliated employers, including a governmental agency or department;

(2) five or more members of a trade or professional association, a labor union, or an association of members in the same or related occupations if the organizations have a constitution or by-laws and are formed in good faith for purposes other than obtaining insurance;
or

(3) five or more debtors of a common creditor or affiliated creditors.

(d) (1) ``Wholesale" or ``franchise" life plan policies shall be issued in the same form as an individual policy, varying only in amounts and type of coverage.

(2) Any ``wholesale" or ``franchise" life policy, issued to an individual may be cancelled if the insured member or eligible employee no longer qualifies because of job termination or another reason. The cancellation shall provide for conversion to a level premium life policy as follows:

(A) Each person no longer qualifying shall be entitled to an individual policy of life insurance without providing evidence of insurability and without disability or other supplementary benefits

within 31 days after the cancellation.

(B) The insurance shall be in an amount that does not exceed the amount of insurance that was cancelled. The insurance shall be offered at the insurers' customary rate, applicable to the form and amount of the individual policy, to the class of risk to which the person belonged, and to the person's attained age on the effective date of the policy issued at the time of conversion. The policy shall be on any form, except term insurance, customarily issued by the insurer.

(e) Existing ``wholesale" or ``franchise" policies may continue in force whether or not they meet the standards of this regulation and may be continued for persons currently insured. New ``wholesale" or ``franchise" life insurance policies shall not be written unless qualified under this regulation.

(Authorized by K.S.A. 40-103; implementing K.S.A. 40-420; effective Jan. 1, 1967; amended Jan. 1, 1968; amended May 1, 1979; amended May 1, 1986.)