

June 2, 1953

SUBJECT: INSURANCE

TO ALL AUTHORIZED LIFE INSURANCE COMPANIES

Re: Group Life Insurance - Conversion Privilege of Retired Employees

Gentlemen:

The Department's attention has been called to instances where there has been a misunderstanding regarding the conversion privilege under Group Life insurance policies at the time when employees are retired from active employment.

Section 161, subdivision 1(e), Insurance Law, requires policies to provide that the employee shall be entitled to apply for conversion to an individual policy of life insurance in case of the termination of employment for any reason whatsoever. Section 204, in subdivisions 1(a)', 1(d) and 1(e), also permits Group Life insurance policies to provide that the term "employees" shall include retired employees.

At the time of retirement there are two situations that may arise involving the exercise of the conversion privilege which require clarification:

(1) The employment of the employee may be terminated for purposes of Group Life insurance - either by the employer or by the employee. In this case, the employee may exercise the conversion privilege in the same manner as he may in the event of termination of employment for reasons other than retirement.

(2) When the employment of the employee for purposes of Group Life insurance is deemed to continue by reason of the terms and conditions of the Group Life insurance policy, as in the case where such policy provides for the continuance of insurance benefits, for retired employees, an employee upon retirement is entitled, notwithstanding any such provision, to exercise his right to make application for conversion to an individual policy of life insurance. In the event a retired employee elects to convert any part of his group life insurance, his right as a retired employee to have his insurance benefits continue under the Group Life insurance policy will be governed by the terms of such policy.

If all or part of the insurance is continued under the group policy after retirement, the retired employee shall thereafter at any time have the right to make application for conversion of the amount currently in effect to an individual policy of life insurance.

Insurance companies should be guided by the foregoing in dealing with questions pertaining to the rights of employees under Group Life insurance policies, and should take appropriate steps to advise their policyholders accordingly, so that inquiring employees will be properly informed as to their rights.

Arrangements more favorable to employees than those indicated above may, of course, be provided if an insurance company and an employer so agree.

Very truly yours,

ALFRED J. BOHLINGER

Superintendent of Insurance

By [SIGNATURE]

Deputy Superintendent and Counsel.