

MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania Governor's Office

Subject: Group Life Insurance Program	Number: 530.32
Date: September 19, 2013	By Direction of:  Kelly Powell Logan, Secretary of Administration
Contact Agency: Office of Administration, Office for Human Resources Management, Bureau of Employee Benefits and Services, Telephone 717.787.9872	

This directive establishes policy, responsibilities, and procedures for the Group Life Insurance Program. Issued as a companion to this directive is *Manual 530.3, Group Life Insurance Program*.

- 1. PURPOSE.** To establish policy, responsibilities, and procedures for the organization and administration of the Group Life Insurance Program.
- 2. SCOPE.** This directive applies to all departments, boards, commissions, and councils (hereinafter referred to as "agencies") under the Governor's jurisdiction as well as independent agencies who participate in the Group Life Insurance Program.
- 3. OBJECTIVE.** In accordance with *Act 42 of 2007*, the Group Life Insurance Program provides term life insurance coverage for permanent employees.
- 4. DEFINITIONS.**
 - a. Active Pay Status.** The condition during which an employee is eligible for pay.
 - b. Break in Employment.** A voluntary or involuntary interruption in an individual's employment status with the commonwealth. A break in employment may be caused by such events as retirement, resignation, furlough, death, or involuntary separation. The term does not include leave without pay of any kind, legal strike absences, suspensions, or transfers, regardless of their duration.
 - c. Coverage Amount.** The total amount of money paid to a beneficiary(ies) upon the death of an eligible employee.

- d. **Disability Life Insurance.** A provision within the Group Life Insurance Program that permits an employee who is permanently and totally disabled to retain his or her life insurance coverage at no cost to the employee.
- e. **Effective Date.** The date on which life insurance coverage begins.
- f. **Eligible Employee.** An employee eligible for group life insurance as described in 5.a., covered by disability life insurance as described in 5.g.(4), or covered under the conversion privilege as described in 5.g.(5).
- g. **Insurance Carrier.** The insurance company with which the commonwealth secures a contract for the purpose of providing the life insurance benefits described in this directive.
- h. **Leave Without Pay With Benefits.** An absence from work during which an employee is not receiving pay, but is still eligible for health insurance coverage.
- i. **Leave Without Pay Without Benefits.** An absence from work during which an employee is not receiving pay and is not eligible for health insurance coverage.
- j. **Nonpermanent Employee.** An employee who is hired with the expectation of being in an active pay status for less than 12 consecutive months, without the expectation of working on an annually recurring basis, or who is hired with the expectation of being in an active pay status for less than nine consecutive months on an annually recurring basis. The use of this term does not change or alter in any way the at-will employment relationship between the commonwealth and its employees.
- k. **Permanent Employee.** An employee who is hired with the expectation of being in an active pay status for more than 12 consecutive months or who is hired with the expectation of being in an active pay status from nine to 12 consecutive months inclusive and with the expectation of working on an annually recurring basis. The use of this term does not change or alter in any way the at-will employment relationship between the commonwealth and its employees.
- l. **Waiting Period.** The length of time a newly hired eligible employee must wait until the effective date of the life insurance coverage.
- m. **Work-Related Accidental Death.** An additional payment, as defined by Executive Board Resolution #MGT-CB-6-271 and applicable collective bargaining agreements, to beneficiaries in the event that an employee's death is accepted as a work-related death under *Pennsylvania Workers' Compensation Law*.

5. POLICY.

- a. **Eligibility.** Permanent employees of all agencies under the Governor's jurisdiction, as well as independent agencies, who participate in the Group Life Insurance Program are eligible for coverage.

b. Waiting Period. Life insurance coverage begins the day after an eligible employee has completed 90 calendar days of employment in an active pay status, unless the waiting period is extended as described in 5.c.(2).

(1) Leave Without Pay Without Benefits. Eligible employees who return to work after being placed on leave without pay without benefits will not serve a new waiting period provided the employee was covered prior to the leave without pay without benefits.

(2) Break in Employment. Eligible employees who terminate employment and are rehired within 180 calendar days will not serve a new waiting period. Employees who terminate employment and are rehired after more than 180 calendar days must serve a new waiting period.

(3) Furlough. Eligible employees who are furloughed and return to work during the recall period will not have to serve a new waiting period.

c. Effective Date of Coverage.

(1) Coverage is effective the day after an employee has completed 90 days of employment in an active pay status.

(2) The effective date of insurance for an eligible employee placed on leave without pay without benefits or furloughed during the 90-calendar day waiting period will be extended by a period equal to the duration of the leave or furlough.

(3) If the eligible employee is not in an active pay status on the day his or her coverage would normally become effective, the effective date of coverage will be his or her first day in an active pay status.

(4) If the effective date of coverage is not a regularly scheduled workday, the eligible employee will be covered on that date if he or she was in an active pay status on the preceding regularly scheduled workday.

(5) The waiting period for a nonpermanent employee who is designated as permanent without an intervening break in employment will be reduced by the length of time he or she was in an active pay status as a nonpermanent employee immediately prior to being designated as a permanent employee.

d. Waiver of Group Life Insurance. If an eligible employee does not want life insurance coverage, he or she may waive coverage at any time by submitting a letter to the HR Service Center (HRSC) or their local human resource office if their agency is not served by the HRSC. If coverage is desired at a later date, an employee must contact the HRSC or their local human resource office if their agency is not served by the HRSC. If the waiver is received after the 90 day waiting period has been completed, then the waiver will be effective the first day of the month following the waiver request. If the waiver is received before the waiting period has concluded, then coverage will not become effective at the conclusion of the 90 day waiting period.

e. **Termination of Coverage.** Coverage ends on the first of the month following the month in which the employee separates; or on the first of the month following the month in which the employee is on leave without pay without benefits and has not paid the premium. An employee whose coverage ends for any reason has the right to convert his or her insurance as described in 5.g.(5). If an employee dies within the timeframe the employee could have converted the policy, benefits will be paid.

f. **Premium Payment.**

(1) **Active Pay Status.** The commonwealth pays the premium once an employee's policy becomes effective.

(2) **Leave Without Pay With Benefits.** The commonwealth will continue to pay premiums for employees on leave without pay with benefits.

(3) **Leave Without Pay Without Benefits.** Employees in a leave without pay without benefits status may pay the premium directly to the insurance carrier for continuation of coverage for up to 12 continuous months. Coverage may not be more than 12 months except for military leave without pay without benefits, which can continue for as long as the person remains in a military leave without pay without benefits status.

(4) **Disability Life Insurance.** The commonwealth pays the premium once an employee qualifies for disability life insurance.

g. **Benefits.**

(1) **Amount of Insurance.** The coverage amount of group life insurance is based on an employee's annual base salary as of January 1. See Enclosure 1, Schedule of Life Insurance, for insurance amount based on annual salary.

(a) An employee who receives an increase or decrease in his or her annual base salary during the calendar year will have his or her amount of insurance updated on the following January 1. A pay increase or decrease effective January 1 will be included in the amount of insurance on that January 1.

(b) An employee who is not in an active pay status on either January 1 or the last regularly scheduled workday before January 1 will receive an increase or decrease in the amount of insurance on the date of return to work. The increase or decrease in the amount of insurance applied upon return to work will be the amount which would have been applied had the employee been in an active status on January 1.

(c) The amount of insurance for an employee who terminates and is rehired after a break in employment of 180 calendar days or less will be the same amount as of the date the employee terminated.

- (d) The amount of insurance for an employee who terminates and is rehired after a break in employment of more than 180 calendar days will be based on the employee's new annual salary.
 - (e) The amount of insurance for an employee who terminates and is rehired after a break in employment is based upon the length of the break in service as described in paragraphs (c) and (d) above, even if the separation and return to work is between an agency that uses the commonwealth's Human Resources and Payroll System and an Independent Agency that does not use the commonwealth's Human Resources and Payroll System.
 - (f) The amount of insurance for an employee who has been furloughed and is rehired during the recall period shall be determined as follows:
 - 1 Without an Intervening January 1.** The amount of insurance for an individual terminated and reemployed during the same calendar year should be the same amount that was in effect when the furlough occurred, unless a reduction is necessary because the individual turned age 70 or 75.
 - 2 With an Intervening January 1.** The amount of insurance for an individual furloughed and reemployed during different calendar years shall be the amount appropriate for the current pay rate of the pay range and step from which the employee was furloughed.
 - (g) The amount of insurance for an employee who reaches age 70 or 75 while insured, including an employee on leave with pay without benefits who elects to continue coverage, will be reduced effective the date he or she turns age 70 or 75. At age 70, the coverage amount will be reduced to 65% of the employee's annual salary. At age 75, the coverage amount will be reduced to 50% of the employee's annual salary. Such employee is eligible to convert the amount of insurance lost as described in 5.g.(5).
 - (h) For employees whose agency does not utilize the commonwealth's Human Resources and Payroll System, the annual salary must be calculated and provided electronically to the insurance carrier. The employees' biweekly and hourly pay and other permanent payments should be used in determining the annual salary. As additional types of pay are granted or identified, a decision must be made on whether the pay should be included or excluded from the annual salary to determine the amount of insurance. Monies that are temporary or unpredictable or that compensate an employee for working beyond his or her regular workday or work week are excluded.
- (2) **Insurance Amount for a New Employee.** A new employee's amount of insurance is based on his or her annual salary on date of hire.

- (3) Nonpermanent Employee Designated as Permanent Employee.** The amount of insurance for a nonpermanent employee who has been designated permanent will be based on the employee's annual salary on the date the employee is designated as permanent.
- (4) Disability Life Insurance.** Employees who are on leave without pay or whose employment is terminated due to a permanent and total disability may qualify for continuation of coverage.
- (a)** An eligible employee who becomes permanently and totally disabled will be eligible to apply for disability life insurance upon loss of active pay status or termination of employment. The insurance carrier will not accept applications before these dates. Eligibility for disability life insurance is determined by the insurance carrier and is not based on the criteria used by the State Employees' Retirement System or Social Security Administration.
 - (b)** Coverage becomes effective upon approval by the insurance carrier.
 - (c)** If the employee does not file a disability life insurance application within 12 months of termination of life insurance, he or she is no longer eligible. Approval or denial may be given by the insurance carrier after the 12 month period has expired if the application was filed before the deadline.
 - (d)** If an individual becomes permanently and totally disabled while covered under the Group Life Insurance Program and dies within 12 months after such coverage ends, the beneficiaries may apply to receive benefits regardless of whether or not an application for continued insurance had been filed. Payment in such cases will be contingent upon acceptable proof of permanent and total disability being provided to the insurance carrier within 12 months of the date of the employee's death. The insurance carrier will make the final determination of whether or not a disability was permanent and total.
 - (e)** If an application is denied, the employee will be notified by the insurance carrier. Employees on leave without pay without benefits may continue to pay the premium. Employees who have terminated employment will be provided 31 days to apply for conversion. The conversion privilege will not be extended to a terminated employee who has previously exercised the conversion privilege or whose application for continued insurance was rejected for insufficient information.

(5) Conversion Privilege.

- (a) Employees who terminate employment may purchase an individual whole life insurance policy without having to submit medical evidence of insurability. The converted policy will not include any disability provision or Work Related Accidental Death coverage. The amount of insurance on the converted policy may not be greater than the amount of insurance under the Group Life Insurance Program.
- (b) The insurance carrier will mail the terminating employee a letter and a Group Life Conversion Notice informing him or her of the option to replace part or all of the lost coverage. A terminating employee must elect conversion within 31 days of termination or within 15 days of the date of the notice from the insurance carrier, whichever is later.
- (c) If the employee dies during the period in which conversion could have been exercised, the insurance carrier will pay the beneficiary(ies) the amount of insurance the employee had in force before termination.
- (d) Rules (b) and (c) above also apply to an employee whose insurance terminates because of nonpayment of premiums while on unpaid absence. The time limits are calculated from the end of the period for which premiums were paid.
- (e) An employee whose amount of insurance is reduced at age 70 or 75 may replace part or all of the lost coverage with an individual whole life insurance policy acquired at his or her own expense through the insurance carrier. The insurance carrier will mail the employee a letter and a Group Life Conversion Notice.

(6) Beneficiaries.

- (a) Each employee has the right to name a beneficiary(ies) for his or her group life insurance proceeds. If there is no surviving beneficiary or if no beneficiary(ies) has been named, payment will be made as follows:

 - 1 To the surviving spouse; otherwise,
 - 2 Surviving child(ren) in equal shares;
 - 3 Surviving parents in equal shares;
 - 4 Surviving siblings in equal shares;
 - 5 Estate.

- (b) If a primary beneficiary deceases, his or her share will be paid to the surviving primary beneficiary. If there are no surviving primary beneficiaries, the contingent beneficiary(ies) will be paid. If all named beneficiaries predecease the employee, the life insurance proceeds are payable in the order indicated in 5.g.(6)(a) of this directive.
- (c) If a primary or contingent beneficiary is a minor or is incapable of giving a valid release for the insurance proceeds if a guardian is not named, the insurance carrier will require legal documentation of guardianship such as a court order before the claim will be paid.

(7) Accelerated Benefit Option.

- (a) Employees who are terminally ill with a life expectancy of 12 months or less may apply to have part of their group life benefits prepaid. The Accelerated Benefit Option allows a terminally ill employee the option to receive up to 80 percent of his or her insurance. This payment is made in one lump sum payable to the employee. The remaining amount of insurance will be paid to the beneficiary(ies) upon the employee's death.

Example: Amount of Insurance is \$30,000. Employee can apply and receive up to \$24,000, which is 80 percent of the amount of insurance (\$30,000).

- (b) The following criteria must be met in order to receive payment under this option:
 - 1 The employee must elect this option in writing to the insurance carrier.
 - 2 The employee must furnish proof to the insurance carrier that his or her life expectancy is 12 months or less including certification by a doctor.
 - 3 Benefits must not have been previously assigned.
 - 4 Terminal illness proceeds will be made available on a voluntary basis only. Therefore, this option is not available if the employee is either required by law to use this option to meet the claims of creditors, or required by a government agency to use this option in order to apply for, receive, or keep a government benefit of entitlement.
 - 5 This provision may be elected only once.

h. \$25,000 Work-Related Accidental Death Benefit Program.

(1) Definition of Program. A \$25,000 accidental death benefit was established by Executive Board Resolution No. MGT-CB-6-271 action and certain collective bargaining agreements. The dollar amount of this benefit will vary under certain collective bargaining agreements and for some independent agencies not under the commonwealth Human Resources Payroll System.

(2) Eligibility.

(a) An employee is eligible for the Work-Related Accidental Death benefit when eligible for the Group Life Insurance Program as stated in 5.a. of this directive, except when benefits are payable under *Act 101 of 1976*, under which there is a survivor benefit, the amount for which is adjusted on July 1 of each fiscal year. Employees that have waived coverage under the Group Life Insurance Program are still covered by the Work-Related Accidental Death coverage. In such cases, the commonwealth will notify the insurance carrier.

(b) Coverage is effective the day after an employee has completed 90 calendar days of employment in an active pay status. The same waiting period rules which apply to the Group Life Insurance Program apply to this program.

(3) Benefits.

(a) Amount of Insurance. The amount of coverage will be \$25,000 unless otherwise specified by an applicable collective bargaining agreement.

(b) Beneficiaries. The beneficiary designated under the Group Life Insurance Program will also receive the proceeds from this program unless the employee designated a different Work-Related Accidental Death beneficiary.

(c) When Benefits are Payable. Benefits for Work-Related Accidental Death are payable only if all of the conditions below are met:

1 Employee sustains an accidental bodily injury while covered under the Group Life Insurance Program.

2 The loss results directly from that injury and from no other cause. For purposes of the coverage:

a Exposure to the elements will be considered an accidental injury.

b It will be presumed that the employee suffered a loss of life if the body has not been found within one year of disappearance, stranding, sinking or wrecking of any vehicle in which he or she was an occupant.

(4) Losses Not Covered.

- (a) Suicide or attempted suicide, while sane or insane.
- (b) Intentionally self-inflicted injuries, or any attempt to inflict such injuries.
- (c) Sickness, whether the loss results directly or indirectly from the sickness.
- (d) Medical or surgical treatment of sickness, whether the loss results directly or indirectly from the treatment.
- (e) Any infection. However, this does not include:
 - 1 A pyogenic infection resulting from an accidental cut or wound; or
 - 2 A bacterial infection resulting from accidental ingestion of a contaminated substance.
- (f) War, or any act of war. "War" means declared or undeclared war and includes resistance to armed aggression.
- (g) An accident that occurs while employee is serving on full-time active duty for more than 30 days in any armed forces. However, losses incurred while on Reserve or National Guard active duty for training are covered under this program.
- (h) Commission of or attempt to commit a felony.
- (i) Being legally intoxicated or under the influence of any narcotic unless administered or consumed on the advice of a doctor.
- (j) Participation in these hazardous sports, except where required by job duties: scuba diving, bungee jumping, skydiving, parachuting, hang gliding or ballooning.

6. RESPONSIBILITIES.

- a. **Office of Administration, Bureau of Integrated Enterprise Systems.** The commonwealth will electronically transmit employee eligibility data (new enrollments/changes) once a week to the insurance carrier. Independent agencies will transmit their employee eligibility data no less than once a month to the insurance carrier.
- b. **Insurance Carrier.**
 - (1) Maintain eligibility files for all employees covered under the Group Life Insurance Program;
 - (2) Direct bill employees on leave without pay without benefits;

- (3) Issue the Group Life Conversion Notice to employees who lose part or all of their coverage;
- (4) Process and maintain beneficiary forms;
- (5) Deal directly with employees and beneficiaries on questions;
- (6) Mail a "Welcome Kit" to all employees who become eligible, which will include, at a minimum, a letter from the insurance carrier, a Group Life Insurance Beneficiary/Designation Change Form, a self-addressed stamped envelope for mailing the beneficiary form back to the insurance carrier, and a Booklet Certificate describing the coverage;
- (7) Process claims from beneficiaries; make initial and ongoing disability determinations under Continued Insurance provision; and
- (8) Comply with all contract requirements.

7. PROCEDURES. In conjunction with this directive, refer to *Manual 530.3, Group Life Insurance Program*, for more detailed direction.

Enclosure 1 - Schedule of Life Insurance