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LIFE INSURANCE, GROUP—SECTIONS 9426-1 THROUGH 9426-4 G. C.—WRITING OF GROUP LIFE INSURANCE ON MEMBER BORROWERS OF CITY RETIREMENT FUND NOT PERMITTED—TO INSURE OUTSTANDING LOAN BALANCES—RETIREMENT FUND NOT A FINANCIAL INSTITUTION WITHIN MEANING OF SECTION 9426-1 (2) (d) G. C.

SYLLABUS:

The statutes of Ohio pertaining to group life insurance, Sections 9426-1 to 9426-4, General Code, inclusive, do not permit the writing of group life insurance on member borrowers of a city retirement fund to insure their outstanding loan balances, such retirement fund not being a financial institution within the meaning of Section 9426-1 (2) (d), General Code.

Columbus, Ohio, May 12, 1952

Bureau of Inspection and Supervision of Public Offices
Columbus, Ohio

Gentlemen:

Your request for my opinion reads as follows:

“We are in receipt of a letter from our City of C.
examiner making inquiry concerning the legality of rules adopted

by the Board of Trustees of the City of C. Retirement Fund authorizing the loan of retirement system funds to members. It was proposed in connection with said loans to insure the outstanding loan balance to an employe against his death in order to protect the employe's beneficiary at all times.

"We have discussed the proposed insurance plan with an employe of the State Division of Insurance who advised us this type of insurance was not available under Ohio laws.

"Do the insurance laws of Ohio permit insurance companies to insure loan balances of this kind?"

I am informed that the proposed plan calls for the writing of group insurance which raises the question as to whether under the Ohio laws a group life insurance policy may be written covering the group of borrowers set forth in your request.

The group life act is found in Sections 9426-1 to 9426-4, General Code, inclusive. Section 9426-2 provides in part as follows:

"Except as provided in this act, it shall be unlawful to make a contract of life insurance covering a group in this state."

Section 9426-1 sets forth the various groups which may be covered by group life insurance, among which is a group of borrowers as set forth in (2) (d) of this section, which reads as follows:

"(2) The following forms of life insurance are hereby declared to be group life insurance within the meaning of this act:

"* * * (d) life insurance covering only the lives of all members of a group of persons for not more than ten thousand dollars on any one life, numbering not less than one hundred new entrants to the group yearly, who become borrowers from one financial institution, including subsidiary or affiliated companies, or who become purchasers of merchandise or other tangible property from one vendor under agreement to repay the sum borrowed or to pay the balance of the price of the merchandise or other tangible property purchased in installments over a period of not more than ten years, to the extent of their indebtedness to said financial institution or vendor but not to exceed ten thousand dollars on any one life, written under a policy which may be issued upon the application of and made payable to the financial institution or vendor or other creditor to whom such vendor may have transferred title to the indebtedness, as beneficiary, the premium on such policy to be payable by the financial institution, vendor or other creditor; * * *"

It could hardly be argued that the C.....Retirement Fund is a financial institution within the meaning of the above provision; nor do I find any other provision of the group life act under which this group could be written.

Therefore, I am of the opinion that laws of this state do not permit the writing of group life insurance on member borrowers of the C..... Retirement Fund to insure their outstanding loan balances.

Respectfully,

C. WILLIAM O'NEILL
Attorney General