

2017 -- H 5628 SUBSTITUTE A

LC001900/SUB A

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

A N A C T

RELATING TO INSURANCE - LIFE INSURANCE

Introduced By: Representatives Kennedy, Casey, Johnston, Kazarian, and Messier

Date Introduced: March 01, 2017

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 27 of the General Laws entitled "INSURANCE" is hereby amended  
2 by adding thereto the following chapter:

3 CHAPTER 4.10

4 MANDATORY DISCLOSURE OF ALTERNATIVES TO LAPSE OR SURRENDER

5 **27-4.10-1. Definitions.**

6 (a) As used in this chapter, the term:

7 (1) "Agent" means a person who is the agent of record of a policy or who has a business  
8 relationship with the policyholder or insured.

9 (2) "Commissioner" means the director of the department of business regulation and any  
10 assistant to the director.

11 (3) "Insured" means an individual who is covered by a policy.

12 (4) "Insurer" means the insurance company that issued or currently insures the policy.

13 (5) "Policy" means an individual life insurance policy owned by an individual who is a  
14 resident of this state, regardless of whether such policy has been issued, delivered, or renewed in  
15 this state.

16 **27-4.10-2. Notice.**

17 (a) The commissioner shall develop, and adopt by rule, a written notice to inform a  
18 policyholder of alternatives to the lapse or surrender of a policy, and of the policyholder's rights,  
19 as an owner of the policy, which are related to the disposition of a policy. The notice must be

1 developed at no cost to insurers, agents, or other licensees and must be written in lay terms.

2 (b) The written notice must contain all of the following:

3 (1) A statement explaining that life insurance is a critical part of a broader financial plan.

4 (2) A statement explaining that there are alternatives to the lapse or surrender of a policy.

5 (3) A general description of the following alternatives to the lapse or surrender of a

6 policy:

7 (i) Accelerated death benefits available under the policy or as a rider to the policy;

8 (ii) The assignment of the policy as a gift;

9 (iii) The sale and assignment of the policy pursuant to a life settlement contract, including

10 that a life settlement is a regulated transaction in this state pursuant to chapter 72 of title 27;

11 (iv) The replacement of the policy;

12 (v) The maintenance of the policy pursuant to the terms of the policy or a rider to the

13 policy, or through a life settlement contract;

14 (vi) The maintenance of the policy through loans issued by an insurer or a third party,

15 using the policy or the cash surrender value of the policy as collateral for the loan;

16 (vii) Conversion of the policy from a term policy to a permanent policy;

17 (viii) Conversion of the policy in order to obtain long-term care health insurance

18 coverage or a long-term care benefit plan; and

19 (4) A statement explaining that life insurance, life settlements, or other alternatives to the

20 lapse or surrender of the policy described in the notice may not be available to a particular

21 policyholder depending on a number of circumstances, including the age and health status of the

22 insured or the terms of a life insurance policy, and that the policyholder should contact their

23 financial advisor, insurance agent, broker, or attorney to obtain further advice and assistance.

24 (c) An insurer, an agent, or an insurer and its agent must provide the written notice

25 required to a policyholder if an insured under the policy is sixty (60) years of age or older or is

26 known by the insurer or agent to be terminally ill or chronically ill, and:

27 (1) If the policyholder requests the surrender, in whole or in part, of the policy;

28 (2) If the policyholder requests an accelerated death benefit, nursing home benefit,

29 critical illness benefit, or any other living benefit under the policy;

30 (3) If the insurer sends a notice to the policyholder that the policy may lapse; provided,

31 however, the insurer is not required to send such notice more than once within the twelve (12)

32 month period after the date of the first notice of lapse of the policy; or

33 (4) At any other time that the commission may prescribe by rule.

34 (d) A violation of this section is deemed an unfair trade practice under chapter 13.1 of

1 [title 6.](#)

2 SECTION 2. This act shall take effect on October 1, 2017.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
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1           This act would require that the department of business regulation provide a mandatory  
2 disclosure notice, at no cost to insurers, to certain policy holders regarding their rights and  
3 alternatives to lapse or surrender.

4           This act would take effect on October 1, 2017.

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