

2018 -- H 7124 SUBSTITUTE A

LC003499/SUB A

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2018

A N A C T

RELATING TO INSURANCE - LIFE INSURANCE

Introduced By: Representatives Kennedy, Casey, Keable, Johnston, and Marshall

Date Introduced: January 11, 2018

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, post on its website, 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 advise a policyholder with the
25 annual benefit statement or otherwise that policy holders considering making changes in the
26 status of the policy should consult a licensed insurance agent or financial advisor and that
27 important information related to policy options, including information about an accelerated death
28 benefit, nursing home benefit, critical illness benefit, and additional benefits may be found on the
29 department of business regulation (DBR) website.

30 SECTION 2. This act shall take effect on January 1, 2019.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO INSURANCE - LIFE INSURANCE

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

4 This act would take effect on January 1, 2019.

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