

2017 -- H 5628

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

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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 life insurance offers a future death benefit.

5 (3) A statement explaining that life insurance may offer current living benefits.

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

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

8 policy:

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

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

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

12 including:

13 (6) A statement that a life settlement is a regulated transaction in this state pursuant to

14 chapter 72 of title 27;

15 (7) A statement that a life settlement provider must be licensed in this state to transact a

16 life settlement with a resident of this state;

17 (8) A statement that a life agent may represent the policyholder as a life settlement broker

18 pursuant if the policyholder decides to explore the feasibility of selling or assigning the policy

19 pursuant to a life settlement contract;

20 (9) The replacement of the policy;

21 (10) The maintenance of the policy pursuant to the terms of the policy or a rider to the

22 policy, or through a life settlement contract;

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

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

25 (12) Conversion of the policy from a term policy to a permanent policy;

26 (13) Conversion of the policy in order to obtain long-term care health insurance coverage

27 or a long-term care benefit plan; and

28 (14) A statement explaining that life insurance, life settlements, or other alternatives to

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

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

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

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

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

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

- 1 known by the insurer or agent to be terminally ill or chronically ill, and:
- 2 (i) If the policyholder requests the surrender, in whole or in part, of the policy;
- 3 (ii) If the policyholder requests a loan against, or withdrawal of cash value from, the
- 4 policy;
- 5 (iii) If the policyholder requests an accelerated death benefit, nursing home benefit,
- 6 critical illness benefit, or any other living benefit under the policy;
- 7 (iv) If the policyholder requests a reduction in the face amount of the policy;
- 8 (v) If the policyholder requests, or the policy automatically enters, an extended term;
- 9 (vi) If the policyholder requests a waiver of premium;
- 10 (d) If a term policy is within six (6) months before the end of the term of the policy and
- 11 the policyholder has the right to convert the term policy to permanent insurance;
- 12 (e) If the insurer sends a notice to the policyholder that the policy may lapse; however,
- 13 the insurer is not required to send such notice more than once within the twelve (12) month
- 14 period after the date of its first notice of lapse of the policy; or
- 15 (f) At any other time that the commission may prescribe by rule.
- 16 (g) A person may not prohibit, terminate, fine, or otherwise deter an agent from or
- 17 penalize an agent for:
- 18 (h) At any time, informing a policyholder or their designee of the options under the
- 19 policy terms or the alternatives described in this section to the lapse or surrender of a policy, or of
- 20 a policyholder's rights related to the disposition of a policy; or
- 21 (i) Assisting a policyholder with securing any benefit or alternative described in this
- 22 section or under the policy terms.
- 23 (j) A violation of this section is deemed an unfair trade practice under chapter 13.1 of title
- 24 6.

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

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

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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 July 1, 2017.

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