

**NATIONAL CONFERENCE OF INSURANCE LEGISLATORS (NCOIL)**  
**Proposed Life Insurance Consumer Disclosure Model Act**

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*To be considered by the NCOIL Life Insurance & Financial Planning Committee on November 19, 2010.*  
**Sponsored by Rep. Ron Crimm (KY)**

**Section 1. Short Title**

This Act shall be known as the *Life Insurance Consumer Disclosure Model Act*.

**Section 2. Definitions**

- A. "Commissioner" means the *[insert title per individual state]* in this state.
- B. "Insurer" means the insurance company that issued the policy.
- C. "Insured" means an individual covered by a policy.
- D. "Person" means an individual or a legal entity.
- E. "Policy" means an individual life insurance policy owned by a person who is a resident of this state, regardless of whether issued, delivered, or renewed in this state.
- F. "Policy owner" means the owner of a policy.

**Section 3. Notice to Policy Owner Required**

- A. An insurer shall provide the written notice required by this section to a policy owner, if an insured is age sixty or older or is known by the insurer to be terminally ill or chronically ill, and if:
  - 1. The policy owner requests the surrender, in whole or in part, of a policy;
  - 2. The policy owner requests an accelerated death benefit under a policy;
  - 3. The insurer sends notice to the policy owner that the policy may lapse; provided, however, that the insurer shall not be required to include the notice required by this paragraph to the policy owner more than one time within a twelve month period from the date of the first notice of lapse of the policy; or
  - 4. At any other time that the commissioner may prescribe by rule.
- B. The commissioner shall develop the written notice, promulgated by rule, to apprise policy owners of alternatives to the lapse or surrender of a policy and of the policy owner's rights as an owner of a policy related to the disposition of a policy. The notice shall be developed at no cost to insurers or other licensees and shall be written in lay terms.
- C. The written notice shall contain the following:
  - 1. A statement explaining that life insurance is a critical part of a broader financial plan;
  - 2. A statement explaining that there are alternatives to the lapse or surrender of a policy;
  - 3. A general description of the following alternatives to the lapse or surrender of a policy:

- (a) accelerated death benefits available under the policy or as a rider to the policy;
  - (b) the assignment of the policy as a gift;
  - (c) the sale of the policy pursuant to a life settlement contract, including that a life settlement is a regulated transaction in this state *[as applicable]*
  - (d) the replacement of the policy pursuant to *[cite any regulation governing policy replacement]*;
  - (e) the maintenance of the policy pursuant to the terms of the policy or a rider to the policy, or through life settlement contract;
  - (f) the maintenance of the policy through loans issued by an insurer or a third party, using the policy or the cash surrender value of the policy as collateral for the loan;
  - (g) conversion of the policy from a term policy to a permanent policy; and
  - (h) conversion of the policy in order to obtain long-term care health insurance coverage or a long-term care benefit plan.
4. A statement explaining that life insurance, life settlements, or other alternatives to the lapse or surrender of the policy described in the notice may or may not be available to a particular policy owner depending on a number of circumstances, including the age and health status of the insured or the terms of a life insurance policy, and that policy owners are encouraged to contact their financial advisor, insurance agent, or broker to obtain further advice and assistance.

**Section 4. Penalties**

A violation of this section shall be deemed an unfair trade practice pursuant to state law and subject to the penalties provided by state law.