

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

Adopted by the NCOIL Executive Committee on November 21, 2010, and by the NCOIL Life Insurance & Financial Planning Committee on November 19, 2010.

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 Subsection 3(B) 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 should contact their financial advisor, insurance agent, broker, or attorney to obtain further advice and assistance.

Section 4. Penalties

A violation of Section 3(A) shall be deemed an unfair trade practice pursuant to state law and subject to the penalties provided by state law.