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.