

FINAL BILL REPORT

ESHB 1899

C 313 L 97

Synopsis as Enacted

Brief Description: Providing standards for life insurance policy illustrations.

Sponsors: By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Zellinsky, L. Thomas, Carrell, Wolfe, Grant and Sullivan).

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Institutions, Insurance & Housing

Background: Life insurance is regulated through the Office of the Insurance Commissioner. Generally, life insurance provides benefits to a beneficiary upon the death of the insured. There are a variety of life insurance products, including term, whole life, universal life, and other investment or interest sensitive products, endowments, and annuities.

Insurance statutes provide a variety of consumer protection provisions, including standard provisions that life insurance contracts must contain provisions making the contracts incontestible after two years, requirements regarding policy loans, a period for reinstatement of policies, and provisions specifying minimum cash surrender benefits. In addition to regulating life insurance companies, the insurance commissioner has adopted rules regarding life insurance and annuities. These rules address advertising and disclosure requirements, marketing requirements, dissemination of information on purchasing life insurance, and disclosures that must be provided when existing policies are being replaced.

Summary: Standards and requirements for life insurance policy illustrations are established. Insurers must notify the insurance commissioner regarding what life insurance policy forms the insurer is using and whether illustrations are used when marketing these products. If illustrations are not being used, the insurer cannot start using illustrations without notifying the insurance commissioner. If illustrations are being used, a basic illustration must be used for most products. An illustration used to sell life insurance must be clearly labeled, contain specified information, avoid using footnotes and caveats, use clear definitions, and comply with other provisions and prohibitions. Basic illustrations must describe the policy, premium outlays, and guaranteed and nonguaranteed benefits, must provide a narrative summary and numeric summary of benefits, and must provide certain disclosures. Supplemental illustrations can be used in conjunction with basic illustrations provided they meet certain requirements. If an illustration is used in the sale of a life insurance policy,

the insurer must provide the policyholder an annual update on the status of the policy.

Insurers must appoint one or more illustration actuaries. An actuary must certify that the scale used in illustrations conforms to actuarial standards. A violation of the life insurer policy illustration provisions is an unfair practice.

Votes on Final Passage:

House 97 0

Senate 44 0 (Senate amended)

House 93 0 (House concurred)

Effective: January 1, 1998