
Business & Financial Services Committee

HB 2134

Brief Description: Addressing the notice given to owners of life insurance policies about alternative transactions.

Sponsors: Representatives Stanford and Parker.

Brief Summary of Bill

- Exempts term life insurance policies from the requirement that a policy owner must be notified of alternative options when the owner has made certain requests regarding the policy or has received notices that the policy may lapse.

Hearing Date: 1/15/14

Staff: Linda Merelle (786-7092).

Background:

Insurers must meet minimum standards regarding disclosures regarding life insurance policies. For individual life insurance policies, an insurer must notify the owner of the policy of alternative transactions available to that owner when the insured under the policy is age 60 years or older or if the insured is known to be terminally ill or chronically ill, when the following circumstances occur:

- when a life insurance company receives a request from the owner to surrender the individual policy, in whole or in part;
- when a life insurance company receives a request from the owner to receive an accelerated death benefit under an individual policy;
- when a life insurance company sends all notices of lapse to any owner of an individual policy; or
- at any other time that the Insurance Commissioner may require by rule.

The notice must advise the owner that the life insurance is a critical part of a broader financial plan and that the consumer has a right to and is encouraged to seek additional financial advice or

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opinions. The notice must inform the owner that the owner has alternatives other than allowing the policy to lapse and must provide definitions of common industry terms, including "accelerated death benefit," "cash surrender," "gift," "life settlement," "policy loan," and "third-party loan."

Whole Life Insurance.

"Whole life insurance" covers an insured for life, during which the insured pays fixed premiums, accumulates savings from an invested portion of the premiums, and receives a guaranteed benefit upon death.

Term Life Insurance.

"Term life insurance" provides a death benefit only if the insured dies during the period specified in the policy. If the insured survives beyond the specified period, the insurance policy and coverage cease without value.

Summary of Bill:

The requirement that an insurer notify the owner of a life insurance policy regarding alternatives other than allowing the policy to lapse does not apply to term life insurance policies.

Appropriation: None.

Fiscal Note: Requested 1/13/14

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.