

HOUSE BILL ANALYSIS

ON

HB 1899

Brief Description: *Providing standards for life insurance policy illustrations.*

BACKGROUND: *Life insurance is regulated by statute and 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; these include term, whole life, universal life and other investment or interest sensitive products, endowments, and annuities.*

Current statutes provide a variety of consumer protection provisions, including listing standard provisions that life insurance contracts must contain, providing that the contract is incontestible after two years, establishing provisions regarding policy loans, providing a period for reinstatement of the policy, and 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 used, a basic illustration must be used for most products. An illustration used to sell life insurance must be clearly labeled, contain specified information, 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.

Fiscal Note: Requested.

Effective Date: January 1, 1998.

Rulemaking: Not specified.