DISCLOSURE FOR SMALL FACE AMOUNT LIFE INSURANCE POLICIES MODEL ACT

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Section 1. Purpose

The purpose of this Act is to establish rules that ensure meaningful information is provided to the purchasers of small face amount policies.

Section 2. Definition

"Small face amount policy" means a life insurance policy or certificate with an initial face amount of $15,000 or less.

Drafting Note: The face amount specified does not prohibit states from using a different monetary face amount.

Section 3. Exemptions

This Act applies to all group and individual life insurance policies and certificates except:

A. Variable life insurance;

B. Individual and group annuity contracts;

C. Credit life insurance;

D. Group or individual policies of life insurance issued to members of an employer group or other permitted group where:

(1) Every plan of coverage was selected by the employer or other group representative;

(2) Some portion of the premium is paid by the group or through payroll deduction; and

(3) Group underwriting or simplified underwriting is used; or

E. Policies and certificates where an illustration has been provided pursuant to the requirements of [insert reference to state equivalent to the Life Insurance Illustrations Model Regulation].

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Section 4. Disclosure Requirements

A. An insurer issuing a small face amount policy, where over the term of the policy the cumulative policy premiums paid may exceed the face amount of the policy, shall clearly and prominently disclose, on or before policy delivery, the length of time until the cumulative policy premiums paid may exceed the face amount of the policy.

B. If an insurer is required to provide a disclosure under Subsection A of this section, the insurer shall clearly and prominently disclose, on or before policy delivery, available premium payment plan and product alternatives. If no alternatives exist, the insurer shall clearly and prominently disclose that there are no such alternatives.

C. Cumulative premiums shall include premiums paid for riders. However, the face amount shall not include the benefit attributable to the riders.

Drafting Note: This disclosure assumes that a state has a free-look period requirement that allows a consumer to examine and cancel without penalty a policy for at least ten days following policy delivery. If a state does not have such a requirement applicable to all small face policies that may be subject to the disclosure requirement in this model act, the state should add the following language to the legislation containing this disclosure model:

D. Each policy subject to the disclosure requirements of this section shall contain a provision that allows the policyholder to cancel the policy within ten (10) days following the delivery of the policy with full premium refund to the consumer and with no charge or penalty. The free-look period shall be clearly and prominently disclosed to the consumer.

Section 5. Insurer Duties

The insurer and its producers shall have a duty to provide information to policyholders or certificate holders that ask questions about the disclosure statement.

Section 6. Effective Date

This Act shall become effective [insert date] and shall apply to insurance policies and certificates issued on or after the effective date.

Chronological Summary of Actions (all references are to the Proceedings of the NAIC).

2001 Proc. 4th Quarter 6, 14, 164, 186, 187-188 (adopted).
2005 Proc. 2nd Quarter 338 (amendments adopted by parent committee).
2005 Proc. 3rd Quarter 26, 30-32 (reprinted, adopted by Plenary).

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