

PROJECT HISTORY - 2003

LIFE INSURANCE MULTIPLE POLICIES MODEL REGULATION (#615)

1. Project Description

The charge resulted from an issue that came to light during market conduct examinations conducted as part of the race-based premium problems. It appeared that many of the companies examined did not have adequate provisions in place to detect multiple policies on the same insured.

2. Group Responsible for Drafting Model and States Participating

The Small Face Amount Working Group was given a charge to study the issue. The current members of the working group are: Robert Wooley, Chair/Ron Musser (Louisiana); Mike Pickens, Vice Chair/John Hartnedy (Arkansas); Michael Bownes (Alabama); Sheldon Summers (California); Donna Lee Williams/Darryl Reese (Delaware); Philip Barlow (District of Columbia); Richard Robleto (Florida); Jane Simpson and Margeret Witten (Georgia); Ken Skiera (Illinois); Roger Strauss (Iowa); Brian Staples (Kentucky); John Sullivan (Michigan); Joe Hartley (Mississippi); Scott Lakin/Cindy Amann (Missouri); Greg Serio/Gail Keren (New York); Jim Long/Louis Belo (North Carolina); John Pouliot/Melissa Hull (Ohio); Carroll Fisher/Frank Stone (Oklahoma) Ernst Csiszar/Leslie Jones (South Carolina) Jose Montemayor/Mike Boerner/Bill Goodman (Texas); Merwin Stewart (Utah); and Jackie Cunningham (Virginia).

3. Charge Authorizing Project

The working group's charge reads: Complete a regulatory analysis of the small face amount (less than \$15,000 face value) life insurance business, in all its various distribution forms, with an emphasis in this analysis on **the overriding goal of fair policyholder treatment, not only in terms of market conduct, such as appropriate disclosures and sales of multiple policies**, but also addressing the issue of fair value for the premiums paid and any other related issues. Consider for all policies the obligation of insurers to find multiple policies on one person when a claim has been filed.

4. General Description of Drafting Process

The issue was discussed extensively while Illinois was drafting its regulation and the working group heard a considerable number of comments on the issue. After the working group prepared its own draft, it was discussed during a conference call and at two national meetings and copies were available at the meetings and on the NAIC website. The working group received a number of comments.

5. Significant Issues Raised

The major point of contention was whether the working group should prescribe a "safe harbor" method of searching for multiple policies, similar to the method included in the newly adopted Illinois regulation, or whether it was sufficient to require the insurer to do a search. Since the accuracy of the company's searches would have to be reviewed by market conduct examiners to determine how effective its method was, the working group chose the approach of requiring a search without the specifics and forwarding the details on to the Market Conduct Examination Monitoring and Handbook Working Group of the Market Regulation (D) Task Force for its consideration and analysis.