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HOUSE BILL NO. 2529

Offered January 21, 2011

A *BILL to amend the Code of Virginia by adding in Chapter 31 of Title 38.2 an article numbered 1.1, consisting of sections numbered 38.2-3117.1, 38.2-3117.2, and 38.2-3117.3, relating to life insurance consumer disclosures.*

 Patron—Lewis

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 31 of Title 38.2 an article numbered 1.1, consisting of sections numbered 38.2-3117.1, 38.2-3117.2, and 38.2-3117.3, as follows:

*Article 1.1.**Life Insurance Consumer Disclosures.**§ 38.2-3117.1. Definitions.**As used in this article:**"Insurer" means the insurance company that issued the policy.**"Insured" means an individual covered by a policy.**"Policy" means an individual life insurance policy owned by a person who is a resident of the Commonwealth, regardless of whether the policy is issued, delivered, or renewed in the Commonwealth.**"Policyowner" means the owner of a policy.**§ 38.2-3117.2. Notice to policyowner required.**A. An insurer shall provide the written notice required by subsection B to a policyowner if the insured is age 60 or older or is known by the insurer to be terminally ill or chronically ill and if:**1. The policyowner requests the surrender, in whole or in part, of a policy;**2. The policyowner requests an accelerated death benefit under a policy;**3. The insurer sends notice to the policyowner that the policy may lapse; however, the insurer shall not be required to send the notice required by this subsection to the policyholder more than one time within a 12-month period from the date of the first notice of lapse of the policy; or**4. Required at any other time under any regulation adopted by the Commission.**B. The Commission shall adopt regulations prescribing the form of the written notice to apprise policyowners of alternatives to the lapse or surrender of the policy and of the policyowner's rights as an owner of a policy related to the disposition of a policy. The form of the notice shall (i) be developed by the Commission at no cost to insurers or other licensees and (ii) be written in lay terms.**C. The written notice shall contain the following:**1. A statement explaining that life insurance is a critical part of a broader financial plan;**2. A statement explaining that there are alternatives to the lapse or surrender of a policy;**3. A general description of the following alternatives to the lapse or surrender of a policy:**a. Accelerated death benefits available under the policy or as a rider to the policy;**b. The assignment of the policy as a gift;**c. The sale of the policy pursuant to a viatical settlement contract, including a statement that a viatical settlement contract is regulated pursuant to Chapter 60 (§ 38.2-6000 et seq.);**d. The replacement of the policy pursuant to any applicable regulations of the Commission;**e. The maintenance of the policy pursuant to the terms of the policy or a rider to the policy, or other permitted means;**f. The maintenance of the policy through loans issued by an insurer or a third party, using the policy or the cash surrender value of the policy as collateral for the loan;**g. Conversion of the policy from a term policy to a permanent policy; and**h. Conversion of the policy in order to obtain long-term care insurance or a long-term care benefit plan; and**4. A statement explaining that life insurance, settlements, or other alternatives to the lapse or surrender of the policy described in the notice may or may not be available to a particular policyowner depending on a number of circumstances, including the age and health status of the insured or the terms of a life insurance policy, and that policyowners should contact their financial adviser, insurance agent, broker, or attorney to obtain further advice and assistance.**§ 38.2-3117.3. Violation an unfair trade practice.**A violation of subsection A of § 38.2-3117.2 shall be considered an unfair trade practice under*

INTRODUCED

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59 *Chapter 5 (§ 38.2-500 et seq.) and subject to the penalties contained in that chapter.*