

State Corporation Commission 2011 Fiscal Impact Statement

1. Bill Number: HB2529

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Rust

3. Committee: Commerce and Labor

4. Title: Life insurance; required disclosure.

5. Summary: Requires insurers issuing life insurance policies to provide written notice and disclosures to policyowners if the insured is 60 or older or has a terminal or chronic illness, and one of four additional conditions have been met. Sets forth the written notice/disclosure requirements that the insurer must provide to the policyowner, including: (1) A statement that life insurance is part of a broader financial plan; (2) A statement that there are alternatives to the lapse or surrender of a policy; (3) A general description of alternatives to the lapse or surrender of a policy; and (4) A statement explaining that life insurance, settlements and other alternatives may not be available depending on certain circumstances. Provides that failure to meet the written notice/disclosure requirements will be considered an unfair trade practice.

6. Budget amendment necessary: No

7. Fiscal Impact Estimates: No Fiscal Impact on the State Corporation Commission

8. Fiscal implications: None on the State Corporation Commission

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No

11. Other comments: The State Corporation Commission Bureau of Insurance offered the patron the following comments on House Bill 2529:

The bill as introduced would be applicable to an individual life insurance policy owned by a Virginia resident, regardless of where the policy was issued. Because there is the potential that a Virginia resident may own a policy issued in another state by an insurer not licensed in Virginia, enforcement by the Bureau against the unlicensed insurer would be difficult. Virginia's laws addressing penalties for statutory or regulatory violations apply generally to licensed insurers. Also, it would be difficult to determine whether the requirements of the bill would be

applicable in those cases where policyholders maintain one or more residences outside of Virginia.

The Bureau suggested that the patron consider amending the bill so as to make the written notice and disclosure requirement applicable to policies issued in Virginia. The Bureau also suggested that the patron may wish to consider a delayed effective date of January 1, 2012 for this bill, to allow sufficient time for the development and adoption of the Commission's regulation prescribing the form of the written notice, as addressed in proposed 38.2-3117.2 B.

Date: 01/30/11/V. Tompkins

cc: Secretary of Commerce and Trade
Secretary of Health and Human Resources