

Senate Bill 136

By: Senators Harbin of the 16th, Ligon, Jr. of the 3rd, Stone of the 23rd, Jackson of the 24th,
Kennedy of the 18th and others

A BILL TO BE ENTITLED
AN ACT

1 To amend Chapter 25 of Title 33 of the Official Code of Georgia Annotated, relating to life
2 insurance, so as to provide for the "Life Insurance Consumer Disclosure Act"; to provide for
3 written notice to certain life insurance policyholders that request the surrender of, a loan
4 against, or accelerated death benefit, nursing home benefit, critical illness benefit, or any
5 other living benefit under a life insurance policy; to provide for a short title, to provide for
6 definitions; to provide for the written notice provisions; to provide that the written notice
7 shall be promulgated by rules and regulations by the Commissioner; to provide for penalties;
8 to repeal conflicting laws; and for other purposes.

9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

10 style="text-align:center">**SECTION 1.**

11 Chapter 25 of Title 33 of the Official Code of Georgia Annotated, relating to life insurance,
12 is amended by adding a new Code section to read as follows:

13 "33-25-15.

14 (a) This Code section shall be known and may be cited as the 'Life Insurance Consumer
15 Disclosure Act.'

16 (b) As used in this Code section, the term:

17 (1) 'Agent' means a person that is the agent of record of a policy or that has a business
18 relationship with the policy owner or insured.

19 (2) 'Insured' means an individual covered by a policy.

20 (3) 'Insurer' means the insurance company that issued or currently insures the policy.

21 (4) 'Person' means an individual or a legal entity.

22 (5) 'Policy' means an individual life insurance policy owned by an individual who is a
23 resident of this state, regardless of whether such individual life insurance policy has been
24 issued, delivered, or renewed in this state.

25 (c)(1) The Commissioner shall develop a written notice, promulgated by rules and
26 regulations, to apprise each policy owner of alternatives to the lapse or surrender of the

27 policy and of the policy owner's rights as an owner of a policy related to the disposition
28 of a policy. The notice shall be developed at no cost to insurers, agents, or other licensees
29 and shall be written in plain language.

30 (2) The written notice shall include the following statements and explanations:

31 (A) Life insurance is a critical part of a broader financial plan;

32 (B) Life insurance offers a future death benefit;

33 (C) Life insurance may offer current living benefits;

34 (D) There are alternatives to the lapse or surrender of a policy;

35 (E) A general description of the following alternatives to the lapse or surrender of a
36 policy:

37 (i) Accelerated death benefits available under the policy or as a rider to the policy;

38 (ii) Assignment of the policy as a gift to a third party;

39 (iii) Sale and assignment of the policy pursuant to a life settlement contract, including
40 the statement that a life settlement is a regulated transaction in this state and that a life
41 settlement provider shall be licensed in this state to transact a life settlement with a
42 resident of this state;

43 (iv) The replacement of the policy pursuant to rules and regulations established by
44 the Commissioner establishing minimum standards of conduct to be observed in the
45 replacement or proposed replacement of existing life insurance;

46 (v) The maintenance of the policy pursuant to the terms of the policy or a rider to the
47 policy or through a life settlement contract;

48 (vi) The maintenance of the policy through loans issued by an insurer or a third party
49 using the policy or the cash surrender value of the policy as collateral for the loan;

50 (vii) Conversion of the policy from a term policy to a permanent policy; and

51 (viii) Conversion of the policy to obtain long-term care health insurance coverage or
52 a long-term care benefit plan;

53 (F) Life insurance, life settlements, or other alternatives to the lapse or surrender of the
54 policy may or may not be available to a particular policy owner depending on a number
55 of circumstances, including the age and health status of the insured or the terms of a life
56 insurance policy, and that policy owners should contact their financial advisor,
57 insurance agent, broker, financial advisor, or attorney to obtain further advice and
58 assistance; and

59 (G) Under Code Section 33-59-3, a provider or life settlement broker having obtained
60 a license or acknowledgment of registration from the Commissioner may represent the
61 policy owner as a life insurance settlement broker should the policy owner decide to
62 explore the feasibility of a life settlement of a policy.

- 63 (3) An insurer shall provide the written notice required by this subsection to a policy
64 owner if an insured is age 60 or older or is known by such insurer to be terminally ill or
65 chronically ill and if:
- 66 (A) The policy owner requests the surrender, in whole or in part, of a policy;
67 (B) The policy owner requests a loan against, or withdrawal of cash value, of a policy;
68 (C) The policy owner requests an accelerated death benefit, nursing home benefit,
69 critical illness benefit, or any other living benefit under a policy;
70 (D) The policy owner requests a reduction in face amount of the policy;
71 (E) The policy owner requests or the policy automatically goes into extended term;
72 (F) A term policy is within six months of the end of the term of the policy, where such
73 policy owner has the right to convert the policy to permanent insurance;
74 (G) The insurer sends notice to the policy owner that the policy may lapse; provided,
75 however, that the insurer shall not be required to include the notice required by this
76 subsection to the policy owner more than one time within a 12 month period from the
77 date of the first notice of lapse of the policy; or
78 (H) The Commissioner prescribes by rule that the insurer shall provide such notice.
- 79 (d) A violation of paragraph (3) of subsection (c) of this Code section shall be deemed an
80 unfair trade practice pursuant to state law and subject to the penalties provided by state
81 law."

82 **SECTION 2.**

83 All laws and parts of laws in conflict with this Act are repealed.