

## DISCLOSURE FOR SMALL FACE AMOUNT LIFE INSURANCE POLICIES MODEL ACT

### Table of Contents

Section 1.	Purpose
Section 2.	Definition
Section 3.	Exemptions
Section 4.	Disclosure Requirements
Section 5.	Insurer Duties
Section 6.	Effective Date

### 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].

### 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. 2<sup>nd</sup> Quarter 338 (amendments adopted by parent committee).*

*2005 Proc. 3<sup>rd</sup> Quarter 26, 30-32 (reprinted, adopted by Plenary).*

## DISCLOSURE FOR SMALL FACE AMOUNT LIFE INSURANCE POLICIES MODEL ACT

**This chart is intended to provide readers with additional information to more easily access state statutes, regulations, bulletins or administrative rulings related to the NAIC model. Such guidance provides readers with a starting point from which they may review how each state has addressed the model and the topic being covered. The NAIC Legal Division has reviewed each state's activity in this area and has determined whether the citation most appropriately fits in the Model Adoption column or Related State Activity column based on the definitions listed below. The NAIC's interpretation may or may not be shared by the individual states or by interested readers.**

**This chart does not constitute a formal legal opinion by the NAIC staff on the provisions of state law and should not be relied upon as such. Nor does this state page reflect a determination as to whether a state meets any applicable accreditation standards. Every effort has been made to provide correct and accurate summaries to assist readers in locating useful information. Readers should consult state law for further details and for the most current information.**

**DISCLOSURE FOR SMALL FACE AMOUNT LIFE INSURANCE POLICIES MODEL ACT**

This page is intentionally left blank

**DISCLOSURE FOR SMALL FACE AMOUNT LIFE INSURANCE POLICIES MODEL ACT**

**KEY:**

**MODEL ADOPTION:** States that have citations identified in this column adopted the most recent version of the NAIC model in a **substantially similar manner**. This requires states to adopt the model in its entirety but does allow for variations in style and format. States that have adopted portions of the current NAIC model will be included in this column with an explanatory note.

**RELATED STATE ACTIVITY:** Examples of Related State Activity include but are not limited to: older versions of the NAIC model, statutes or regulations addressing the same subject matter, or other administrative guidance such as bulletins and notices. States that have citations identified in this column **only** (and nothing listed in the Model Adoption column) have **not** adopted the most recent version of the NAIC model in a **substantially similar manner**.

**NO CURRENT ACTIVITY:** No state activity on the topic as of the date of the most recent update. This includes states that have repealed legislation as well as states that have never adopted legislation.

NAIC MEMBER	MODEL ADOPTION	RELATED STATE ACTIVITY
Alabama	NO CURRENT ACTIVITY	
Alaska	NO CURRENT ACTIVITY	
American Samoa	NO CURRENT ACTIVITY	
Arizona	NO CURRENT ACTIVITY	
Arkansas	NO CURRENT ACTIVITY	
California	NO CURRENT ACTIVITY	
Colorado	NO CURRENT ACTIVITY	
Connecticut	NO CURRENT ACTIVITY	
Delaware	NO CURRENT ACTIVITY	
District of Columbia	NO CURRENT ACTIVITY	
Florida	NO CURRENT ACTIVITY	
Georgia		GA. CODE ANN. § 33-26-6.2 (1960/2002) (May not collect premiums exceeding 150% of face value).
Guam	NO CURRENT ACTIVITY	

**DISCLOSURE FOR SMALL FACE AMOUNT LIFE INSURANCE POLICIES MODEL ACT**

<b>NAIC MEMBER</b>	<b>MODEL ADOPTION</b>	<b>RELATED STATE ACTIVITY</b>
Hawaii	NO CURRENT ACTIVITY	
Idaho	NO CURRENT ACTIVITY	
Illinois	NO CURRENT ACTIVITY	
Indiana	NO CURRENT ACTIVITY	
Iowa	IOWA ADMIN. CODE r. §§ 191-15.51 to 191-15.55 (2003).	
Kansas	NO CURRENT ACTIVITY	
Kentucky	NO CURRENT ACTIVITY	
Louisiana	NO CURRENT ACTIVITY	
Maine	NO CURRENT ACTIVITY	
Maryland	NO CURRENT ACTIVITY	
Massachusetts	NO CURRENT ACTIVITY	
Michigan	NO CURRENT ACTIVITY	
Minnesota	NO CURRENT ACTIVITY	
Mississippi	NO CURRENT ACTIVITY	
Missouri	NO CURRENT ACTIVITY	
Montana	NO CURRENT ACTIVITY	
Nebraska	NO CURRENT ACTIVITY	
Nevada	NEV. ADMIN. CODE § 688A.300 (2003); § 688B.100 (2003).	
New Hampshire	NO CURRENT ACTIVITY	
New Jersey	NO CURRENT ACTIVITY	
New Mexico	NO CURRENT ACTIVITY	

**DISCLOSURE FOR SMALL FACE AMOUNT LIFE INSURANCE POLICIES MODEL ACT**

<b>NAIC MEMBER</b>	<b>MODEL ADOPTION</b>	<b>RELATED STATE ACTIVITY</b>
New York	NO CURRENT ACTIVITY	
North Carolina	N.C. GEN. STAT. §§ 58-60-90 to 58-60-105 (2005).	
North Dakota	NO CURRENT ACTIVITY	
Northern Marianas	NO CURRENT ACTIVITY	
Ohio	NO CURRENT ACTIVITY	
Oklahoma	NO CURRENT ACTIVITY	
Oregon	NO CURRENT ACTIVITY	
Pennsylvania	NO CURRENT ACTIVITY	
Puerto Rico	NO CURRENT ACTIVITY	
Rhode Island	NO CURRENT ACTIVITY	
South Carolina	NO CURRENT ACTIVITY	
South Dakota	NO CURRENT ACTIVITY	
Tennessee	NO CURRENT ACTIVITY	
Texas	NO CURRENT ACTIVITY	
Utah	NO CURRENT ACTIVITY	
Vermont	NO CURRENT ACTIVITY	
Virgin Islands	NO CURRENT ACTIVITY	
Virginia	NO CURRENT ACTIVITY	
Washington		WASH. ADMIN. CODE § 284-23-550 (1989) (May not sell small policies where face amount is exceeded by premium as specified).
West Virginia	NO CURRENT ACTIVITY	

**DISCLOSURE FOR SMALL FACE AMOUNT LIFE INSURANCE POLICIES MODEL ACT**

<b>NAIC MEMBER</b>	<b>MODEL ADOPTION</b>	<b>RELATED STATE ACTIVITY</b>
Wisconsin	NO CURRENT ACTIVITY	
Wyoming	NO CURRENT ACTIVITY	