

LIFE INSURANCE AND ANNUITY LAW

AMENDMENTS

2006 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: James A. Dunnigan

Senate Sponsor: Curtis S. Bramble

LONG TITLE

General Description:

This bill modifies the Insurance Code related to life insurance and annuities.

Highlighted Provisions:

This bill:

- ▶ grants rulemaking authority related to life insurance policies, annuity contracts, or certificates;
- ▶ modifies the amount of life insurance when conversions occur; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

31A-22-425, as last amended by Chapter 125, Laws of Utah 2005

31A-22-517, as last amended by Chapter 252, Laws of Utah 2003

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **31A-22-425** is amended to read:

31A-22-425. Rulemaking authority for standards related to life insurance and annuities.

30 In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the
31 commissioner may make rules to establish standards for any of the following:

32 (1) if used in connection with the solicitation or sale of life insurance policies and
33 contracts:

- 34 [~~1~~] (a) a buyer's guide;
- 35 [~~2~~] (b) a disclosure;
- 36 [~~3~~] (c) an illustration;
- 37 [~~4~~] (d) a policy summary; or
- 38 [~~5~~] (e) a recommendation[-]; and

39 (2) in a life insurance policy, annuity contract, or life insurance or annuity certificate:

- 40 (a) a definition of a term;
- 41 (b) a disclosure;
- 42 (c) an exclusion; or
- 43 (d) a limitation.

44 Section 2. Section **31A-22-517** is amended to read:

45 **31A-22-517. Conversion on termination of eligibility.**

46 (1) A person is entitled to be issued by [~~the~~] an insurer, without evidence of
47 insurability, an individual policy of life insurance without accident and health or other
48 supplementary benefits, if:

- 49 (a) any portion of insurance on a person covered by a policy ceases because of:
 - 50 (i) termination of employment; or
 - 51 (ii) termination of membership in the classes eligible for coverage;
- 52 (b) an application for the individual policy is made; and
- 53 (c) the first premium is paid to the insurer within 31 days after the termination
54 described in Subsection (1)(a).

55 (2) The individual policy described in Subsection (1) shall, at the option of the person
56 entitled to the policy, be on any form then customarily provided by the insurer at the age and
57 for the amount applied for, except that the group policy may exclude the option to elect:

58 (a) term insurance; or

59 (b) flexible premium insurance.

60 (3) (a) The individual policy described in Subsection (1) shall be for an amount [~~not in~~
61 ~~excess of~~] equal to or, at the election of the person entitled, less than the life insurance [~~which~~
62 ~~that~~ ceases because of the termination, less the amount of any group life insurance for which
63 the person is eligible [~~because of the termination and~~] within 30 days after the termination.

64 (b) Any amount of insurance that matures on or before the termination, as an
65 endowment payable to the person insured, [~~whether in one sum, in installments, or in the form~~
66 ~~of an annuity;~~] is not included in the amount that is considered to cease because of the
67 termination[-] whether the endowment payment is in:

68 (i) one sum;

69 (ii) installments; or

70 (iii) the form of an annuity.

71 (4) The premium on the individual policy described in Subsection (1) shall be at the
72 insurer's customary rate at the time of termination, which is applicable to:

73 (a) the form and amount of the individual policy;

74 (b) the class of risk to which the person belonged when terminated from the group
75 policy; and

76 (c) the age attained on the effective date of the individual policy.

77 (5) Subject to the conditions of this section, the conversion privilege described in this
78 section is available:

79 (a) to a surviving dependent, if any, at the death of the employee or member, with
80 respect to the survivor's coverage under the group policy that terminates by reason of the death;
81 and

82 (b) to the dependent of the employee or member upon termination of coverage of the
83 dependent, while the employee or member remains insured, because the dependent ceases to be
84 a qualified dependent under the group policy.