

1 **LIFE INSURANCE AND ANNUITY LAW**

2 **AMENDMENTS**

3 2006 GENERAL SESSION

4 STATE OF UTAH

5 **Chief Sponsor: James A. Dunnigan**

6 **Senate Sponsor: Curtis S. Bramble**

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8 **LONG TITLE**

9 **General Description:**

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

11 **Highlighted Provisions:**

12 This bill:

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

17 **Monies Appropriated in this Bill:**

18 None

19 **Other Special Clauses:**

20 None

21 **Utah Code Sections Affected:**

22 AMENDS:

23 **31A-22-425**, as last amended by Chapter 125, Laws of Utah 2005

24 **31A-22-517**, as last amended by Chapter 252, Laws of Utah 2003

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

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



28           **31A-22-425. Rulemaking authority for standards related to life insurance and**  
 29 **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 insurability,  
 47 an individual policy of life insurance without accident and health or other supplementary  
 48 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 the life insurance [which] that ceases because of the termination, less the  
62 amount of any life insurance other than the individual policy described in Subsection (1) for  
63 which the person is eligible;

64 (i) because of the termination; and

65 (ii) within 30 days after the termination.

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

70 (i) one sum;

71 (ii) installments; or

72 (iii) the form of an annuity.

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

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

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

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

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

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

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

**Legislative Review Note**  
**as of 11-9-05 2:45 PM**

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

**Office of Legislative Research and General Counsel**

**Interim Committee Note**  
**as of 12-21-05 12:57 PM**

The Business and Labor Interim Committee recommended this bill.