

SENATE BILL No. 400

DIGEST OF INTRODUCED BILL

Citations Affected: IC 27-1-12.

Synopsis: Life insurance and viatical settlements. Specifies certain notice requirements and restrictions for life insurers with respect to viatical settlement contracts.

Effective: July 1, 2011.

Nugent

January 11, 2011, read first time and referred to Committee on Insurance and Financial Institutions.

C
O
P
Y



First Regular Session 117th General Assembly (2011)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2010 Regular Session of the General Assembly.

C
o
p
y

SENATE BILL No. 400



A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 27-1-12-45 IS ADDED TO THE INDIANA CODE
- 2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
- 3 1, 2011]: **Sec. 45. (a) The definitions in IC 27-8-19.8 apply**
- 4 **throughout this section.**
- 5 **(b) The commissioner shall:**
- 6 **(1) develop an informational brochure, written in layman's**
- 7 **terms, to inform consumers concerning life insurance policy**
- 8 **owner rights; and**
- 9 **(2) make the informational brochure available at no cost to**
- 10 **life insurance companies and insurance producers.**
- 11 **(c) The brochure developed under subsection (b) must contain**
- 12 **all the following:**
- 13 **(1) Definitions of common insurance industry terms.**
- 14 **(2) Information advising a consumer of the following:**
- 15 **(A) That life insurance is a critical part of a broader**
- 16 **financial plan and that the consumer is encouraged and**
- 17 **has a right to seek additional financial advice and opinions.**



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

(B) That possible alternatives to the lapse of a life insurance policy exist.

(3) The following statement in large, bold, or otherwise conspicuous typeface calculated to draw the eye:

"Life insurance is a critical part of a broader financial plan. There are many options available, and you have the right to shop around and seek advice from different financial advisers in order to find the option best suited to your needs."

(4) Brief descriptions of common insurance products available from viatical settlement providers. The descriptions must:

(A) be in general terms for informational purposes only; and

(B) not identify a particular viatical settlement provider.

SECTION 2. IC 27-1-12-46 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: **Sec. 46. (a) The definitions in IC 27-8-19.8 apply throughout this section.**

(b) An insurance company that issues a life insurance policy under which the insured is at least sixty (60) years of age or is known by the insurance company to be terminally ill or chronically ill shall send written notice and a copy of the brochure described in section 45 of this chapter to the:

(1) policy owner if the insured is covered under an individual life insurance policy; or

(2) certificate holder if the insured is covered under a group life insurance policy;

that a viatical settlement contract is available to the policy owner or certificate holder as an alternative transaction in the circumstances described in subsection (c).

(c) The notice required by subsection (b) must describe the following circumstances in which the viatical settlement contract is available as an alternative transaction:

(1) When a life insurance company receives from a:

(A) policy owner a request to:

(i) surrender, in whole or in part; or

(ii) receive an accelerated death benefit under; an individual life insurance policy; or

(B) certificate holder a request to:

(i) surrender, in whole or in part; or

(ii) receive an accelerated death benefit under; a certificate under a group life insurance policy.

**C
O
P
Y**



- 1 **(2) When a life insurance company sends to a:**
- 2 **(A) policy owner a notice of lapse of an individual life**
- 3 **insurance policy; or**
- 4 **(B) certificate holder a notice of lapse of a certificate under**
- 5 **a group life insurance policy.**
- 6 **(3) Another circumstance determined by the commissioner by**
- 7 **rule.**
- 8 **(d) An insurance company that issues a life insurance policy**
- 9 **shall send written notice to the:**
- 10 **(1) policy owner if the insured is covered under an individual**
- 11 **life insurance policy; or**
- 12 **(2) certificate holder if the insured is covered under a group**
- 13 **life insurance policy;**
- 14 **that the policy owner or certificate holder should consult with a**
- 15 **licensed insurance producer or financial adviser concerning any**
- 16 **changes the policy owner or certificate holder is considering with**
- 17 **respect to the status of the life insurance policy.**
- 18 **(e) The written notice required by subsection (d) may be sent**
- 19 **with other information sent to the policy owner or certificate**
- 20 **holder.**
- 21 **SECTION 3. IC 27-1-12-47 IS ADDED TO THE INDIANA CODE**
- 22 **AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY**
- 23 **1, 2011]: Sec. 47. (a) The definitions in IC 27-8-19.8 apply**
- 24 **throughout this section.**
- 25 **(b) An insurer that issues a life insurance policy shall not do any**
- 26 **of the following:**
- 27 **(1) Engage in or permit discrimination between individuals of**
- 28 **the same class, same policy amount, and equal life expectancy**
- 29 **in the rates charged for a life insurance policy or annuity**
- 30 **contract based on an individual's having entered into a**
- 31 **viatical settlement contract or being insured under a**
- 32 **viaticated policy.**
- 33 **(2) Make a false or misleading statement:**
- 34 **(A) concerning the business of viatical settlements;**
- 35 **(B) concerning financing of premiums due for a life**
- 36 **insurance policy; or**
- 37 **(C) for the purpose of inducing or tending to induce a**
- 38 **policy owner, certificate holder, or insured not to enter**
- 39 **into a viatical settlement contract.**
- 40 **(3) Engage in a transaction, act, practice, or course of**
- 41 **business or dealing that restricts, limits, or impairs:**
- 42 **(A) the lawful transfer of ownership of;**

**C
O
P
Y**



1 **(B) a change of beneficiary under; or**
2 **(C) an assignment of;**
3 **a life insurance policy.**

**C
o
p
y**

