

TITLE 230 – DEPARTMENT OF BUSINESS REGULATION

CHAPTER 20 – INSURANCE

SUBCHAPTER 25 – LIFE AND ANNUITIES

PART 3 - Life Insurance Disclosure

3.1 Authority

This Part is adopted and promulgated pursuant to R.I. Gen. Laws §§ 27-29-4(1) and 27-4-23.

3.2 Purpose

- A. The purpose of this Part is to require insurers to deliver to purchasers of life insurance, information which will improve the buyer's ability to select the most appropriate plan of life insurance for his needs and improve the buyer's understanding of the basic features of the policy which has been purchased or which is under consideration.
- B. This Part does not prohibit the use of additional material which is not in violation of this Part or any other Rhode Island statute or regulation.

3.3 Scope

- A. Except for the exemptions specified in § 3.3(B) of this Part, this Part shall apply to any solicitation, negotiation or procurement of life insurance occurring within this state. This Part shall apply to any issuer of life insurance contracts including fraternal benefit societies.
- B. This Part shall not apply to:
 - 1. Individual and group annuity contracts;
 - 2. Credit life insurance;
 - 3. Group life insurance;
 - 4. Life insurance policies issued in connection with pension and welfare plans as defined by and which are subject to the federal Employee Retirement Income Security Act of 1974 (ERISA), 29 U.S.C. § 1001 *et seq.* as amended; or

5. Variable life insurance under which the amount or duration of the life insurance varies according to the investment experience of a separate account.

3.4 Definitions

A. For the purposes of this Part, the following definitions shall apply:

1. "Buyer's guide" means the current Life Insurance Buyer's Guide adopted by the National Association of Insurance Commissioners (NAIC) or language approved by Insurance Commissioner.
2. "Current scale of nonguaranteed elements" means a formula or other mechanism that produces values for an illustration as if there is no change in the basis of those values after the time of illustration.
3. "Generic name" means a short title which is descriptive of the premium and benefit patterns of a policy or a rider.
4. "Policy data" means a display or schedule of numerical values, both guaranteed and nonguaranteed for each policy year or a series of designated policy years of the following information: illustrated annual, other periodic, and terminal dividends; premiums; death benefits; cash surrender values and endowment benefits.
5. "Policy summary" means a written statement describing the elements of the policy including but not limited to:
 - a. A prominently placed title as follows: STATEMENT OF POLICY COST AND BENEFIT INFORMATION.
 - b. The name and address of the insurance agent, or, if no agent is involved, a statement of the procedure to be followed in order to receive responses to inquiries regarding the Policy Summary.
 - c. The full name and home office or administrative office address of the company in which the life insurance policy is to be or has been written.
 - d. The Generic Name of the basic policy and each rider.
 - e. The following amounts, where applicable, for the first five (5) policy years and representative policy years thereafter sufficient to clearly illustrate the premium and benefit patterns, including at least one (1) age from sixty (60) through sixty-five (65) and policy maturity:
 - (1) The annual premium for the basic policy;

- (2) The annual premium for each optional rider;
 - (3) The amount payable upon death at the beginning of the policy year regardless of the cause of death, other than suicide or other specifically enumerated exclusions, which is provided by the basic policy and each optional rider, with benefits provided under the basic policy and each rider shown separately;
 - (4) The total guaranteed cash surrender values at the end of the year with values shown separately for the basic policy and each rider, and
 - (5) Any endowment amounts payable under the policy that are not included under guaranteed cash surrender values above.
- f. The effective policy loan annual percentage interest rate, if the policy contains this provision, specifying whether this rate is applied in advance or in arrears. If the policy loan interest rate is adjustable, the Policy Summary shall also indicate that the annual percentage rate will be determined by the company in accordance with the provisions of the policy and the applicable law; and
- g. The date on which the Policy Summary is prepared.

3.5 Duties of Insurers

A. Requirements Applicable Generally

- 1. The insurer shall provide, to all prospective purchasers, a Buyer's Guide and prior to accepting the applicant's initial premium or premium deposit. However, if the policy for which application is made contains an unconditional refund provision of at least ten (10) days, the Buyer's Guide must be delivered with the policy or prior to delivery of the policy.
- 2. The insurer shall provide a policy summary to prospective purchasers where the insurer has identified the policy form as one that will not be marketed with an illustration. The policy summary shall show guarantees only. It shall consist of a separate document with all required information set out in a manner that does not minimize or render any portion of the summary obscure. Any amounts that remain level for two (2) or more years of the policy may be represented by a single number if it is clearly indicated what amounts are applicable for each policy year. Amounts in § 3.4(A)(5)(e) of this Part shall be listed in total, not on a per thousand or per unit basis. If more than one insured is covered under one policy or rider, death benefits shall be displayed separately for each insured or for each class of insureds if death benefits do not differ within the class. Zero

amounts shall be displayed as a blank space. Delivery of the policy summary shall be consistent with the time for delivery of the Buyer's Guide as specified in § 3.5(A)(1) of this Part.

B. Requirements Applicable to Existing Policies.

1. Upon request by the policyowner, the insurer shall furnish either policy data or an in-force illustration as follows:
 - a. For policies issued prior to the effective date of R.I. Gen. Laws Chapter 27-62, the insurer shall furnish policy data, or, at its option, an in-force illustration meeting the requirements of R.I. Gen. Laws Chapter 27-62.
 - b. For policies issued on or after the effective date of R.I. Gen. Laws Chapter 27-62, that were declared not to be used with an illustration, the insurer shall furnish policy data, limited to guaranteed values, if it has chosen not to furnish an in-force illustration meeting the above requirements.
 - c. If the policy was issued on or after the effective date of R.I. Gen. Laws Chapter 27-62, and declared to be used with an illustration, an in-force illustration shall be provided.
 - d. Unless otherwise requested, the policy data shall be provided for twenty (20) consecutive years beginning with the previous policy anniversary. The statement of policy data shall include nonguaranteed elements according to the current scale, the amount of outstanding policy loans, and the current policy loan interest rate. Policy values shown shall be based on the current application of nonguaranteed elements in effect at the time of the request. The insurer may not charge a fee for the preparation of the statement.
2. If a life insurance company changes its method of determining scales of nonguaranteed elements on existing policies; it shall, no later than when the first payment is made on the new basis, advise each affected policy owner residing in this state of this change and of its implication on affected policies. This requirement shall not apply to policies for which the amount payable upon death under the basic policy as of the date when advice would otherwise be required does not exceed \$5,000.
3. If the insurer makes a material revision in the terms and conditions under which it will limit its right to change any nonguaranteed factor; it shall, no later than the first policy anniversary following the revision, advise each affected policy owner residing in this state.

3.6 General Rules

- A. Each insurer shall maintain at its home office or principal office, a complete file containing one (1) copy of each document authorized and used by the insurer pursuant to this part. Such file shall contain one (1) copy of each authorized form for a period of three (3) years following the date of its last authorized use unless otherwise provided by this part.
- B. An agent shall inform the prospective purchaser, prior to commencing a life insurance sales presentation, that he is acting as a life insurance agent and inform the prospective purchaser of the full name of the insurance company which he is representing to the buyer. In sales situations in which an agent is not involved, the insurer shall identify its full name.
- C. An insurance producer shall not use terms such as “financial planner,” “investment advisor,” “financial consultant,” or “financial counseling” in such a way as to imply that the insurance agent is primarily engaged in an advisory business in which compensation is unrelated to sales unless such is actually the case. This provision is not intended to preclude persons who hold some form of formal recognized financial planning or consultant designation from using this designation even when they are only selling insurance. This provision also is not intended to preclude persons who are members of a recognized trade or professional association having such terms as part of its name from citing membership, providing that a person citing membership, if authorized only to sell insurance products, shall disclose that fact. This provision does not permit persons to charge an additional fee for services that are customarily associated with the solicitation, negotiation or servicing of policies.
- D. Any reference to nonguaranteed elements must include a statement that the item is not guaranteed and is based on the company’s current scale of nonguaranteed elements (use appropriate special term such as “current dividend” or “current rate” scale.) If a nonguaranteed element would be reduced by the existence of a policy loan, a statement to that effect shall be included in any reference to nonguaranteed elements. A presentation or depiction of a policy issued after the effective date of R.I. Gen. Laws Chapter 27-62, that includes nonguaranteed elements over a period of years shall be governed by R.I. Gen. Laws Chapter 27-62.

3.7 Failure to Comply

Failure of an insurer to provide or deliver a Buyer's Guide, an in-force illustration, a Policy Summary or policy data as provided in § 3.5 of this Part shall constitute an omission which misrepresents the benefits, advantages, conditions or terms of an insurance policy.

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**TITLE 230 - DEPARTMENT OF BUSINESS REGULATION (INCLUDES
THE OFFICE OF THE HEALTH INSURANCE COMMISSIONER)**

CHAPTER 20 - INSURANCE

SUBCHAPTER 25 - LIFE AND ANNUITIES

**PART 3 - LIFE INSURANCE DISCLOSURE (FORMERLY INSURANCE REGULATION
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