HLS 14RS-555 REENGROSSED

Regular Session, 2014

HOUSE BILL NO. 286

1

BY REPRESENTATIVE THIBAUT

INSURANCE/LIFE: Requires life insurers to notify insureds relative to conversion option

AN ACT

2 To amend and reenact R.S. 22:942(10)(a) and to enact R.S. 22:931(A)(12), relative to 3 individual life insurance policies; to require insurers to notify insureds of when their 4 conversion option will expire; to allow for conversion from a group policy to an 5 individual term life insurance policy; to provide for proof of notice to policyholders; 6 to provide an exception for a child term rider; and to provide for related matters. 7 Be it enacted by the Legislature of Louisiana: 8 Section 1. R.S. 22:942(10)(a) is hereby amended and reenacted and R.S. 9 22:931(A)(12) is hereby enacted to read as follows: 10 §931. Life insurance policies; standard provisions 11 A. No policy of life insurance, except as stated in Subsection C of this 12 Section, shall be delivered or issued for delivery in this state unless it contains in 13 substance the following provision or provisions which, in the opinion of the commissioner of insurance, are more favorable to the policyholder: 14 15 16 (12) Conversion notice. (a) A provision requiring that the insurer notify the 17 policyholder of his option to convert his policy from term life insurance to 18 permanent life insurance at least thirty-one days prior to the expiration of the

CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

28

1	conversion option, if such an option is applicable. Such notice shall be a separate
2	notice or contained in either a premium notice or an annual premium summary.
3	(b) Evidence of a business procedure or practice to provide the required
4	notice by mailing the notice to the policyholder at the address shown in the policy
5	shall be sufficient to prove that the required notice was provided.
6	(c) This Paragraph shall not apply to a policyholder who is covered under a
7	child term rider.
8	* * *
9	§942. Standard provisions for group life policies
10	Each policy of group life insurance as defined in R.S. 22:941 shall contain
11	in substance the following provisions or, at the option of the insurer, provisions
12	which in the opinion of the commissioner of insurance are not less favorable to the
13	policyholder; However however, Paragraphs (6) through (12) of this Section shall
14	not apply to policies described in R.S. 22:941(A)(3), except that, where policies are
15	issued pursuant to that Paragraph, the insurer shall issue to the policyholder for
16	delivery to the person whose life is insured an individual certificate setting forth the
17	insurance protection afforded, to whom it is payable, information relating to notice
18	and proof of loss, and that the standard provisions required for individual life
19	insurance policies shall not apply to group life insurance policies:
20	* * *
21	(10) Conversion on termination of eligibility: A provision that if the
22	insurance, or any portion of it, on an individual covered under the policy ceases
23	because of termination of employment or of membership in the class or classes
24	eligible for coverage under the policy, such individual shall be entitled to have issued
25	to him by the insurer, without evidence of insurability, an individual policy of life
26	insurance without disability or other supplementary benefits, provided application
27	for the individual policy shall be made and the first premium paid to the insurer

within thirty-one days after such termination. It is further provided that:

1 (a) The individual policy shall, at the option of such individual, be on any
2 one of the forms, except term insurance, then customarily issued by the insurer at the
3 age and for the amount applied for.
4 * * * *

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Thibaut HB No. 286

Abstract: Requires prior notice of conversion option in individual life insurance policies.

<u>Present law</u> lists standard provisions to be contained in individual life insurance policies.

<u>Proposed law</u> adds a provision requiring that the insurer notify the policyholder of his option to convert his policy from term life insurance to permanent life insurance at least 31 days prior to the expiration of the conversion option, if such an option is applicable. Such notice shall be a separate notice or contained in either a premium notice or an annual premium summary.

<u>Proposed law</u> provides that an insurer's practice of mailing the required notice to the policyholder at the policyholder's address shall be sufficient to prove that the required notice was provided.

<u>Proposed law</u> provides that it does not apply to a policyholder covered under a child term rider.

<u>Present law</u> provides that an individual no longer eligible for coverage under a group term life policy because he is no longer eligible may convert to any individual life insurance policy issued by the insurer except a term life policy.

<u>Proposed law</u> provides that the individual may convert to an individual term life policy.

(Amends R.S. 22:942(10)(a); Adds R.S. 22:931(A)(12))

Summary of Amendments Adopted by House

Committee Amendments Proposed by <u>House Committee on Insurance</u> to the <u>original</u> bill.

- 1. Provided that an insurer's business practice of mailing the required notice to the policyholder at the address provided by the policyholder will be sufficient to prove the required notice given.
- 2. Provided that the notice requirement does not apply to a policyholder covered under a child term rider.

House Floor Amendments to the engrossed bill.

1. Provided that an individual covered under a group term life insurance policy who ceases to be eligible under the policy due to termination of employment or

Page 3 of 4

CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

REENGROSSED HB NO. 286

membership in the class eligible for coverage under the policy shall have the option to convert the policy to an individual term life insurance policy.