



Department of Business Regulation

Insurance Division

1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

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MANDATORY DISCLOSURE OF ALTERNATIVES TO LAPSE OR SURRENDER

The Rhode Island Legislature enacted 2018 Public Law chs. [126](#) & [196](#) on July 2, 2018 with an effective date of January 1, 2019. The Law amends provisions in R.I. Gen. Laws Chapter 27-4.10, requiring the Department to develop and post a written notice (the Notice), and requires life insurers to advise policyholders of important information (the Advisement). The life insurer may delegate this responsibility to its agent but remains responsible for compliance with the statute.

Life Insurance Company Advisement to Policyholders

Life Insurance Companies must advise “policyholders considering making changes in the status of the policy” of the following:

- 1) They should consult a licensed insurance agent or financial advisor; and
- 2) Important information related to policy options, including information about an accelerated death benefit, nursing home benefit, critical illness benefit, and additional benefits may be found on the Department’s website:

www.dbr.ri.gov/insurance

Notice to Policyholders

The Department was also tasked with developing and posting on its website a written notice to inform policyholders of alternatives to the lapse or surrender of a policy, and of the policyholders’ rights as an owner of the policy that are related to the disposition of a policy. Attached and available on the Department’s website is the [Notice](#) that the Department developed for policyholders.

In developing the Notice, the Department reviewed notices presently utilized in a number of states and found that the Washington and Maine notices included almost all the required elements found in the Public Law. As such, Rhode Island developed its notice primarily based

on the Washington and Maine notices, but with the three additional required descriptions required under the Rhode Island Public Law:

1. Converting your policy to permanent insurance
2. Converting your policy to Long-Term Care insurance
3. Replacing your policy

The Department has received several questions about the new law and addresses some inquiries regarding the Public Law in the Frequently Asked Questions attached at the end of this Bulletin.

Elizabeth Kelleher Dwyer
Superintendent of Insurance
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Frequently Asked Questions

- **Is an insurer required to send the Notice with the Advisement?**
 - o No. These are separate statutory requirements. Life Insurers should distribute their Advisement meeting the law's requirements. Advisements shall include a reference to the Department's website which should direct consumers to the Department's website for the Notice.
- **Is an insurer who does not issue annual benefit statement required to issue the Advisement?**
 - o Yes. The law requires insurers or their agents to "advise a policyholder with the annual benefit statement or otherwise," and the Department interprets that to mean that insurer must provide such advice annually, whether or not an annual benefit statement is required by R.I. Gen. Laws § 27-62-9. The Notice is to be posted to the Department's website and made available to policyholders.
- **Can the Advisement be provided electronically instead of by mail?**
 - o An insurer may provide their required Advisement in the same manner the annual benefit statement is provided, or if no annual benefit statement is required, the insurer should provide the Advisement as it provides other materials to the client.
- **Are insurers required to point to the Department's website for the Notice?**
 - o Insurers should direct consumers to the Department's website. The Department expects that many insurers will include a link in their Advisement regarding the Notice on the Department's website to comply with these requirements.
- **Under newly enacted R.I. Gen. Laws § 27-4.10-2(c), insurers are required to inform consumers of certain items. What if the specific items are not eligible for the consumer's policy?**
 - o The statute requires that insurers would develop the Advisement to provide to policyholders. A general Advisement could incorporate information beyond the particular policyholder's contract, such as a policy that does not include a nursing home benefit. If insurers endeavor to provide client specific Advisements tailored to consumer's specific contract features, the Department does not object.
- **One Company asked whether the "annual benefit statement" referenced in the law is the same as an "annual report of policy values" as required by R.I. Gen. Laws § 27-62-9.**
 - o The Department believes that those should be considered one-and-the-same.