



Department of Business Regulation

Insurance Division

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

Insurance Bulletin Number 2018-12

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. Law Chapter 27-4.10, requiring the Department to develop and post a written notice, and requires life insurers to advise policyholders of important information. The life insurer may delegate this responsibility to its agent but remains responsible for compliance with the statute.

Attached and available on the Department's website is the [Notice](#) that the Department developed. Life Insurance Companies must advise a "policyholders considering making changes in the status of the policy" the following:

- 1) should consult a licensed insurance agent or financial advisor and
- 2) that 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

The Insurance Division 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.

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
October 2, 2018

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- **Is an insurer who does not issue an annual benefit statement required to issue the Notice?**
 - 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.
- **Can this be provided electronically instead of by mail?**
 - o An insurer may provide the notice in the same manner the annual benefit statement is provided, or if no annual benefit statement is required, the insurer should provide the notice 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 to 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 or their agents 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 one notice to provide to consumers, and thus the notice could incorporate additional information beyond the consumer’s particular account. If insurers endeavor to provide client specific notices tailored to consumer’s specific account features, the Department does not object

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