



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

ADVISORY LETTER 2014-03

TO: ALL AUTHORIZED LIFE INSURERS

FROM: JAMES J. DONELON, COMMISSIONER OF INSURANCE

RE: EFFECT OF ACT 47 OF THE 2014 REGULAR SESSION OF THE LOUISIANA LEGISLATURE RELATIVE TO THE TERM POLICY CONVERSION OPTION NOTICE REQUIREMENT

DATE: AUGUST 8, 2014

Please be advised that Act 47 of the 2014 Regular Session of the Louisiana Legislature (Act 47) amended La. R.S. 22:931(A) with respect to individual life policy issuers whose term life insurance policies allow their insured the option to convert all or some of a term policy to a whole life alternative. The purpose of Advisory Letter 2014-03 is to advise affected life insurance policy issuers regarding the enforcement of Act 47 by the Louisiana Department of Insurance (LDI).

Act 47 amended La. R.S. 22:931 (Life insurance policies; standard provisions) by adding Paragraph A(12) Conversion Notice, which reads as follows:

§931. Life insurance policies; standard provisions

- A. No policy of life insurance, except as stated in Subsection C of this Section, shall be delivered or issued for delivery in this state unless it contains in substance the following provision or provisions which, in the opinion of the commissioner of insurance, are more favorable to the policyholder:

* * *

(12) Conversion notice.

- (a) 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 thirty-one 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.
- (b) Evidence of a business procedure or practice to provide the required notice by mailing the notice to the policyholder at the address shown in the policy shall be sufficient to prove that the required notice was provided.

(c) This Paragraph shall not apply to a policyholder who is covered under a child term rider.

The effective date of Act 47 is August 1, 2014. It will apply to all term policies offering a conversion option issued after this date. All currently approved policy forms on file with the LDI that form the basis for term policy sales following the effective date must be revised to reflect the new Conversion Notice requirement. Individual term policies issued prior to August 1, 2014 will not be affected by the new Conversion Notice requirement.

The new Conversion Notice requirement will also apply to all term riders, regardless of underlying policy type, if the rider offers a conversion option, except for child riders, as specifically excluded.

Pursuant to La R.S. 22:931(C), this Act does not apply to industrial life insurance, service insurance, or to policies of group life insurance.

POLICY FORM REVISIONS

In order to facilitate the required form revision(s), the LDI will allow the revisions to be filed pursuant to LAC 37:XIII.10109.D.3. Exceptions (Regulation 78), which provides as follows:

D. Exceptions. Exceptions to the requirements for a complete filing may be allowed at the discretion of the department, subject to the conditions stated herein, for the following policy forms.

* * *

3. Riders or endorsement forms affecting previously approved life insurance or annuity products, provided that the policy form filings and dates approved are identified for each previously approved product with which the rider or endorsement form will henceforth be used. No filing fees will be required for these filings. The rider or endorsement forms shall be included with any subsequently filed basic insurance policy forms as needed to constitute a complete filing.

In order to expedite the approval process, revision filings should include: Louisiana form filing number, policy number and the approval date. Filings that do not sufficiently identify the previously approved product as specified above will be returned as non-conforming.

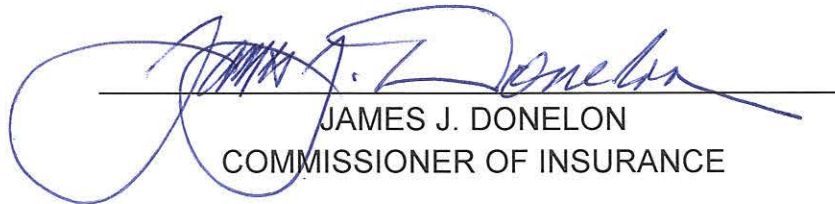
When a complete filing is required under the auspices of Regulation 78, it must contain the revision called for by Act 47 and be incorporated into the policy form under "Standard Provisions."

COMPLIANCE DATE

All filings required pursuant to Advisory Letter 2014-03 are due by March 1, 2015. The fee exemption noted above and as allowed by LAC 37:XIII.10109.D.3 will expire on March 1, 2015. Any Act 47 related submission received thereafter will incur and be charged the regular fee of \$100 per product amended.

Questions regarding Advisory Letter 2014-03 should be directed to Barry E. Ward, Esq., Deputy Commissioner, Office of Licensing and Compliance, at (225) 342-0814.

Baton Rouge, Louisiana, this 8th day of August 2014.



JAMES J. DONELON
COMMISSIONER OF INSURANCE