

Senate Bill No. 1405

CHAPTER 184

An act to amend Section 10127.7 of the Insurance Code, relating to insurance.

[Approved by Governor August 23, 2010. Filed with
Secretary of State August 23, 2010.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1405, Committee on Banking, Finance and Insurance. Life insurance: premium refunds.

Existing law requires that life insurance policies with a face value of less than \$10,000, issued after July 1, 1974, contain a notice permitting the return of the policy within a period of time designated in the notice, which may not be less than 10 or more than 30 days. If the insured cancels the policy within the given time period, all premiums paid and any policy fee paid for the policy are required to be refunded to the owner. Existing law provides that these provisions apply to all policies issued, amended, or delivered on or after January 1, 1981, as specified.

This bill would require that the refund be given within 30 days from the date that the insurer is notified that the insured has canceled the policy. The bill would provide that the notice, return, and refund requirements apply to all policies issued, amended, or delivered on or after January 1, 2011, and would require that all policies in effect on January 1, 2011, be construed to be in compliance with those provisions.

The people of the State of California do enact as follows:

SECTION 1. Section 10127.7 of the Insurance Code is amended to read:
10127.7. Every policy of individual life insurance with a face value of less than ten thousand dollars (\$10,000) which is delivered or issued for delivery in this state on and after July 1, 1974, shall have printed thereon or attached thereto a notice stating that, after receipt of the policy by the owner, the policy may be returned by the owner for cancellation by delivering it or mailing it to the insurer or to the agent through whom it was purchased. The period of time set forth by the insurer for return of the policy by the insured shall be clearly stated on the notice and this period shall be not less than 10 days nor more than 30 days. The insured may return the policy to the insurer at any time during the period specified in the notice. This delivery or mailing of the policy by the owner shall void the policy from the beginning, and the parties shall be in the same position as if no policy or contract had been issued. All premiums paid and any policy fee

paid for the policy shall be refunded to the owner within 30 days from the date that the insurer is notified that the insured has canceled the policy.

This section applies to all policies issued, amended, or delivered in this state on or after January 1, 2011, and applies to any renewal thereof. All policies subject to this section that are in effect on January 1, 2011, shall be construed to be in compliance with this section, and any provision in such a policy that is in conflict with this section shall be of no force or effect.

This section does not apply to individual life insurance policies issued in connection with a credit transaction or issued under a contractual policy change or conversion privilege provision contained in a policy.