

AMENDED IN SENATE JUNE 19, 2012

AMENDED IN SENATE JUNE 7, 2012

AMENDED IN ASSEMBLY MAY 9, 2012

AMENDED IN ASSEMBLY APRIL 26, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

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**ASSEMBLY BILL**

**No. 1747**

**Introduced by Assembly Member Feuer**

February 17, 2012

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An act to amend Section 10173.2 of, and to add Sections 10113.71 and 10113.72 to, the Insurance Code, relating to life insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1747, as amended, Feuer. Life insurance: nonpayment premium lapse: notice.

Existing law requires that life insurance policies contain certain provisions, including, but not limited to, an individual life insurance policy notice of the right to cancel a policy. Existing law requires life insurers to provide certain notices to individual life insurance policyholders, including, but not limited to, a notice of premium increases.

This bill would require that every life insurance policy issued or delivered in this state contain a provision for a grace period of not less than 60 days from the premium due date *and that provides that where the premium owed is paid fully within the grace period the policy remains in force during the 60-day grace period.* The bill would also require an insurer to give the applicant for an individual live insurance policy the right to designate at least one person, in addition to the

applicant, to receive notice of lapse or termination of a policy for nonpayment of premium. The bill would require an insurer to provide each applicant with a form, as specified, to make the designation and to notify the ~~insured~~ *policy owner* annually of the right to change the designation. The bill would prohibit a notice of pending lapse and termination from being effective unless mailed by the insurer to the named ~~insured~~ *policy owner*, a named designee, and a known assignee or other person having an interest in the policy at least 30 days prior to the effective date of termination if termination is for nonpayment of premium. The bill would also make conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: no.  
 State-mandated local program: no.

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

1 SECTION 1. Section 10113.71 is added to the Insurance Code,  
 2 to read:  
 3 10113.71. (a) Every life insurance policy issued or delivered  
 4 in this state shall contain a provision for a grace period of not less  
 5 than 60 days from the premium due date. ~~The provision shall~~  
 6 ~~provide that if the premium owed is fully paid within the 60-day~~  
 7 ~~grace period shall not run concurrently with the period of paid~~  
 8 ~~coverage. The provision shall provide that the policy shall remain~~  
 9 ~~in force during the grace period.~~  
 10 (b) (1) A notice of pending lapse and termination of a life  
 11 insurance policy shall not be effective unless mailed by the insurer  
 12 to the named ~~insured~~ *policy owner*, a designee named pursuant to  
 13 Section 10113.72, and a known assignee or other person having  
 14 an interest in the policy, at least 30 days prior to the effective date  
 15 of termination if termination is for nonpayment of premium.  
 16 (2) This subdivision shall not apply to nonrenewal.  
 17 (3) Notice shall be given to the ~~insured~~ *policy owner* and to the  
 18 designee by first-class United States mail within 30 days after a  
 19 premium is due and unpaid. However, notices made to assignees  
 20 pursuant to this section may be done electronically with consent  
 21 of the assignee.  
 22 (c) For purposes of this section, a life insurance policy includes,  
 23 but is not limited to, an individual life insurance policy and a group  
 24 life insurance policy, except where otherwise provided.

1 SEC. 2. Section 10113.72 is added to the Insurance Code, to  
2 read:

3 10113.72. (a) An individual life insurance policy shall not be  
4 issued or delivered in this state until the applicant has been given  
5 the right to designate at least one person, in addition to the  
6 applicant, to receive notice of lapse or termination of a policy for  
7 nonpayment of premium. The insurer shall provide each applicant  
8 with a form to make the designation. That form shall ~~include~~  
9 *provide the opportunity for the applicant to submit* the name,  
10 address, and telephone number of at least one person, in addition  
11 to the applicant, who is to receive notice of lapse or termination  
12 of the policy for nonpayment of premium.

13 (b) The insurer shall notify the ~~insured~~ *policy owner* annually  
14 of the right to change the written designation or designate one or  
15 more persons. The ~~insured~~ *policy owner* may change the  
16 designation more often if he or she chooses to do so.

17 (c) No individual life insurance policy shall lapse or be  
18 terminated for nonpayment of premium unless the insurer, at least  
19 30 days prior to the effective date of the lapse or termination, gives  
20 notice to the ~~insured~~ *policy owner* and to the person or persons  
21 designated pursuant to subdivision (a), at the address provided by  
22 the ~~insured~~ *policy owner* for purposes of receiving notice of lapse  
23 or termination. Notice shall be given by first-class United States  
24 mail within 30 days after a premium is due and unpaid.

25 SEC. 3. Section 10173.2 of the Insurance Code is amended to  
26 read:

27 10173.2. When a policy of life insurance is, after the effective  
28 date of this section, assigned in writing as security for an  
29 indebtedness, the insurer shall, in any case in which it has received  
30 written notice of the name and address of the assignee, mail to the  
31 assignee a written notice, postage prepaid and addressed to the  
32 assignee's address filed with the insurer, not less than 30 days  
33 prior to the final lapse of the policy, each time the ~~insured~~ *policy*  
34 *owner* has failed or refused to transmit a premium payment to the  
35 insurer before the commencement of the policy's grace period or  
36 before the notice is mailed. The insurer shall give that notice to  
37 the assignee in the proper case while the assignment remains in  
38 effect, unless the assignee has notified the insurer in writing that  
39 the notice is waived. The insurer shall be permitted to charge the  
40 ~~insured~~ *policy owner* directly or against the policy the reasonable

- 1 cost of complying with this section, but in no event to exceed two
- 2 dollars and fifty cents (\$2.50) for each notice.
- 3 As used in this section, “final lapse of the policy” means the
- 4 date after which the policy will not be reinstated by the insurer
- 5 without requiring evidence of insurability or written application.