

Assembly Bill No. 2347

CHAPTER 166

An act to amend, repeal, and add Sections 786, 10127.9, 10127.10, 10127.13, and 10509.6 of the Insurance Code, relating to insurance.

[Approved by Governor July 21, 2014. Filed with
Secretary of State July 21, 2014.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2347, Gonzalez. Insurance policies.

(1) Existing law requires that a disability insurance policy or life insurance policy and certificate offered for sale to individuals 65 years of age or older in California provide a 30-day examination period during which the applicant may return the contract and receive a refund of all premiums and any membership fee paid. This information is required to be disclosed on the cover sheet of the policy or certificate, in no less than 10-point uppercase type. Existing law allows the applicant to return the policy or certificate by regular mail.

This bill would specify that those requirements apply to individual and group disability and group life insurance policies and certificates. The bill would require that the notice be in 12-point bold type on the front of the policy jacket or on the cover sheet of the policy or certificate. The bill would allow the policyholder or certificate holder to return the policy or certificate by mail or other delivery method. The bill would also require an insurer, its agent, group master policyowner, or association that collects more than one month's premium from an individual who is 60 years of age or older on the date he or she purchased the coverage to provide that person a prorated refund of the premium if the person delivers a cancellation request during the first 30 days of the policy period.

(2) Existing law requires a policy of individual life insurance that is initially delivered or issued for delivery in the state on and after January 1, 1990, to have printed thereon or attached thereto a specified notice of cancellation rights.

This bill would require that disclosure to be printed on the front of the policy jacket or on the cover page of every individual life insurance policy and individual annuity contract.

(3) Existing law requires specified disclosures, in all capital letters, pertaining to cancellation and refunds, to the consumers of variable individual life insurance policies and variable annuity contracts, and of consumers of individual life insurance policies other than variable contracts and modified guaranteed contracts. Existing law requires an insurer to include in those disclosures that the applicant may be charged a surrender

charge or penalty if he or she cancels the policy after the 30-day period, unless the policy does not contain surrender charges or penalties.

This bill would additionally require that those disclosures be included with a modified guaranteed annuity contract, and would instead require that the disclosure be made in lowercase type. This bill would also require an insurer that calls a surrender charge a “withdrawal penalty” to disclose that fact, as specified.

(4) Existing law requires all individual life insurance policies and individual annuity contracts for senior citizens that contain a surrender charge period to either disclose the surrender period and all associated penalties in 12-point bold print on the cover sheet of the policy or disclose the location of the surrender information in bold 12-point print on the cover page of the policy or printed on a sticker that is affixed to the cover page or to the policy jacket.

This bill would instead require those policies and contracts that contain a charge upon surrender, partial surrender, excess withdrawal, or penalties upon surrender to contain a notice disclosing the location of the charge, the charge time period, the charge information, and any associated penalty information in bold 12-point print on the front of the policy jacket or on the single cover page of the policy. This bill would also require that notice and the statutorily required right to examine notice to appear on the same page if both notices are on the cover page.

The bill would also make conforming changes.

(5) This bill would make its provisions operative on July 1, 2015.

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

SECTION 1. Section 786 of the Insurance Code is amended to read:

786. All disability insurance and life insurance policies and certificates offered for sale to individuals age 65 or older in California shall provide an examination period of 30 days after the receipt of the policy or certificate for purposes of review of the contract, at which time the applicant may return the contract. The return shall void the policy or certificate from the beginning, and the parties shall be in the same position as if no contract had been issued. All premiums paid and any policy or membership fee shall be fully refunded to the applicant by the insurer or entity in a timely manner.

(a) For the purposes of this section a timely manner shall be no later than 30 days after the insurer or entity issuing the policy or certificate receives the returned policy or certificate.

(b) If the insurer or entity issuing the policy or certificate fails to refund all of the premiums paid, in a timely manner, then the applicant shall receive interest on the paid premium at the legal rate of interest on judgments as provided in Section 685.010 of the Code of Civil Procedure. The interest shall be paid from the date the insurer or entity received the returned policy or certificate.

(c) Each policy or certificate shall have a notice prominently printed in no less than 10-point uppercase type, on the cover page of the policy or certificate and the outline of coverage, stating that the applicant has the right to return the policy or certificate within 30 days after its receipt via regular mail, and to have the full premium refunded.

(d) In the event of any conflict between this section and Section 10127.10 with respect to life insurance, the provisions of Section 10127.10 shall prevail.

(e) This section shall become inoperative on July 1, 2015, and, as of January 1, 2016, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2016, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 2. Section 786 is added to the Insurance Code, to read:

786. All individual and group disability insurance policies and certificates, and all group life insurance policies and certificates offered for sale to individuals age 65 or older in California shall provide an examination period of 30 days after the receipt of the policy or certificate for purposes of review of the contract. If the policyholder or certificate holder chooses to cancel the policy or certificate and returns the policy or certificate for cancellation, by mail or other delivery method, within the 30-day examination period, the return shall void the policy or certificate from the beginning, and the parties shall be in the same position as if a policy or certificate had not been issued. All premiums paid and any policy or membership fee paid shall be fully refunded to the policyholder or certificate holder by the insurer or entity in a timely manner.

(a) For the purposes of this section, a timely manner is no later than 30 days after the insurer or entity issuing the policy or certificate receives the returned policy or certificate.

(b) If the insurer or entity issuing the policy or certificate fails to refund all of the premiums and any policy or membership fee paid, in a timely manner, the policyholder or certificate holder shall receive interest on the paid premium and policy or membership fee at the legal rate of interest on judgments as provided in Section 685.010 of the Code of Civil Procedure. The interest shall be paid from the date the insurer or entity received the returned policy or certificate.

(c) Each policy or certificate shall have a notice prominently printed in no less than 12-point bold print, on the front of the policy jacket or on the cover page of the policy or certificate and the outline of coverage, stating that the policyholder or certificate holder, as applicable, has the right to return the policy or certificate, by mail or other delivery method, within 30 days after its receipt, and to have the full premium and any policy or membership fee paid refunded.

(d) If, at the time of application or at the time of delivery of a group term life insurance policy or certificate, an insurer, its agent, group master policyowner, or association collects more than one month's premium from an individual who is 60 years of age or older on the date he or she purchased coverage, the insurer shall provide the individual with a prorated refund of

the premium if the individual delivers a cancellation request to the insurer during the first 30 days of the policy period.

(e) This section shall become operative on July 1, 2015.

SEC. 3. Section 10127.9 of the Insurance Code is amended to read:

10127.9. (a) Every policy of individual life insurance which is initially delivered or issued for delivery in this state on and after January 1, 1990, 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 by mail or otherwise at any time during the period specified in the notice. In the case of individual life insurance policies (other than variable contracts and modified guaranteed contracts), by delivering or mailing the policy pursuant to this section during the cancellation period, the owner shall void the policy from the beginning, and the parties shall be in the same position as if no policy had been issued. All premiums paid and any policy fee paid for the policy shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the insured has canceled the policy. In the case of variable annuity contracts, variable life insurance contracts, and modified guaranteed contracts, return of the contract during the cancellation period shall entitle the owner to a refund of account value and any policy fee paid for the policy. The account value and policy fee shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the owner has canceled the policy.

(b) This section applies to all policies issued or delivered in this state on or after January 1, 1990, but does not apply to any policy subject to Section 10127.7. All policies subject to this section which are in effect on January 1, 1990, shall be construed to be in compliance with this section, and any provision in any policy which is in conflict with this section shall be of no force or effect.

(c) 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.

(d) This section shall become inoperative on July 1, 2015, and, as of January 1, 2016, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2016, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 4. Section 10127.9 is added to the Insurance Code, to read:

10127.9. (a) (1) Every individual life insurance policy and every individual annuity contract that is initially delivered or issued for delivery in this state on and after January 1, 1990, shall have printed on the front of the policy jacket or on the cover page a notice stating that, after receipt of the policy by the owner, the policy may be returned by the owner for cancellation by mail or other delivery method 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 owner shall be clearly stated and this period shall be not less than 10 days nor more than 30 days.

(2) The owner may return the policy to the insurer by mail or other delivery method at any time during the period specified in the notice. In the case of individual nonvariable life insurance policies and individual nonvariable annuity contracts, including modified guaranteed contracts, by delivering or mailing the policy pursuant to this section during the cancellation period, the owner shall void the policy from the beginning, and the parties shall be in the same position as if no policy had been issued. All premiums paid and any policy fee paid for the policy shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the owner has canceled the policy. In the case of individual variable annuity contracts and individual variable life insurance policies, return of the policy during the cancellation period shall entitle the owner to a refund of the account value and any policy fee paid for the policy. The account value and policy fee shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the owner has canceled the policy.

(b) This section applies to all individual policies issued or delivered in this state on or after January 1, 1990, but does not apply to any policy subject to Section 10127.7. All policies subject to this section which are in effect on January 1, 1990, shall be construed to be in compliance with this section, and any provision in any policy which is in conflict with this section shall be of no force or effect.

(c) 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.

(d) General references to “policy” or “policies” in this section refer to both life insurance policies and annuity contracts.

(e) This section shall become operative on July 1, 2015.

SEC. 5. Section 10127.10 of the Insurance Code is amended to read:

10127.10. (a) Every policy of individual life insurance and every individual annuity contract that is initially delivered or issued for delivery to a senior citizen in this state on and after July 1, 2004, 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 agent from whom it was purchased. The period of time set forth by the insurer for return of the policy by the owner shall be clearly stated on the notice and this period shall be not less than 30 days. The owner may return the policy to the insurer by mail or otherwise at any time during the period specified in the notice. During the 30-day cancellation period, the premium for a variable annuity may be invested only in fixed-income investments and money-market funds, unless the investor specifically directs that the premium be invested in the mutual funds underlying the variable annuity contract. Return of the policy within the 30-day cancellation period shall have one of the following effects:

(1) In the case of individual life insurance policies and variable annuity contracts for which the owner has not directed that the premium be invested in the mutual funds underlying the contract during the cancellation period, return of the policy during the cancellation period shall have the effect of voiding the policy from the beginning, and the parties shall be in the same position as if no policy had been issued. All premiums paid and any policy fee paid for the policy shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the owner has canceled the policy. The premium and policy fee shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the owner has canceled the policy.

(2) In the case of a variable annuity for which the owner has directed that the premium be invested in the mutual funds underlying the contract during the 30-day cancellation period, cancellation shall entitle the owner to a refund of the account value. The account value shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the owner has canceled the contract.

(b) This section applies to all individual policies issued or delivered to senior citizens in this state on or after January 1, 2004. All policies subject to this section which are in effect on January 1, 2003, shall be construed to be in compliance with this section, and any provision in any policy which is in conflict with this section shall be of no force or effect.

(c) Every individual life insurance policy and every individual annuity contract, other than variable contracts and modified guaranteed contracts, subject to this section, that is delivered or issued for delivery in this state shall have the following notice either printed on the cover page or policy jacket in 12-point bold print with one inch of space on all sides or printed on a sticker that is affixed to the cover page or policy jacket:

“IMPORTANT

YOU HAVE PURCHASED A LIFE INSURANCE POLICY OR ANNUITY CONTRACT. CAREFULLY REVIEW IT FOR LIMITATIONS.

THIS POLICY MAY BE RETURNED WITHIN 30 DAYS FROM THE DATE YOU RECEIVED IT FOR A FULL REFUND BY RETURNING IT TO THE INSURANCE COMPANY OR AGENT WHO SOLD YOU THIS POLICY. AFTER 30 DAYS, CANCELLATION MAY RESULT IN A SUBSTANTIAL PENALTY, KNOWN AS A SURRENDER CHARGE.”

The phrase “after 30 days, cancellation may result in a substantial penalty, known as a surrender charge” may be deleted if the policy does not contain those charges or penalties.

(d) Every individual variable annuity contract, variable life insurance contract, or modified guaranteed contract subject to this section, that is delivered or issued for delivery in this state, shall have the following notice either printed on the cover page or policy jacket in 12-point bold print with one inch of space on all sides or printed on a sticker that is affixed to the cover page or policy jacket:

“IMPORTANT

YOU HAVE PURCHASED A VARIABLE ANNUITY CONTRACT (VARIABLE LIFE INSURANCE CONTRACT, OR MODIFIED GUARANTEED CONTRACT). CAREFULLY REVIEW IT FOR LIMITATIONS.

THIS POLICY MAY BE RETURNED WITHIN 30 DAYS FROM THE DATE YOU RECEIVED IT. DURING THAT 30-DAY PERIOD, YOUR MONEY WILL BE PLACED IN A FIXED ACCOUNT OR MONEY-MARKET FUND, UNLESS YOU DIRECT THAT THE PREMIUM BE INVESTED IN A STOCK OR BOND PORTFOLIO UNDERLYING THE CONTRACT DURING THE 30-DAY PERIOD. IF YOU DO NOT DIRECT THAT THE PREMIUM BE INVESTED IN A STOCK OR BOND PORTFOLIO, AND IF YOU RETURN THE POLICY WITHIN THE 30-DAY PERIOD, YOU WILL BE ENTITLED TO A REFUND OF THE PREMIUM AND POLICY FEES. IF YOU DIRECT THAT THE PREMIUM BE INVESTED IN A STOCK OR BOND PORTFOLIO DURING THE 30-DAY PERIOD, AND IF YOU RETURN THE POLICY DURING THAT PERIOD, YOU WILL BE ENTITLED TO A REFUND OF THE POLICY’S ACCOUNT VALUE ON THE DAY THE POLICY IS RECEIVED BY THE INSURANCE COMPANY OR AGENT WHO SOLD YOU THIS POLICY, WHICH COULD BE LESS THAN THE PREMIUM YOU PAID FOR THE POLICY. A RETURN OF THE POLICY AFTER 30 DAYS MAY RESULT IN A SUBSTANTIAL PENALTY, KNOWN AS A SURRENDER CHARGE.”

The words “known as a surrender charge” may be deleted if the contract does not contain those charges.

(e) This section does not apply to 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. Additionally, this section shall not apply to contributory and noncontributory employer group life insurance, contributory and noncontributory employer group annuity contracts, and group term life insurance, with the exception of subdivision (f).

(f) When an insurer, its agent, group master policyowner, or association collects more than one month’s premium from a senior citizen at the time of application or at the time of delivery of a group term life insurance policy or certificate, the insurer must provide the senior citizen a prorated refund of the premium if the senior citizen delivers a cancellation request to the insurer during the first 30 days of the policy period.

(g) For purposes of this chapter, a senior citizen means an individual who is 60 years of age or older on the date of purchase of the policy.

(h) This section shall become inoperative on July 1, 2015, and, as of January 1, 2016, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2016, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 6. Section 10127.10 is added to the Insurance Code, to read:

10127.10. (a) Every policy of individual life insurance and every individual annuity contract that is initially delivered or issued for delivery to a senior citizen in this state on and after July 1, 2004, shall have printed on the front of the policy jacket or on the cover page a notice stating that, after receipt of the policy by the owner, the policy may be returned by the owner for cancellation by mail or other delivery method to the insurer or agent from whom it was purchased. The period of time set forth by the insurer for return of the policy by the owner shall be clearly stated in the notice and this period shall be not less than 30 days. The owner may return the policy to the insurer by mail or other delivery method at any time during the period specified in the notice. During the 30-day cancellation period, the premium for an individual variable life insurance policy or an individual variable annuity contract may be invested only in fixed-income investments and money-market funds, unless the owner specifically directs that the premium be invested in the mutual funds underlying the variable life insurance policy or variable annuity contract. Return of the policy within the 30-day cancellation period shall have one of the following effects:

(1) In the case of individual variable life insurance policies and individual variable annuity contracts for which the owner has not directed that the premium be invested in the mutual funds underlying the policy during the cancellation period, return of the policy during the cancellation period shall have the effect of voiding the policy from the beginning, and the parties shall be in the same position as if no policy had been issued. All premiums paid and any policy fee paid for the policy shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the owner has canceled the policy.

(2) In the case of individual variable life insurance policies and individual variable annuity contracts for which the owner has directed that the premium be invested in the mutual funds underlying the policy during the 30-day cancellation period, cancellation shall entitle the owner to a refund of the account value and any policy fee paid for the policy. The account value shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the owner has canceled the policy.

(b) This section applies to all individual life insurance policies and all individual annuity contracts issued or delivered to senior citizens in this state on or after January 1, 2004. All policies subject to this section which are in effect on January 1, 2003, shall be construed to be in compliance with this section, and any provision in any policy which is in conflict with this section shall be of no force or effect.

(c) Every individual nonvariable life insurance policy and every individual nonvariable annuity contract, including modified guaranteed annuity contracts, subject to this section, that is delivered or issued for delivery in this state shall have the following notice printed on the front of the policy jacket or on the cover page in 12-point bold print with one inch of space on all sides, using the exact language in quotation marks below, with whichever one of the three bracketed product descriptions that applies to the product on which the notice appears:

“IMPORTANT!

You have purchased a [life insurance policy], [annuity contract], [modified guaranteed annuity contract], referred to below as a “policy.” Carefully review it for limitations.

This policy may be returned within 30 days from the date you received it for a full refund by returning it to the insurance company or agent who sold you this policy. After 30 days, cancellation may result in a substantial penalty, known as a surrender charge.”

The sentence “After 30 days, cancellation may result in a substantial penalty, known as a surrender charge” may be deleted if the policy does not contain a surrender charge. The phrase “known as a surrender charge” may be deleted if the policy contains a penalty but no surrender charge. If the policy contains both a penalty, or penalties, and a surrender charge, the sentence shall state that cancellation may result in “substantial penalties, including a surrender charge.” Whether a charge constitutes a surrender charge or a penalty shall be determined by the nature of the charge and not the name given to the charge by the insurer. If the surrender charge is called a “withdrawal charge” in the policy, the insurer shall add the following sentence at the end of the notice:

“In this policy the surrender charge is called a ‘withdrawal charge.’”

(d) Every individual variable life insurance policy and every individual variable annuity contract subject to this section, that is delivered or issued for delivery in this state, shall have the following notice printed on the front of the policy jacket or on the cover page in 12-point bold print with one inch of space on all sides, using the exact language in quotation marks below, with whichever one of the two bracketed product descriptions that applies to the product on which the notice appears:

“IMPORTANT!

You have purchased a [variable life insurance policy], [variable annuity contract], referred to below as a “policy.” Carefully review it for limitations.

This policy may be returned within 30 days from the date you received it. During that 30-day period, your money will be placed in a fixed account or money-market fund, unless you direct that the premium be invested in a stock or bond portfolio underlying the policy during the 30-day period. If you do not direct that the premium be invested in a stock or bond portfolio, and if you return the policy within the 30-day period, you will be entitled to a refund of the premium and any policy fee paid. If you direct that the premium be invested in a stock or bond portfolio during the 30-day period, and if you return the policy during that period, you will be entitled to a refund of the policy’s account value on the day the policy is received by the insurance company or agent who sold you this policy, which could be less than the premium you paid for the policy, plus any policy fee paid. A

return of the policy after 30 days may result in a substantial penalty, known as a surrender charge.”

The sentence “A return of the policy after 30 days may result in a substantial penalty, known as a surrender charge” may be deleted if the policy does not contain a surrender charge. If the policy contains both a penalty, or penalties, and a surrender charge, the sentence shall state that cancellation may result in “substantial penalties, including a surrender charge.” The phrase “known as a surrender charge” may be deleted if the policy contains a penalty but no surrender charge. Whether or not a charge constitutes a surrender charge or a penalty will be determined by the nature of the charge and not the name given to the charge by the insurer. If the surrender charge is called a “withdrawal charge” in the policy, the insurer shall add the following sentence at the end of the notice:

“In this policy the surrender charge is called a ‘withdrawal charge.’”

(e) If the individual annuity contract is an immediate annuity contract, the following sentence, using the exact language in quotation marks below, in 12-point bold print, shall be added at the end of the right to examine language required by this section and before the one inch of space:

“After the 30-day period has expired, you may not be able to get your purchase payment money back in any manner, or in any manner other than in annuity payments made according to the terms of your contract. The insurance company or agent who sold you this contract can explain if your contract has these restrictions.”

(f) This section does not apply to 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.

(g) For purposes of this chapter, a senior citizen means an individual who is 60 years of age or older on the date of purchase of the policy.

(h) General references to “policy” or “policies” in this section refer to both life insurance policies and annuity contracts.

(i) This section shall become operative on July 1, 2015.

SEC. 7. Section 10127.13 of the Insurance Code is amended to read:

10127.13. (a) All individual life insurance policies and individual annuity contracts for senior citizens that contain a surrender charge period shall either disclose the surrender period and all associated penalties in 12-point bold print on the cover sheet of the policy or disclose the location of the surrender information in bold 12-point print on the cover page of the policy, or printed on a sticker that is affixed to the cover page or to the policy jacket. The notice required by this section may appear on a cover sheet that also contains the disclosure required by subdivision (d) of Section 10127.10.

(b) This section shall become inoperative on July 1, 2015, and, as of January 1, 2016, is repealed, unless a later enacted statute, that becomes

operative on or before January 1, 2016, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 8. Section 10127.13 is added to the Insurance Code, to read:

10127.13. (a) All individual life insurance policies and individual annuity contracts for senior citizens that contain a charge upon surrender, partial surrender, excess withdrawal, or penalties upon surrender shall contain a notice disclosing the location of the charge, the charge time period, the charge information, and any associated penalty information, in bold 12-point print on the front of the policy jacket or on the cover page of the policy.

(b) A policy shall have just one cover page. If the notice required by this section and the statutorily required right to examine notice are both on the cover page, as opposed to the front cover of the policy jacket, they shall appear on the same page.

(c) General references to “policy” in this section refer to both life insurance policies and annuity contracts.

(d) This section shall become operative on July 1, 2015.

SEC. 9. Section 10509.6 of the Insurance Code is amended to read:

10509.6. Every life insurer that uses an agent in a life insurance or annuity sale shall do the following:

(a) Require with or as part of each completed application for life insurance or annuity, a statement signed by the agent as to whether he or she knows replacement is or may be involved in the transaction.

(b) Where a replacement is involved:

(1) Require from the agent with the application for life insurance or annuity: (i) a list of all of the applicant’s existing life insurance or annuity to be replaced, and (ii) a copy of the replacement notice provided the applicant pursuant to Section 10509.4. The existing life insurance or annuity shall be identified by name of insurer, insured, and contract number. If a number has not been assigned by the existing insurer, alternative identification, such as an application or receipt number shall be listed.

(2) Send to each existing life insurer a written communication advising of the replacement or proposed replacement and the identification information obtained pursuant to this section and a policy summary, contract summary, or ledger statement containing policy data on the proposed life insurance or annuity. Cost indices and equivalent level annual dividend figures need not be included in the policy summary or ledger statement. This written communication shall be made within three working days of the date the application is received in the replacing insurer’s home or regional office, or the date the proposed policy or contract is issued, whichever is sooner.

(3) Every existing life insurer or the insurer’s agent that undertakes a conservation shall, within 20 days from the date the written communication plus the materials required in subdivisions (1) and (2) are received by the existing insurer, furnish the policyowner with a policy summary for the existing life insurance or ledger statement containing policy data on the existing policy or annuity. Information relating to premiums, cash values,

death benefits, and dividends, if any, shall be computed from the current policy year of the existing life insurance. The policy summary or ledger statement shall include the amount of any outstanding indebtedness, the sum of any dividend accumulations or additions, and may include any other information that is not in violation of any regulation or statute. Cost indices and equivalent level annual dividend figures need not be included. When annuities are involved, the disclosure information shall be that in the contract summary.

The replacing insurer may request the existing insurer to furnish it with a copy of the summaries or ledger statement, which shall be within five working days of the receipt of the request.

(c) The replacing insurer shall maintain evidence of the “notice regarding replacement,” the policy summary, the contract summary, and any ledger statements used, and a replacement register, cross-indexed by replacing agent and existing insurer to be replaced. The existing insurer shall maintain evidence of policy summaries, contract summaries, or ledger statements used in any conservation. Evidence that all requirements were met shall be maintained for at least three years.

(d) The replacing insurer shall provide in its policy or in a separate written notice which is delivered with the policy that the applicant has a right to an unconditional refund of all premiums paid which right may be exercised within a period of 30 days commencing from the date of delivery of the policy. In the case of variable annuity contracts, variable life insurance contracts, and modified guaranteed contracts, return of the contract during the cancellation period shall entitle the owner to a refund of account value and any policy fee paid for the policy. The account value and policy fee shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the owner has canceled the policy.

(e) This section shall become inoperative on July 1, 2015, and, as of January 1, 2016, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2016, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 10. Section 10509.6 is added to the Insurance Code, to read:

10509.6. Every life insurer that uses an agent in a life insurance or annuity sale shall do the following:

(a) Require with or as part of each completed application for life insurance or annuity, a statement signed by the agent as to whether he or she knows a replacement is or may be involved in the transaction.

(b) Where a replacement is involved:

(1) Require from the agent with the application for life insurance or annuity: (i) a list of all of the applicant’s existing life insurance or annuity to be replaced, and (ii) a copy of the replacement notice provided the applicant pursuant to Section 10509.4. The existing life insurance or annuity shall be identified by name of insurer, insured, and contract number. If a number has not been assigned by the existing insurer, alternative identification, such as an application or receipt number, shall be listed.

(2) Send to each existing life insurer a written communication advising of the replacement or proposed replacement and the identification information obtained pursuant to this section and a policy summary, contract summary, or ledger statement containing policy data on the proposed life insurance or annuity. Cost indices and equivalent level annual dividend figures need not be included in the policy summary or ledger statement. This written communication shall be made within three working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner.

(3) Every existing life insurer or the insurer's agent that undertakes a conservation shall, within 20 days from the date the written communication plus the materials required in subdivisions (1) and (2) are received by the existing insurer, furnish the policyowner with a policy summary for the existing life insurance or ledger statement containing policy data on the existing policy or annuity. Information relating to premiums, cash values, death benefits, and dividends, if any, shall be computed from the current policy year of the existing life insurance. The policy summary or ledger statement shall include the amount of any outstanding indebtedness, the sum of any dividend accumulations or additions, and may include any other information that is not in violation of any regulation or statute. Cost indices and equivalent level annual dividend figures need not be included. When annuities are involved, the disclosure information shall be that in the contract summary.

The replacing insurer may request the existing insurer to furnish it with a copy of the summaries or ledger statement, which shall be within five working days of the receipt of the request.

(c) The replacing insurer shall maintain evidence of the "notice regarding replacement," the policy summary, the contract summary, and any ledger statements used, and a replacement register, cross-indexed by replacing agent and existing insurer to be replaced. The existing insurer shall maintain evidence of policy summaries, contract summaries, or ledger statements used in any conservation. Evidence that all requirements were met shall be maintained for at least three years.

(d) The replacing insurer shall provide on the front of the policy jacket or on the cover page of its life insurance policy or annuity contract or, alternatively, as a separate written document which is delivered with the life insurance policy or annuity contract, a notice stating that the owner has a right to an unconditional refund of all premiums paid which right may be exercised within a period of 30 days commencing from the date of delivery of the contract. In the case of variable annuities, and variable life insurance, return of the contract during the cancellation period shall entitle the owner to a refund of the account value and any policy fee paid. The account value and policy fee shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the owner has canceled the contract.

(e) This section shall become operative on July 1, 2015.

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