

AMENDED IN SENATE MARCH 31, 2011

SENATE BILL

No. 590

Introduced by Senator Calderon

February 17, 2011

An act to amend Sections 789.10 and 10127.7 of the Insurance Code, relating to life insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 590, as amended, Calderon. Life insurance.

(1) Existing law regulates the sale of life insurance to seniors, including annuities, as specified. Existing law requires a person who meets with a senior in the senior's home regarding the sale of life insurance to deliver a notice in writing to the senior no less than 24 hours prior to that individual's meeting, and to abide by other restrictions regarding contacting the senior in the senior's home.

This bill would specify that the above notice could be provided at the time of the meeting in the senior's home and that the other provisions do not apply if the meeting concerns the sale of life insurance designated by the purchaser as payment for funeral and burial expenses, the life insurance policy has an initial face amount of \$15,000 or less, the policy provides a "free look" period in which the purchaser has 60 days to cancel the policy and be refunded payments made, and the seller is licensed, as specified. The bill would require the issuer of one of these policies exempted from the provisions requiring 24-hour advance notice and related requirements to provide a written notice of the purchase and the 60-day right of cancellation with specified content to the senior and certain other persons, except as specified.

(2) Existing law provides that life insurance policies with a face value of less than \$10,000, issued after July 1, 1974, shall 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~~ *days nor* more than 30 days.

This bill would provide that a life insurance policy with a face value of \$15,000 or less, issued after January 1, 2012, shall contain a notice permitting the return of the policy within not less than 10 days nor more than 30 days, provided that for a policy relating to funeral and burial expenses described in (1) above, if certain notice requirements are not met, the right of return shall last 60 days.

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

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

1 SECTION 1. Section 789.10 of the Insurance Code is amended
2 to read:

3 789.10. (a) This section applies to the sale, offering for sale,
4 or generation of leads for the sale of life insurance, including
5 annuities, to senior insureds or prospective insureds by any person.

6 (b) Except as provided in subdivision (i), any person who meets
7 with a senior in the senior's home is required to deliver a notice
8 in writing to the senior no less than 24 hours prior to that
9 individual's initial meeting in the senior's home. If the senior has
10 an existing insurance relationship with an agent and requests a
11 meeting with the agent in the senior's home the same day, a notice
12 shall be delivered to the senior prior to the meeting. The notice
13 shall be in substantially the following form, with the appropriate
14 information inserted, in 14-point type:

15 "(1) During this visit or a followup visit, you will be given a
16 sales presentation on the following [indicate all that apply]:

17 () Life insurance, including annuities

18 () Other insurance products [specify]: _____.

19 (2) You have the right to have other persons present at the
20 meeting, including family members, financial advisors, or
21 attorneys.

22 (3) You have the right to end the meeting at any time.

23 (4) You have the right to contact the Department of Insurance
24 for information, or to file a complaint. [The notice shall include
25 the consumer assistance telephone numbers at the department]

(5) The following individuals will be coming to your home:
[list all attendees, and insurance license information, if applicable]”

(c) Upon contacting the senior in the senior’s home, the person shall, before making any statement other than a greeting, or asking the senior any other questions, state that the purpose of the contact is to talk about insurance, or to gather information for a followup visit to sell insurance, if that is the case, and state all of the following information:

(1) The ~~name~~ *names* and titles of all persons arriving at the senior’s home.

(2) The name of the insurer represented by the person, if known.

(d) Each person attending a meeting with a senior shall provide the senior with a business card or other written identification stating the person’s name, business address, telephone number, and any insurance license number.

(e) The persons attending a meeting with a senior shall end all discussions and leave the home of the senior immediately after being asked to leave by the senior.

(f) A person may not solicit a sale or order for the sale of an annuity or life insurance policy at the residence of a senior, in person or by telephone, by using any plan, scheme, or ruse that misrepresents the true status or mission of the contact.

(g) This section shall not apply to the sale of life insurance policies of the type described in subdivision (c) of Section 1676 that are designated by the purchaser as payment for funeral and burial expenses if the life insurance policy meets both of the following:

(1) Has an initial face amount of fifteen thousand dollars (\$15,000) or less.

(2) Provides a “free look” period in which the purchaser has 60 days to cancel the policy and be refunded payments made to the insurer prior to the cancellation of the policy.

(h) (1) Within 14 days of the purchase of a policy exempt from application of this section pursuant to subdivision (g), the issuer shall provide by first-class mail written notice of the purchase and the 60-day right of cancellation to the senior, any family member designated by the senior, and any financial, estate planning, or other advisor of the senior’s choosing at addresses provided by the senior. The notice shall include all of the following:

(A) Information on the right of cancellation.

1 (B) A statement that the recipient of the notice is authorized to
2 call the insurer to inquire about the policy on behalf of the
3 policyholder.

4 (C) A form suitable for the senior's use in exercising the right
5 to cancel the policy.

6 (D) Information on how to contact the department for
7 information or to file a complaint, including the telephone number
8 of the department's customer assistance office.

9 (2) The department may adopt, by regulation, a standardized
10 form for use in complying with the requirements of paragraph (1).

11 (i) The notice requirement in subdivision (b) shall be deemed
12 satisfied with respect to a policy exempt from application of this
13 section pursuant to subdivision (g) if both of the following
14 requirements are met:

15 (1) The notice was provided to the prospective purchaser by a
16 licensee subject to subdivision (c) of Section 1676 at the time of
17 the meeting in the prospective purchaser's home regarding the
18 purchase of funeral and burial expense policies.

19 (2) The licensee retains in his or her files a copy of the notice
20 signed by the purchaser.

21 SEC. 2. Section 10127.7 of the Insurance Code is amended to
22 read:

23 10127.7. (a) Every policy of individual life insurance with an
24 initial face value of fifteen thousand dollars (\$15,000) or less that
25 is delivered or issued for delivery in this state on and after January
26 1, 2012, shall have printed thereon or attached thereto a notice
27 stating that, after receipt of the policy by the owner, the policy
28 may be returned by the owner for cancellation by delivering it or
29 mailing it to the insurer or to the agent through whom it was
30 purchased.

31 (b) The period of time set forth by the insurer for return of the
32 policy by the insured shall be clearly stated on the notice and,
33 except as provided in subdivision (c), this period shall be not less
34 than 10 days nor more than 30 days.

35 (c) The period of time to return a life insurance policy of the
36 type described in subdivision (g) of Section 789.10 shall be 60
37 days unless the 24-hour notice specified in subdivision (b) of
38 Section 789.10 is provided.

39 (d) The insured may return the policy to the insurer at any time
40 during the period specified in the notice. This delivery or mailing

1 of the policy by the owner shall void the policy from the beginning,
2 and the parties shall be in the same position as if no policy or
3 contract had been issued. All premiums paid and any policy fee
4 paid for the policy shall be refunded to the owner within 30 days
5 from the date that the insurer is notified that the insured has
6 canceled the policy.

7 (e) Except as provided in subdivision (a), this section applies
8 to all policies issued, amended, or delivered in this state on or after
9 January 1, 2011, and applies to any renewal thereof. All policies
10 subject to this section that are in effect on January 1, 2011, shall
11 be construed to be in compliance with this section, and any
12 provision in such a policy that is in conflict with this section shall
13 be of no force or effect.

14 (f) This section does not apply to individual life insurance
15 policies issued in connection with a credit transaction or issued
16 under a contractual policy change or conversion privilege provision
17 contained in a policy.