

NAIC Model Laws, Regu

- Section 2. Definitions
- Section 3. General Disclosure Requirements
- Section 4. Disclosure of Payment Methods
- Section 5. Evidence of Payment
- Section 6. Proof of Policy Delivery
- Section 7. Company Duties
- Section 8. Minimum Disclosure Language Simplification Standards
- Section 9. Separability
- Section 10. Effective Date
- Appendix A. Disclosure Form

Section 1. Purpose

The purpose of this model Act is to establish rules that ensure meaningful information is provided to the purchasers of insurance policies distributed through the home service distribution system.

Section 2. Definitions

As used in this Act:

- A. "Home service distribution system" means a system in which insurance products are retailed, sold or serviced by agents in person in the home or business of the insured, owner or premium payor in assigned territories and that may be identified as "debits," and
 - (1) The policies are issued on a monthly or more frequent premium payment basis; and
 - (2) Agents are charged As t6 (arg)2.6c arr a0.7 (t)-.T(l)-3.2402 4.3 hl3 (3 (sL).3 t r
- B. "Small face amount life insurance policy" means an insurance policy with a face amount of \$15,000 or less.

Drafting Note: The face amount specified in Subsection B should not prohibit states from using a different monetary face amount. Each state should review and consider using a face amount that is consistent with the average face amount for policies distributed through the home service distribution system in the state.

Section 3. General Disclosure Requirements

- A. In accordance with the disclosure simplification standards set forth in Section 8, at the time an insurance policy is issued through the home service distribution system, the insurer shall disclose at the time the policy is issued:
 - (1) Whether the policyholder is allowed to change the method of premium payment and any conditions for that change;

Section 4. Disclosure of Payment Methods

In accordance with the disclosure simplification standards set forth in Section 8, at the time an insurance policy is issued through the home service distribution system, the insurer shall disclose:

- A. What premium savings may be realized by a different method or less frequent mode of premium payment;
- B. That premiums are still due and payable by the person responsible for premium payments even when an agent does not collect the premium;
- C. The mailing address for payment of premiums to the company; and
- D. When premium payments are made in cash or in person, that the consumer is entitled to receive a receipt for premium payments.

Section 5. Evidence of Payment

For every premium collected on a policy of property, casualty, life or disability insurance marketed, sold or serviced through the home service distribution system in this state, the agent, solicitor or broker, or any employee acting on the agent, solicitor or broker's behalf collecting or receiving the premium in person shall:

- A. Maintain and furnish to the policyholder a receipt indicating payment of premiums, which shall provide the payer with clearly understandable, written evidence of payment at the time the premium is collected. At a minimum it shall clearly show:
 - (1) The name of the payer;
 - (2) The name of insured under each policy covered by the premium;
 - (3) Amount paid;
 - (4) The date paid;
 - (5) The date paid-to-status of the policy;
 - (6)

- B. Remit to the insurer's home office, applicable district office, or deposit in a fiduciary account the premium collected on behalf of the policyholder within ten (10) days of receipt from the premium payer or policy owner. In the event that the insurer utilizes an accounting system based on a monthly bill, all premiums collected shall be credited from the date of collection. The premium shall be fully applied to that particular account.

Section 6. Proof of Policy Delivery

If an insurance policy marketed, sold or serviced through the home service distribution system is delivered by an agent, solicitor or broker, or an employee acting on the agent, solicitor or broker's behalf, a receipt shall be signed by the purchaser and the agent acknowledging delivery to the purchaser of the policy or contract and the disclosures required by this Act. The receipt shall contain the name of the purchaser, the policy or contract number, the amount of the initial premium payment and the date the delivery was completed. A policy shall be deemed to have been received (6) months after the date of issuance if the insured has paid premiums

- Avoid chains of nouns;
- Be consistent in your choice of words;
- Use acronyms carefully;
- Write in clear and simple sentences;
- Don't overload sentences;
- Use active sentences;
- Keep sentences short;
- Keep sentences simple;
- Avoid ambiguity in your sentences;
- Avoid double negatives;
- Divide material into short sections; and
- Limit each paragraph to one topic

The Plain Language Action Network was formed following the issuance of a June 1, 1998 "Presidential Memorandum on Plain Language." It is intended to provide assistance to writers in government about communications with the public. In addition to content advice, the PLAN website contains specific guidelines regarding layout and typography that comply with commonly understood plain language principles. For instance, PLAN provides guidelines for the margin spacing, Do not heading parameters (E.C. 7RL-7250 FT0-1-B06)

Appendix A

Important Information About Your Policy

The premiums you'll pay for your policy may be more than the amount of your coverage (the face amount). You can find both the face amount and the annual premium in your policy. Look for the page labeled [use the label the company uses for that information, such as "Statement of Policy Cost and Benefit Information"].

- Usually, you can figure out how many years it will take until the premiums paid will be greater than the face amount. For an estimate, divide the face amount by the annual premium. Several factors may affect how many years this might take for your policy. These include not paying premiums when due, taking out a policy loan, surrendering your policy for cash, policy riders, payment of dividends, if any, and changes in the face amount.
- Many factors will affect how much your life insurance costs. Some are your age and health, the face amount of the policy, and the cost of a policy rider. You may be able to pay less for your insurance if you answer health questions. You may also pay less if you pay your premiums less often.

Ask your insurance agent or your insurance company if you have any questions about your premiums, your coverage, or anything else about your policy.

If You Change Your Mind ...

- You can get a full refund of premiums you've paid if you return your policy and cancel your coverage. You *must* do this within the number of days stated on your policy's front page. To return the policy for a full