

# Table of Contents

<b>Table of Contents</b> .....	<b>- 1 -</b>
<b>I. Life Specific WA Laws</b> .....	<b>3</b>
<b>A. Marketing Methods and Practices... Replacement</b> .....	<b>3</b>
1. Purpose... (284-23-400) .....	3
2. Definitions... (284-23-410,420).....	3
3. Duties of insurers... (284-23-440, 450, 455) .....	4
a) Duties of insurance producers.....	4
b) Duties of all insurers.....	4
c) Duties of insurers that use insurance producers.....	4
4. Exemptions... (284-23-430) .....	5
<b>B. Disclosure</b> .....	<b>5</b>
1. Purpose... (284-23-200) .....	5
2. Definitions... (284-23-220).....	6
3. Requirements... (284-23-230, 240, 320, 350, 360(2)) .....	6
4. Exemptions... (284-23-210) .....	7
5. Life Insurance Policy Illustration (48.23A.).....	7
a) Purpose — Standards for life insurance policy illustrations. (48.23A.005) .....	7
b) Scope of chapter — Exceptions. (48.23A.010) .....	7
c) Definitions 48.23A.015 .....	7
d) Marketing with or without an illustration—Notice to commissioner—Conditions—Availability. (48.23A.020) .....	8
e) Illustration used or not used during sale (48.23A.060)— Signed copy of illustration or acknowledgment of no use — Computer screen — Retained copies.....	8
f) Policy designated for use of illustrations — Annual report — Required information — In-force illustrations — Notice of adverse changes. (48.23A.070) .....	8
g) Violations (48.23A.090) .....	9
<b>C. Annuity Law; Suitability Education, Training, and Purchase or Replacement</b> .....	<b>9</b>
1) Annuity Suitability Education... ..	9
2) Annuity Suitability.....	10
3) Purchase or Exchange of Annuities... ..	10
a) In recommending .....	10
b) Prior to.....	11
c) Neither.....	11
d) The commissioner may order.....	11
e) Insurers and producers must maintain records .....	11

- f) In the case of an exchange or replacement of an annuity,..... 11
- g) A producer or the responsible insurer representative must at the time of sale: ..... 11
- h) An insurer must ..... 12
- i) An insurance producer may not dissuade ..... 12

**D. Policy Clauses and Provisions ..... 12**

- a) The Return of Policy (Free Look)... (48.23.380) ..... 12
- b) Policy Loans... (48.23.085) ..... 12
- c) Policy Settlement... (48.23.300, .310)..... 13
- d) Grace Period... (48.23.030) ..... 13
- e) Entire Contract... (48.23.040) ..... 13
- f) Application as evidence... (48.18.080) ..... 13
- g) Incontestability... (48.23.050)..... 13
- h) Misstatement of Age... (48.23.060) ..... 13
- i) Exclusions...Limitation of Liability... (48.23.260) ..... 13
- j) Minimum Nonforfeiture Amounts... (48.23.440(2))..... 14

**E. Group Life ..... 14**

- a) Eligible Groups... (48.24.010, .020, .030)..... 14
- b) Certain associations as groups... (48.24.045) ..... 14
- c) Labor union groups... (48.24.050)..... 14
- d) Public employee associations... (48.24.060)..... 15
- e) Payment of Proceeds... (48.24.270) ..... 15
- f) Grace Period... (48.24.110) ..... 15
- g) Incontestability Period... (48.24.120) ..... 15
- h) The Contract - Representations... (48.24.130) ..... 15
- i) Insurability... (48.24.140)..... 15
- j) Certificates... (48.24.170) ..... 15
- k) Limitations of Liability... (48.24.210) ..... 15
- l) Conversion on termination of eligibility... (48.24.180)..... 16

**II. Federal Regulations.....16**

**A. Fair Credit Reporting Act ..... 16**

**B. Fraud and false statements (18 USC Sections 1033 and 1034) ..... 17**

**C. National Do Not Call List ..... 17**

# I. Life Specific WA Laws

## A. Marketing Methods and Practices... Replacement

### 1. Purpose... (284-23-400) The purpose of this regulation is:

- (1) To regulate the activities of insurers and insurance producers with respect to the replacement of existing life insurance and annuities;
- (2) To protect the interests of life insurance and annuity purchasers by establishing minimum standards of conduct to be observed in replacement transactions by:
  - (a) Assuring that the purchaser receives information with which a decision can be made in his or her own best interest;
  - (b) Reducing the opportunity for misrepresentation and incomplete disclosures; and
  - (c) Establishing penalties for failure to comply with the requirements of this regulation.

### 2. Definitions... (284-23-410,420)

**“Replacement”** means any transaction in which new life insurance or a new annuity is to be purchased, and it is known or should be known to the proposing insurance producer, or to the proposing insurer if there is no insurance producer that, by reason of such transaction, existing life insurance or annuity has been or is to be:

1. Lapsed, forfeited, surrendered, or otherwise terminated;
2. Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of nonforfeiture benefits or other policy values;
3. Amended so as to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;
4. Reissued with any reduction in cash value; or
5. Pledged as collateral or subjected to borrowing, whether in a single loan or under a schedule of borrowing over a period of time for amounts in the aggregate exceeding twenty-five percent of the loan value set forth in the policy.

**“Conservation”** means any attempt by the existing insurer or an insurance producer to dissuade a policy owner from the replacement of existing life insurance or annuity. Conservation does not include such routine administrative procedures as late payment reminders, late payment offers or reinstatement offers.

**“Direct-response sales”** means any sale of life insurance or annuity where the insurer does not utilize an insurance producer in the sale or delivery of the policy.

**“Existing insurer”** means the insurance company whose policy is or will be changed or terminated in such a manner as described within the definition of “replacement.”

**“Existing life insurance or annuity”** means any life insurance or annuity in force, including life insurance under a binding or conditional receipt or a life insurance policy or annuity that is within an unconditional refund period.

**“Replacing insurer”** means the insurance company that issues or proposes to issue a new policy or contract which is a replacement of existing life insurance or annuity.

**“Registered contract”** means variable annuities, investment annuities, variable life insurance under which the death benefits and cash values vary in accordance with unit values of investments held in a separate account, or any other contracts issued by life insurance companies which are registered with the Federal Securities and Exchange Commission.

### **3. Duties of insurers... (284-23-440, 450, 455)**

#### **a) Duties of insurance producers.**

(1) Each insurance producer who initiates the application shall submit to the insurer to which an application for life insurance or annuity is presented, with or as part of each application:

- (a) A statement signed by the applicant as to whether replacement of existing life insurance or annuity is involved in the transaction; and
- (b) A signed statement as to whether the insurance producer knows replacement is or may be involved in the transaction.

(2) Where a replacement is involved, the insurance producer shall:

- (a) Present to the applicant, not later than at the time of taking the application, a completed notice regarding replacement form. Answers to the questions on the form must be clear and understandable. The notice (and a copy) shall be signed by the applicant after it has been completed and signed by the insurance producer and the signed original shall be left with the applicant.
- (b) Obtain with each application a list of all existing life insurance and/or annuity contracts to be replaced and properly identified by name of insurer, the insured and contract number
- (c) Leave with the applicant the original or a copy of written or printed communications used for presentation to the applicant.
- (d) Submit to the replacing insurer with the application, a copy of the replacement notice.

(3) Each insurance producer who uses written or printed communications in a conservation shall leave with the applicant the original or a copy of such materials used.

#### **b) Duties of all insurers.** Each insurer shall:

- (1) Inform its field representatives or other personnel responsible for compliance with this regulation of the requirements of this regulation.
- (2) Require with or as part of each completed application for life insurance or annuity a statement signed by the applicant as to whether such proposed insurance or annuity will replace existing life insurance or annuity.

#### **c) Duties of insurers that use insurance producers.**

Each insurer that uses an insurance producer in a life insurance or annuity sale shall:

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

(a) Require from the insurance producer with the application for life insurance or annuity (i) a list of all of the applicant's existing life insurance or annuities to be replaced and (ii) a copy of the replacement notice provided the applicant. Such 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.

(b) Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained pursuant to 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.

- 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 **twenty days** commencing from the date of delivery of the policy.

#### 4. Exemptions... (284-23-430)

Unless otherwise specifically included, this regulation shall not apply to transactions involving:

- (1) **Credit life insurance**;
- (2) Group life insurance or group annuities, unless the new coverage under the insurance or annuity is solicited on an individual basis and the cost of such coverage is borne substantially by the individual;
- (3) An application to the existing insurer that issued the existing life insurance when a contractual change or conversion privilege is being exercised;
- (4) Proposed life insurance that is to replace life insurance under a binding or conditional receipt issued by the same company;
- (5) Transactions where the replacing insurer and the existing insurer are the same, or are subsidiaries or affiliates under common ownership or control; provided, however, insurance producers proposing replacement shall comply with the requirements of WAC [284-23-440](#) (1) and (2)(a) and (c); and
- (6) Registered contracts shall be exempt only from the requirements of WAC [284-23-455](#) (2)(b) and (c), requiring provision of policy summary or ledger statement information; however, premium or contract contribution amounts and identification of the appropriate prospectus or offering circular shall be required in lieu thereof.

## B. Disclosure

### 1. Purpose... (284-23-200)

(1) The purpose of this regulation is to require insurers to deliver to purchasers of life insurance, information which will improve the buyer's ability to select the most appropriate plan of life insurance for the buyer's needs, improve the buyer's understanding of the basic features of the policy which has been purchased or which is under consideration and improve the ability of the buyer to evaluate the relative costs of similar plans of life insurance.

(2) This regulation does not prohibit the use of additional material which is not in violation of this regulation or any other Washington statute or regulation.

## 2. Definitions... (284-23-220)

“**Buyer's Guide**” is a document that contains, and is limited to, the current buyer's guide, which has been recommended for use by the National Association of Insurance Commissioners. A company must use the current *Buyer's Guide* no later than six months after approval by the National Association of Insurance Commissioners.

“**Policy data**” is a display or schedule of guaranteed numerical values for each policy year or a series of designated policy years of the following information: Premiums; death benefits; cash surrender values and endowment benefits.

“**Policy summary**” is a written statement describing the elements of the policy including but not limited to premiums, benefits, values, and charges under a life policy.

## 3. Requirements... (284-23-230, 240, 320, 350, 360(2))

### a) Duties of insurers.

(1) The insurer shall provide a *Buyer's Guide* and a **policy summary** to any prospective purchaser upon request.

(2) The insurer shall provide, to all prospective purchasers, a *Buyer's Guide* prior to accepting the applicant's initial application, premium, or premium deposit.

(3) A policy summary must be delivered with or prior to delivery of a policy provided, however, that:

(a) If an illustration, is used in the sale of a policy, a policy summary does not have to be provided.

(b) If the policy for which application is made or its policy summary does not contain an unconditional refund provision of at least ten days, the policy summary must be delivered prior to delivery of the policy.

### b) General rules.

(1) Each insurer must maintain at its home office or principal office, a complete file containing one copy of each document authorized by the insurer for use under this regulation. The file must contain one copy of each authorized form for a period of **three years** following the date of its last authorized use unless otherwise provided by this regulation.

(2) An insurance producer must inform the prospective purchaser, prior to commencing any presentation that may lead to the sale of life insurance that the insurance producer is acting as an insurance producer with a life insurance line of authority. In sales situations in which an insurance producer is not involved, the insurer must identify its full name.

(3) Terms such as financial planner, investment advisor, financial consultant or financial counselor must not be used by an insurance producer unless the insurance producer is engaged in an advisory business and receives a substantial part of their compensation from that source unrelated to the sale of insurance.

(4) **There must be no reference to a dividend or nonguaranteed element in the policy summary.**

(5) Any statement regarding the use of the life insurance cost comparison indexes must include an explanation to the effect that the indexes are useful only for the comparison of the relative costs of two or more similar policies.

## 4. Exemptions... (284-23-210)

Unless specifically included, this regulation shall not apply to:

- (a) Annuities.
- (b) **Credit life** insurance.
- (c) Group life insurance whose cost is borne in whole or in part by the individual insured's employer or by an association of which the individual insured is a member.
- (d) Life insurance policies issued in connection with pension and welfare plans as defined by and which are subject to the federal Employee Retirement Income Security Act of 1974 (ERISA).
- (e) Variable life insurance under which the death benefits and cash values vary in accordance with unit values of investments held in a separate account.

## 5. Life Insurance Policy Illustration (48.23A.)

### a) Purpose — Standards for life insurance policy illustrations. (48.23A.005)

The purpose of this chapter is to provide standards for life insurance policy illustrations that will protect consumers and foster consumer education by providing illustration formats, prescribing standards to be followed when illustrations are used, and specifying the disclosures that are required in connection with illustrations. The goals of these standards are to ensure that illustrations do not mislead purchasers of life insurance and to make illustrations more understandable. Insurers will, as far as possible, eliminate the use of footnotes and caveats and define terms used in the illustration in language that would be understood by a typical person within the segment of the public to which the illustration is directed.

### b) Scope of chapter — Exceptions. (48.23A.010) This chapter applies to all group and individual life insurance policies and certificates **except**:

- (1) Variable life insurance;
- (2) Individual and group annuity contracts;
- (3) **Credit life** insurance; or
- (4) Life insurance policies with no illustrated death benefits on any individual exceeding ten thousand dollars.

### c) Definitions 48.23A.015

**“Guaranteed elements”** means the premiums, benefits, values, credits, or charges under a policy of life insurance that are guaranteed and determined at issue.

**“Nonguaranteed elements”** means the premiums, benefits, values, credits, or charges under a policy of life insurance that are not guaranteed or not determined at issue.

**“Illustration”** means a presentation or depiction that includes nonguaranteed elements of a policy of life insurance over a period of years and that is one of the three types defined below, basic, supplemental, in force.

**d) Marketing with or without an illustration—Notice to commissioner—Conditions—Availability. (48.23A.020)**

(1) Each insurer marketing policies to which this chapter is applicable shall notify the commissioner whether a policy form is to be marketed with or without an illustration. (2) If the insurer identifies a policy form as one to be marketed without an illustration, any use of an illustration for any policy using that form prior to the first policy anniversary is prohibited.

**e) Illustration used or not used during sale (48.23A.060)— Signed copy of illustration or acknowledgment of no use — Computer screen — Retained copies.**

If a basic illustration is used by an insurance producer or other authorized representative of the insurer in the sale of a life insurance policy and the policy is applied for as illustrated, a copy of that illustration shall be submitted to the insurer at the time of policy application. A copy shall also be provided to the applicant.

If the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be sent with the policy. A copy shall be provided to the insurer and the policy owner.

If no illustration is used in the sale of a life insurance policy, the producer fill out a certification of Non-Illustration. One copy signed by the client and producer is to be left with the client and one copy submitted with the application.

**f) Policy designated for use of illustrations — Annual report — Required information — In-force illustrations — Notice of adverse changes. (48.23A.070)**

(1) In the case of a policy designated as one for which illustrations will be used, the insurer shall provide each policy owner with an annual report on the status of the policy that shall contain at least the following information:

(a) For universal life policies, the report shall include the following:

- (i) The beginning and end date of the current report period;
- (ii) The policy value at the end of the previous report period and at the end of the current report period;
- (iii) The total amounts that have been credited or debited to the policy value during the current report period, identifying each type, such as interest, mortality, expense, and riders;
- (iv) The current death benefit at the end of the current report period on each life covered by the policy;
- (v) The net cash surrender value of the policy as of the end of the current report period;
- (vi) The amount of outstanding loans, if any, as of the end of the current report period; and
- (vii) For fixed premium policies: If, assuming guaranteed interest, mortality, and expense loads and continued scheduled premium payments, the policy's net cash surrender value is such that it would not maintain insurance in force until the end of the next reporting period, a notice to this effect shall be included in the report; or
- (viii) For flexible premium policies: If, assuming guaranteed interest, mortality, and expense loads, the policy's net cash surrender value will not maintain insurance in force until the end of the next reporting period unless further premium payments are made, a notice to this effect shall be included in the report.



- (b) For all other policies, where applicable:
- (i) Current death benefit;
  - (ii) Annual contract premium;
  - (iii) Current cash surrender value;
  - (iv) Current dividend;
  - (v) Application of current dividend; and
  - (vi) Amount of outstanding loan.
- (c) Insurers writing life insurance policies that do not build nonforfeiture values shall only be required to provide an annual report with respect to these policies for those years when a change has been made to nonguaranteed policy elements by the insurer.
- (4) If an adverse change in nonguaranteed elements that could affect the policy has been made by the insurer since the last annual report, the annual report shall contain a notice of that fact and the nature of the change prominently displayed.

### g) Violations (48.23A.090)

In addition to any other penalties provided by law, an insurer or producer that violates a requirement of this chapter is guilty of **an unfair practice**.

## C. Annuity Law; Suitability Education, Training, and Purchase or Replacement

**1) Annuity Suitability Education... (WAC 284-17-265)** A person may not sell or solicit the sale of an annuity product unless he is appropriately licensed as a life insurance producer and has successfully completed the **annuity suitability training** course. The producers must complete a one-time, **four-hour annuity training course** approved by the Commissioner. (*This counts towards Continuing Education hours.*) See [www.slaterinsuranceschool.com](http://www.slaterinsuranceschool.com) for ordering the course. Each insurer must verify that an insurance producer has completed the annuity training course required in this section before allowing the producer to sell an annuity product for that insurer.

The **annuity suitability training course** must include:

- The types of annuities and various classifications of annuities;
- Identification of the parties to an annuity;
- How fixed, variable, and indexed annuity contract provisions affect consumers;
- The application of income taxation of qualified and nonqualified annuities;
- The primary uses of annuities; and
- Appropriate sales practices, replacements, and disclosure requirements.

## 2) Annuity Suitability... (WAC 284-23-390) Duties of Insurers and Insurance Producers.

Annuity “*suitability information*” means information that is reasonably appropriate to determine the suitability of a recommendation, including the following:

- Age
- Annual income
- Financial situation, needs, and financial resources used for the funding of the annuity
- Financial experience
- Financial objectives
- Intended use of the annuity
- Financial time horizon
- Existing assets, including investment and life insurance holdings
- Liquidity needs
- Liquid net worth
- Risk tolerance
- Tax status

“**Recommendation**” means advice provided by a producer or an insurer to a consumer that results in a purchase or exchange of an annuity in accordance with that advice.

The consumer must be informed of the features of the annuity, such as the potential surrender period and surrender charge, potential tax penalty if the consumer sells, exchanges, surrenders or annuitizes the annuity, mortality and expense fees, *investment advisory fees, charges for and features of riders, limitations on interest returns, insurance and investment components, and market risk.*

**The consumer must be informed of the benefits from certain features of the annuity, such as tax deferred growth, annuitization, or death or living benefit.**

**The purpose of this act is to permit and set standards for producers and insurers selling annuity products issued after July 26, 2009, that ensure consumers purchase annuities suitable to their financial and insurance needs and life circumstances.**

**3) Purchase or Exchange of Annuities... (RCW 48.23.015)** Insurers and insurance producers must comply with requirements in recommending and executing a purchase or exchange of an annuity as follows:

**a) In recommending** the purchase of an annuity or the exchange of an annuity that results in another insurance transaction the insurance producer or the insurer must have reasonable grounds for believing that the recommendation is suitable for the consumer on the basis of the facts disclosed by the consumer about their investments and other insurance products and as to their financial situation and needs.

**b) Prior to** the execution of a purchase or exchange of an annuity resulting from a recommendation, an insurance producer or an insurer shall make reasonable efforts to obtain information concerning:

- **The consumer's financial status**
- **The consumer's tax status**
- **The consumer's investment objectives**
- **Information used by the insurance producer**, or the insurer when no producer is involved, in making recommendations to the consumer

**c) Neither** an insurance producer nor an insurer has any obligation to a consumer related to any recommendation if a consumer:

- Refuses to provide relevant information requested by the insurer or producer;
- Decides to enter into an insurance transaction that is not based on a recommendation of the insurer or insurance producer; or
- Fails to provide complete or accurate information.

**d) The commissioner may order** an insurer, an insurance producer, or both, to take reasonably appropriate corrective action for any consumer harmed by the insurer's or insurance producer's violation of this section.

**e) Insurers and producers must maintain records** of the information collected from the consumer used in making the recommendations for five years after the insurance transaction is completed by the insurer, or for five years after the annuity begins paying benefits, whichever is longer. An insurer is permitted, but is not required, to maintain documentation on behalf of an insurance producer.

**f) In the case of an exchange or replacement of an annuity**, the exchange or replacement is suitable including taking into consideration whether:

- The consumer will incur a surrender charge, be subject to the commencement of a new surrender period, lose existing benefits (such as death, living or other contractual benefits), or be subject to increased fees, investment advisory fees or charges for riders, and similar product enhancements;
- The consumer would benefit from product enhancements and improvements; and
- The consumer has had another annuity exchange or replacement and, in particular, an exchange or replacement within the preceding thirty-six months.

**g) A producer or the responsible insurer representative must at the time of sale:**

- *Make a record of any recommendation subject to this section;*

- Obtain a customer signed statement documenting a customer's refusal to provide suitability information, if any; and
- Obtain a customer-signed statement acknowledging that an annuity transaction is not recommended if a customer decides to enter into an annuity transaction that is not based on the insurance producer's or insurer's recommendation.

**h) An insurer must** assure that a system to supervise recommendations, reasonably designed to achieve compliance with this section, is established and maintained. The system must include written procedures and conducting periodic review of its records that are reasonably designed to assist in detecting and preventing violations.

**i) An insurance producer may not dissuade**, or attempt to dissuade, a consumer from:

- **Truthfully responding to an insurer's request for confirmation of suitability information**
- **Filing a complaint**
- **Cooperating with the investigation of a complaint**

## D. Policy Clauses and Provisions

**a) The Return of Policy (Free Look)... (48.23.380)** law gives the policy owner a **minimum of 10 days** to examine the policy from the date it is **received by the policy owner**. **All premium** must be refunded within **30 days** or the insurance company must pay an additional **10% penalty** to the owner should the policy be returned.

This Free Look (Return of Policy) law **DOES NOT** apply to individual life insurance policies:

- ✓ issued in connection with a **credit transaction** (aka Credit Life Insurance)
- ✓ issued under a **contractual policy change** (such as changing a whole life to a universal life)
- ✓ issued using the **conversion privilege** provision contained in a policy (such as converting a term life to a whole life)

**b) Policy Loans... (48.23.085)** After **three full years of premiums being paid**, the owner of a policy may make use of the **equity** or **cash value** in the policy without cashing it in, through a policy loan. If the total **indebtedness** (the loan plus interest) equals or exceeds the cash value, the policy will terminate, **provided a 30-day notice is given to the owner**.

- ✓ **A fixed (or specified) loan interest rate may not exceed 8% per year**.
- ✓ A **variable loan interest** rate may not be less than 4% nor more than 8% per year. The interest rate **cannot** be changed more than once per year and the change cannot exceed 1% per year. A **30-day written notice** to the policy owner is required for any change.
- ✓ The insurance company **MAY NOT** defer loans to the policy owner for more than **six months** following the owner's request.
- ✓ **Nonpayment of Policy Loans** results in the insurance company either deducting the loan plus interest from cash value upon surrender, or if the insured dies, the loan plus interest will be subtracted from the proceeds paid to the beneficiary.

c) **Policy Settlement... (48.23.300, .310)** *Death benefits must be paid immediately upon proper proof-of-loss (31 days after proper notification is considered immediate).* However, proceeds may be held from the beneficiary if death is due to an illness or disease, or suspicion of suicide within the first two years of the contract.

*If the insurance company holds off paying the beneficiary after the death of the insured, a minimum 8% interest or the "current" rate being paid by the insurer, whichever is greater, must be paid on the proceeds. If the proceeds are not paid to the beneficiary within 90 days of notification of death, on the 91st day, an additional 3% penalty (meaning 11%) must be paid on the proceeds.*

- ✓ Interest rate accrues on proceeds for the time between the **date of death of the insured and the payment of the proceeds.**
- ✓ The insurance company must notify the beneficiary if it intends to investigate.

d) **Grace Period... (48.23.030)** The insured is entitled to a grace period of **one month**, but not less than thirty days, and at the option of the insurer to an interest charge not in excess of six percent. During the grace period, the policy will continue in force, but in case the policy becomes a claim during the grace period before the overdue premium is paid, the amount of such premium and interest will be deducted in any settlement under the policy.

e) **Entire Contract... (48.23.040)** There will be a provision that the policy and the application, if a copy has been endorsed upon or attached to the policy at issue, will constitute the *entire contract* between the parties. **All statements made by the applicant or by the insured must in the absence of fraud, be deemed representations and not warranties.**

f) **Application as evidence... (48.18.080)** (1) No application for the issuance of any insurance policy or contract shall be admissible in evidence in any action relative to such policy or contract, unless a true copy of the application was attached to or otherwise made a part of the policy when issued and delivered. This provision shall not apply to policies or contracts of industrial life insurance.

(2) If any policy of life or disability insurance delivered in this state is reinstated or renewed, and the insured or the beneficiary or assignee of the policy makes written request to the insurer for a copy of the application, if any, for such reinstatement or renewal, the insurer shall, within fifteen days after receipt of such request at its home office or at any of its branch offices, deliver or mail to the person making such request, a copy of such application. If such copy is not so delivered or mailed, the insurer shall be precluded from introducing the application as evidence in any action or proceeding based upon or involving the policy or its reinstatement or renewal.

g) **Incontestability... (48.23.050)** The policy will be incontestable after it has been in force during the lifetime of the insured for a period of **two years from its date of issue.**

h) **Misstatement of Age... (48.23.060)** If it is found that the age of the insured has been misstated, the **amount payable** under the policy will be **such as the premium would have purchased at the correct age**, according to the insurer's rate at date of issue.

i) **Exclusions...Limitation of Liability... (48.23.260)** The insurer may limit its liability to a determinable amount not less than the full reserve of the policy and of dividend additions if death is due to: war, or any act of war, declared or undeclared, or of service in the military; a result of suicide of the insured, whether sane or insane, **within two years from date of issue of the policy**; or a result of aviation under conditions specified in the policy.

**j) Minimum Nonforfeiture Amounts... (48.23.440(2))** The minimum values as specified in any paid-up annuity, cash surrender, or death benefits available under an annuity contract will be based upon minimum nonforfeiture amounts as defined by Washington Law but no more than 3%.

**E. Group Life Insurance Policies** must insure the lives of more than one individual. **Insurance under any group life insurance policy may be extended to insure the spouse and dependent children of each insured employee.** The group must have been organized and maintained for a purpose other than obtaining insurance.

**a) Eligible Groups... (48.24.010, .020, .030) An Employee Group** must cover at least **2 employees** at the date of issue. The amount of insurance under the policy must be based on some plan that prevents individual selection.

If the plan is non-contributory, the employees eligible for insurance under the policy must be all of the employees of the employer.

- The term “employee” may include a sole proprietor, partners, and retired employees.
- **Participation requirements: 75% for contributory groups and 100% for noncontributory groups.**
- **Dependent coverage** under a group life insurance policy may be extended to insure the eligible dependents of the insured employee. Insurance on any one family member, including a spouse, must not exceed the amount on the insured member.
- A spouse has the same conversion rights as the employee.

**b) Certain associations as groups... (48.24.045)** The lives of a group of individuals may be insured under a policy issued to an association which has been in active existence for at least one year, which has a constitution and bylaws, and which has been organized and is maintained in good faith for purposes other than that of obtaining insurance. Under this group life insurance policy, the association shall be deemed the policyholder. The policy may insure association employees, members, or their employees. *Beneficiaries under the policy shall be persons other than the association or its officers or trustees.* The term “employees” as used in this section may include retired employees.

**c) Labor union groups... (48.24.050)** The lives of a group of individuals may be insured under a policy issued to a labor union, which shall be deemed the policyholder, to insure members of such union for the benefit of persons other than the union or any of its officials, representatives, or agents, subject to the following requirements:

- (1) The members eligible for insurance under the policy shall be all of the members of the union.
- (2) The plan must be **participating and 75%** of eligible persons must participate.
- (3) The policy must cover at least **twenty-five** members at date of issue.
- (4) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the union.

**d) Public employee associations... (48.24.060)** The lives of a group of public employees may be insured under a policy.

(1) The persons eligible for insurance under the policy shall be all of the employees.

(2) **75% required participation.**

(3) The rate of charges to the insured employees or members specifically for the insurance, and the dues of the association if they include the cost of insurance, shall be determined according to each attained age or in not less than four reasonably spaced attained age groups. In no event shall the rate of such dues or charges be level for all members regardless of attained age.

(4) The policy must cover at least **twenty-five persons** at date of issue.

(5) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the employees or members or by the association.

**e) Payment of Proceeds... (48.24.270)** An insurer will pay the life insurance death proceeds at the time of death. ***The proceeds must be paid not more than thirty days after the insurer has received proof of death of the insured.*** If the proceeds are not paid within the thirty day period, the insurer must also pay interest on the proceeds. The interest required accrues commencing on the date of death at the rate then paid by the insurer on policy proceeds left with the company or eight percent, whichever is greater. On the 91<sup>st</sup> day, if benefits have not been paid, the insurance company will add an additional three percent.

**f) Grace Period... (48.24.110)** The policyholder is entitled to a grace period of thirty-one days for the payment of any premium due. During the grace period the death benefit coverage will continue in force. The policy may provide that the policyholder will be liable to the insurer for the payment of premium for the time the policy was in force during such grace period.

**g) Incontestability Period... (48.24.120)** The validity of the policy will not be contested, except for nonpayment of premiums, after it has been in force for two years from its date of issue.

**h) The Contract - Representations... (48.24.130)** A copy of the application will be attached to the policy when issued and become a part of the contract; all statements made by the policyholder or by the persons insured will be deemed representations and not warranties.

**i) Insurability... (48.24.140)** There will be a provision setting forth the conditions, if any, under which the insurer reserves the right to require a person eligible for insurance to furnish evidence of individual insurability.

**j) Certificates... (48.24.170)** The insurer will issue to the (master) policyholder for delivery to each individual insured a certificate stating the amount of insurance protection and the beneficiary described by name and relationship to the insured.

**k) Limitations of Liability... (48.24.210)** The insurer may exclude coverage or reduce the amount of coverage to one thousand dollars, for losses resulting from war or any act of war, declared or undeclared, or of service in the military; or aviation under conditions specified in the policy.

**I) Conversion on termination of eligibility... (48.24.180)** There shall be a provision that if the insurance, or any portion of it, on an individual covered under the policy, other than a child insured pursuant to RCW 48.24.030, ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such individual shall be entitled to have issued to him or her by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, provided application for the individual policy shall be made, and the first premium paid to the insurer, within thirty-one days after such termination, and provided further that,

(1) the individual policy shall, at the option of such individual, be on any one of the forms, except term insurance, then customarily issued by the insurer at the age and for the amount applied for;

(2) the individual policy shall be in an amount not in any event in excess of the amount of life insurance which ceases because of such termination nor less than one thousand; and

(3) the premium on the individual policy shall be at the insurer's then customary rate applicable to the form and amount of the individual policy, to the class of risk to which such individual then belongs, and to his or her age attained on the effective date of the individual policy.

## II. Federal Regulations

**A. Fair Credit Reporting Act...** Reasonable procedures: It is the purpose of the FCRA to require that consumer reporting agencies adopt reasonable procedures for meeting the needs of commerce for consumer credit, personnel, insurance, and other information in a manner that is fair and equitable to the consumer, with regard to the confidentiality, accuracy, relevancy, and proper utilization of such information in accordance with the requirements of this title.

The Consumer Report / Credit Check says any report run by anyone including those that may be run by the insurance company when underwriting an application must follow these guidelines:

1. The consumer must be notified that a credit report or any other report will be sought and told how it will be used. You must be told if information in your file has been used against you.
2. You have the right to ask for your (credit) score.
3. The consumer must be told how to obtain a copy of their report. The consumer has the right to know what is on the report.
4. Information on the report can be disputed, and if the reporting agency cannot prove the disputed information is accurate, the information must be removed from the person's file within 30 days.
5. **A Bankruptcy will show for 7 to 10 years on your credit report (7 years if the debt was paid, 10 if it was not).**



## B. Fraud and false statements (18 USC Sections 1033 and 1034)

**A.K.A. the Violent Crime Control and Law Enforcement Act: 1033...** It is a criminal offense for an individual who has been convicted of a felony involving dishonesty or breach of trust to willfully engage or participate (in any capacity) in the business of insurance without first obtaining a **“Letter of Written Consent to Engage in the Business of Insurance”** from the regulating insurance department of the individual’s state of residence. Such a ‘prohibited person’ is required to submit a written request to the **Commissioner of Insurance** and the **Commissioner of Commerce** for permission prior to doing business.

**1034...** The Attorney General may bring a civil action in the appropriate United States district court against any person who engages in conduct constituting an offense under section 1033 and, upon proof of such conduct by a preponderance of the evidence, such person shall be subject to a civil penalty of not more than \$50,000 for each violation or the amount of compensation which the person received or offered for the prohibited conduct, whichever amount is greater.

Insurance companies, as well as persons employing anyone to conduct the business of insurance, may be in violation of this Code if they willfully permit participation by a prohibited person. It is the responsibility of the employer to ensure that any prohibited person who they employ is not permitted to conduct the business of insurance affecting interstate commerce without written consent.

## C. National Do Not Call List

- DNC is managed by the FTC (Federal Trade Commission) and is to limit access to consumers who have indicated their preference to limit telemarketing calls received. *Businesses selling anything must utilize the list prior to calling and if it is downloaded it must be updated monthly.*
- Business are given 5 area codes and must purchase an annual subscription to any others.
- A company with which a consumer has an established business relationship may call for up to 18 months after the consumer’s last purchase or last delivery, or last payment, unless the consumer asks the company not to call again.
- Violations may be subject to a fine of up to **\$46,517**.
- If a consumer makes an inquiry or submits an application to a company, the company can call for three months.
- No sales calls may be made before **8 A.M. or after 9 P.M.** and the caller ID must show the solicitor’s name and number.
- A consumer whose number is not on the national registry can still prohibit individual telemarketers from calling by asking to be put on the company’s own do not call list.
- The do not call provisions do not cover calls from political organizations, charities, telephone surveyors, or companies with which a consumer has an existing business relationship
- Consumers can register online and get more information at DoNotCall.gov