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I. IDAHO STATUTES, RULES, AND REGULATIONS COMMON TO LIFE AND HEALTH/DISABILITY INSURANCE ONLY 3

3 exam questions

A. Credit life and disability insurance (Ref: 41-2303-5, 2307, 2311, IDAPA 18.03.05)

Credit Life and Credit Disability are policies that are tied to a loan. This can be a mortgage , an auto loan, a credit card, etc. Credit life will pay the debt off if the insured dies while money is owed, credit disability will pay the minimum payment due on the loan until the insured is back to work or the loan is paid off. Underwriting is less stringent than on an individual life or disability income policy but the premium will be higher. It is built into the mortgage payment or billed to the credit card monthly. Just like any insurance policy, it must be delivered in a timely fashion, can be cancelled, and any unearned premium will be refunded to the insured. The insurance will cease once the debt is paid and can be scheduled (on a fixed loan) to go no more than 15 days beyond the expected payoff date.

PRIMA FACIE RATES. Are those rates that have been approved by the director and are what the carrier must use.

No exclusions other than suicide for 6 months are allowed for credit life,. Credit disability can only exclude a pre-existing condition that was treated or diagnosed with in the 6 months prior to the policy and can only be excluded for 6 months, self-inflicted injuries and those obtained while in the commission of a felony may be excluded as well.

There may be age restrictions after age 65 on both policies.

a) 41-2304. DEFINITIONS.

For the purposes of this chapter:

- (1) "Credit life insurance" means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction.
- (2) "Credit disability insurance" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy.
- (3) "Creditor" means the lender of money or vendor of goods, services or property, including a lessor under a lease intended as a security, rights or privileges, for which payment is arranged

through a credit transaction, or any successor to the right, title or interest of any such lender or vendor, and an affiliate, associate or subsidiary of any of them or any director, officer or employee of any of them or any other person in any way associated with any of them.

(4) "Debtor" means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction.

(5) "Indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction.

b) 41-2305. FORMS OF CREDIT LIFE INSURANCE AND CREDIT DISABILITY INSURANCE.

Credit life insurance and credit disability insurance shall be issued only in the following forms:

(1) Individual policies of life insurance issued to debtors on the term plan.

(2) Individual policies of disability insurance issued to debtors on a term plan, or disability benefit provisions in individual policies of credit life insurance.

(3) Group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan.

(4) Group policies of disability insurance issued to creditors on a term plan insuring debtors, or disability benefit provisions in group credit life insurance policies to provide such coverage.

c) 020. SUPERVISION OF CREDIT INSURANCE OPERATIONS.

01. Responsibilities of Insurer. Each insurer transacting credit insurance in this state is responsible for the settlement, adjustment and payment of all claims and is responsible for conducting a thorough periodic review of creditors with respect to their credit insurance business with such creditors, to assure compliance with the insurance laws of this state and the rules promulgated by the Director. Such review needs to include, but not be limited to, a verification of the accuracy of premium payments or other identifiable charges, premium refunds, and claims incurred.

02. Maintenance of Records. Records of such reviews will be maintained for four (4) years for review by the director.

d) PRODUCER'S LICENSE NEEDED.

01. Life and Disability Insurance License or Limited License. Except as provided in this section, to solicit credit life and credit disability insurance, producer is: licensed to sell life and disability insurance; or issued an appropriate "Limited License".

B. Life And Health Insurance Guaranty Association Act (Ref: 41-4301-4310)

The purpose of the Guaranty Associations is to provide a mechanism for the payment of covered claims to avoid excessive delay in payment and to avoid financial loss to claimants or policyholders under certain policies of insurance covered by the scope of this chapter because of the insolvency of an insurer, to assist in the detection and prevention of insurer insolvencies, and to provide an association to assess the cost of such protection among insurers.

The purpose is the creation of funds arising from a premium tax assessment on all insurers authorized to transact insurance business in the State. The funds are used to assure claim payments should the insurer become insolvent.

*The operation of a Guaranty Association is strictly **controlled by statute**. It is run by the commissioner and a board of 5 – 9 directors voted in by insurance companies who pay a tax to fund this association (authorized companies). When an insurer is placed into liquidation due to insolvency, claims for **policy benefits** and claims for the **return of unearned premiums** are referred directly to the Guaranty Association for payment.*

a) 41-4302. PURPOSE.

(1) The purpose of this chapter is to protect, subject to certain limitations, the persons specified in section 41-4303(1), Idaho Code, against failure in the performance of contractual obligations under life and health insurance policies and annuity contracts specified in section 41-4303(2), Idaho Code, because of the impairment or insolvency of the member insurer that issued the policies or contracts.

(2) To provide the protection stated in subsection (1) of this section, an association of insurers will pay benefits and continue coverages as provided for and limited by this chapter. Members of the association are subject to assessment to provide funds to carry out the purpose of this chapter.

b) 41-4303. COVERAGE AND LIMITATIONS.

(2) (a) The provisions of this chapter shall provide coverage to the persons specified in subsection (1) of this section for direct, non-group life, health or annuity policies or contracts and for certificates under direct group policies and contracts and for supplemental contracts to any of these, except as limited by this chapter. Annuity contracts and certificates under group annuity contracts include allocated funding agreements, structured settlement annuities and any immediate or deferred annuity contracts.

(b) The provisions of this chapter shall not provide coverage for:

- (i) A portion of a policy or contract not guaranteed by the insurer, or under which the risk is borne by the policy or contract owner;
- (ii) A policy or contract of **reinsurance**, unless assumption certificates have been issued pursuant to the reinsurance policy or contract;
- (vi) A policy or contract issued in this state by a member insurer at a time when it was not licensed or did not have a certificate of authority to issue the policy or contract in this state;
- (viii) An obligation that does not arise under the express written terms of the policy or contract issued by the insurer to the contract owner or policy owner, including without limitation:

1. Claims based on marketing materials;

2. Claims based on side letters, riders or other documents that were issued by the insurer without meeting applicable policy form filing or approval requirements;

3. Misrepresentations of or regarding policy benefits;

4. Extra-contractual claims; or

(3) The benefits that the association may become obligated to cover shall in no event exceed the lesser of:

- (a) The contractual obligations for which the insurer is liable or would have been liable if it were not an impaired or insolvent insurer; or
- (b) Subject to the aggregate per life limitation in paragraph (c) of this subsection with respect to one (1) policy or contract:

(i) Three hundred thousand dollars (\$300,000) in life insurance death benefits, but not more than one hundred thousand dollars (\$100,000) in net cash surrender and net cash withdrawal values for life insurance;

(ii) Three hundred thousand dollars (\$300,000) in health insurance claims or benefit payments or one hundred thousand dollars (\$100,000) in net cash surrender and net cash withdrawal values for health benefits, except for major medical insurance as defined in section 41-4305, Idaho Code, and as provided for in subparagraph (iii) of this paragraph;

(iii) Five hundred thousand dollars (\$500,000) for major medical insurance as defined in section 41-4305, Idaho Code;

(iv) Two hundred fifty thousand dollars (\$250,000) in the present value of annuity benefits, including net cash surrender and net cash withdrawal values;

(v) With respect to each payee of a structured settlement annuity, or beneficiary or beneficiaries of the payee if deceased, two hundred fifty thousand dollars (\$250,000) in present value annuity benefits, in the aggregate, including net cash surrender and net cash withdrawal values;

(c) However, in no event shall the association be obligated to cover more than:

(i) An aggregate of three hundred thousand dollars (\$300,000) in benefits with respect to any one (1) life under paragraph (b) of this subsection, except with respect to benefits for major medical insurance as provided in paragraph (b)(iii) of this subsection, in which case the aggregate liability of the association shall not exceed five hundred thousand dollars (\$500,000) with respect to any one (1) life; or

(e) For purposes of this act, benefits provided by a long-term care rider to a life insurance policy or annuity contract shall be considered the same type of benefits as the base life insurance policy or annuity contract to which it relates.

C. Assignment (Ref: 41-1826, 1828, 2025)

a) 41-1826. ASSIGNMENT OF POLICIES.

A policy may be assignable or not assignable, as provided by its terms.

b) 4`#1-1828. PAYMENT DISCHARGES INSURER — PAYMENT TO MARITAL COMMUNITY.

(1) Whenever the proceeds of or payments under a life or disability insurance policy or annuity contract become, the person then designated in the policy or contract or by such assignment as being entitled thereto shall be entitled to receive such proceeds or payments, and such payments shall fully discharge the insurer from all claims under the policy or contract

unless, before payment is made, the insurer has received at its home office written notice by or on behalf of some other person that such other person claims to be entitled to such payment or some interest in the policy or contract.

(2) Where the person designated in the policy or contract or by assignment as being entitled thereto is a member of a marital community, whether husband or wife, and the policy or contract is upon the life or disability of either, he or she may receive payment, and shall be and is constituted agent of the marital community with authority to give full acquittance therefor; and such payment to the marital community agent so designated shall fully discharge the insurer from all claims under the policy or contract, but no rights of either member of the marital community, as between themselves, to accounting or division shall be impaired or affected by such payment.

c) 41-2025. ASSIGNMENT OF INCIDENTS OF OWNERSHIP IN GROUP LIFE INSURANCE POLICIES, INCLUDING CONVERSION PRIVILEGES.

Nothing shall prohibit any person insured under a group life policy from assigning all or part of their incidents of ownership, including conversion to an individual policy and the right to name a beneficiary.

II. IDAHO STATUTES, RULES, AND REGULATIONS PERTINENT TO LIFE INSURANCE ONLY

A. Policy replacement (*Ref: IDAPA 18.03.04*)

1. Purpose

This rule regulates the activities of insurers, agents and brokers with respect to the replacement of existing life insurance and annuities, and establishes minimum standards of conduct.

Failure by an insurer, agent, representative, officer, or employee of such insurer to comply with the requirements of this rule is subject to such penalties as may be appropriate under the Idaho Code.

2. Definitions

01. Conservation. Any attempt by the existing insurer or its agent or broker to dissuade a policy owner from the replacement of existing life insurance or annuity. Conservation does not include such routine administrative procedures such as late payment reminders, late payment offers or reinstatement offers.

02. Direct-Response Sales. Any sale of life insurance or annuity where the insurer does not utilize an agent in the sale or delivery of the policy.

03. Existing Insurer. The insurance company whose policy is or will be changed or terminated in such a manner as described in the definition of “replacement.”

04. Existing Life Insurance or Annuity. 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 in an unconditional refund period.

05. Replacement. Any transaction by which new life insurance or a new annuity is to be purchased, and it is known or should be known to the proposing agent or broker, or to the proposing insurer if there is no agent, that existing life insurance or an annuity has been or is to be:

a. **Termination.** Lapsed, forfeited, surrendered, or otherwise terminated.

b. **Conversion or Continuance.** Converted to reduced paid-up insurance, continued as extended term insurance, or reduced in value by the use of nonforfeiture benefits or other policy values.

c. **Amendment.** Amended so as to effect either a reduction in benefits or in the term for which coverage would remain in force or for which benefits would be paid.

d. **Reissuance.** Reissued with any reduction in cash value.

e. **Loans.** 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 (25%) of the loan value set forth in the policy.

06. Replacing Insurer. The insurance company that issues or proposes to issue a new policy or contract which is a replacement of existing life insurance or annuity.

3. Exemptions

Unless specifically included, this rule does not apply to transactions involving:

- 01. Credit Life Insurance.
- 02. Group Life Insurance or Group Annuities.
- 03. Existing Insurer. An application to the insurer that issued the existing life insurance and a contractual change or conversion privilege being exercised;
- 04. Binding or Conditional Receipt Issued by Same Company. Proposed life insurance that is to replace life insurance under a binding or conditional receipt issued by the same company.
- 05. Common Ownership or Control. Transactions where the replacing insurer and the existing insurer are the same, or are subsidiaries or affiliates under common ownership or control. Provided, however, agents or brokers proposing replacement will comply with the requirements of Subsection 012.01.

4. Duties of producer

Statement Submitted to Insurer. Each agent or broker who initiates the application submits 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 agent or broker knows replacement is or may be involved in the transaction

Notice to Applicant. Where a replacement is involved, the agent or broker will:

- a. Present to the applicant, not later than at the time of taking the application, a “Notice Regarding Replacement” in the form as described on the DOI website, or other substantially similar form approved by the Director. The notice is signed by both the applicant and the agent or broker and left with the applicant.

- b. Obtain with or as part of each application a list of all existing life insurance and/or annuities replaced and properly identified by name of insurer, the insured and contract number. If a contract number has not been assigned by the existing insurer, alternative identification, such as an application or receipt number, is listed.
- 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 provided pursuant to Subsection 012.02.a.

Conservation. Each agent or broker who uses written or printed communications in a conservation will leave with the applicant the original or a copy of such materials used.

5. Duties of replacing insurance company

DUTIES OF ALL INSURERS. Each insurer will:

Inform its field representatives or other personnel responsible for compliance with this rule of the requirements of this rule.

Require with or as a 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.

DUTIES OF INSURERS THAT USE AGENTS OR BROKERS. Each insurer that uses an agent or broker in a life insurance or annuity sale:

With or as part of each completed application for life insurance or annuity, obtains a statement signed by the agent or broker as to whether he or she knows if replacement is involved in the transaction.

02. Replacement Notice and List of Existing Insurance. Where a replacement is involved:

- a. With the application for life insurance or annuity, obtains a list of all of the applicant's existing life insurance or annuities replaced and a copy of the replacement notice provided the applicant. Such existing life insurance or annuity is 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, is listed.

- b. Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained pursuant to Subsection 014.02.a. and a policy summary or ledger statement containing policy data on the proposed life insurance or annuity as prescribed by the model life insurance solicitation rule and/or the model annuity and deposit fund disclosure rule. Life insurance cost index and equivalent level annual dividend figures need not be included in the policy summary or ledger statement. **This written communication is made in five (5) 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.
- c. Each existing insurer, agent, or broker that undertakes a conservation furnishes the policy owner with a policy summary for the existing life insurance or a ledger statement containing policy data on the existing policy and/or annuity within twenty (20) days from the date the written communication .

Refund. Free Look period is 20 days

B. Annuity contracts (Ref: 41- 1917-1923; 1935)

a) 41-1917. STANDARD PROVISIONS — ANNUITY AND PURE ENDOWMENT CONTRACTS.

(1) No annuity or pure endowment contract, other than reversionary annuities (also called survivorship annuities) or group annuities and except as stated herein, shall be delivered or issued for delivery in this state unless it contains in substance each of the provisions specified in sections 41-1918 to 41-1923, inclusive, of this chapter. Any of such provisions not applicable to single premium annuities or single premium pure endowment contracts shall not, to that extent, be incorporated therein.

(2) This section shall not apply to contracts for deferred annuities included in, or upon the lives of beneficiaries under, life insurance policies.

b) 41-1918. GRACE PERIOD — ANNUITIES.

In an annuity or pure endowment contract, other than a reversionary, survivorship or group annuity, there shall be a provision that there shall be a period of grace of one month, but not

less than thirty (30) days, within which any stipulated payment to the insurer falling due after the first may be made, subject at the option of the insurer to an interest charge thereon at a rate to be specified in the contract but not exceeding six per cent (6%) per annum for the number of days of grace elapsing before such payment.

c) 41-1919. INCONTESTABILITY — ANNUITIES.

If any statements, other than those relating to age, sex and identity are required as a condition to issuing an annuity or pure endowment contract, there shall be a provision that the contract shall be incontestable after it has been in force during the lifetime of the person or of each of the persons as to whom such statements are required, for a period of two (2) years from its date of issue.

d) 41-1920. ENTIRE CONTRACT — ANNUITIES.

In an annuity or pure endowment contract, other than a reversionary, survivorship, or group annuity, there shall be a provision that the contract shall constitute the entire contract between the parties or, if a copy of the application is endorsed upon or attached to the contract when issued, a provision that the contract and the application therefor shall constitute the entire contract between the parties.

e) 41-1921. MISSTATEMENT OF AGE OR SEX — ANNUITIES.

In an annuity or pure endowment contract, other than a reversionary, survivorship, or group annuity, there shall be a provision that if the age or sex of the person or persons upon whose life or lives the contract is made, or of any of them, has been misstated, the amount payable or benefits accruing under the contract shall be such as the stipulated payment or payments to the insurer would have purchased according to the correct age or sex.

f) 41-1922. DIVIDENDS — ANNUITIES.

If an annuity or pure endowment contract, other than a reversionary, survivorship, or group annuity, is participating, there shall be a provision that the insurer shall annually ascertain and apportion any divisible surplus accruing on the contract.

g) 41-1923. REINSTATEMENT — ANNUITIES.

In an annuity or pure endowment contract, other than a reversionary or group annuity, there shall be a provision that the contract may be reinstated at any time within one year from the default in making stipulated payments to the insurer, unless the cash surrender value has been paid, but all overdue stipulated payments and any indebtedness to the insurer on the contract shall be paid or reinstated with interest thereon at a rate to be specified in the contract but not exceeding six per cent (6%) per annum payable annually, and in cases where applicable the insurer may also include a requirement of evidence of insurability satisfactory to the insurer.

h) 41-1935. LIFE INSURANCE AND ANNUITIES — TWENTY DAY FREE EXAMINATION.

(1) Every life insurance policy to which the provisions of section 41-1927, Idaho Code, apply and every annuity contract shall contain a provision therein or in a separate rider attached thereto when delivered, stating in substance that the person to whom the life insurance policy or annuity contract is issued shall be permitted to return the life insurance policy or annuity within **twenty (20) days** of its delivery to such person, and to have a refund of the premium paid if after examination of the policy the purchaser is not satisfied with it for any reason. The provision shall be set forth in the policy or contract under appropriate caption, and if not so printed on the face page of the policy or contract adequate notice of the provision shall be printed or stamped conspicuously on the face page.

(2) The policy or contract may be so returned to the insurer at its home or branch office or to the agent through whom it was applied for, and thereupon shall be void as from the beginning and as if the policy or contract had not been issued.

2. Suitability in Annuity transactions

a) 41-1940. ANNUITY CONSUMER PROTECTIONS ACT.

(1) Sections 41-1940 through 41-1943, Idaho Code, shall be known and may be cited as the "Annuity Consumer Protections Act."

(2) As used in the annuity consumer protections act:

(a) "Annuity" means an annuity that is an insurance product under state law that is individually solicited, whether classified as an individual or group annuity.

(b) "Best interest obligations" means that a producer, when making a recommendation of an annuity, shall act in the best interest of the consumer under the circumstances known at the time the recommendation is made without placing the producer's or the insurer's financial interest ahead of the consumer's interest.

(c) "Cash compensation" means any discount, concession, fee, service fee, commission, sales charge, loan, override, or cash benefit received by a producer in connection with the recommendation or sale of an annuity from an insurer, intermediary, or directly from the consumer.

(d) "Consumer profile information" means information that is reasonably appropriate to determine whether a recommendation addresses the consumer's financial situation, insurance needs, and financial objectives, including, at a minimum, the following:

- (i) Age;
- (ii) Annual income;
- (iii) Financial situation and needs, including debts and other obligations;
- (iv) Financial experience;
- (v) Insurance needs;
- (vi) Financial objectives;
- (vii) Intended use of the annuity;
- (viii) Financial time horizon;
- (ix) Existing assets or financial products, including investment, annuity, and insurance holdings;
- (x) Liquidity needs;
- (xi) Liquid net worth;
- (xii) Risk tolerance, including but not limited to willingness to accept non-guaranteed elements in the annuity;
- (xiii) Financial resources used to fund the annuity; and
- (xiv) Tax status.

(e) "Continuing education provider" or "CE provider" means an individual or entity approved by the department to offer continuing education courses.

(f) "Contract owner" means the owner named in the annuity contract or the certificate holder in the case of a group annuity contract.

(g) "Determinable elements" means elements that are derived from processes or methods that are guaranteed at issue and that are not subject to company discretion, but where the values or amounts cannot be determined until some point after issue. These elements may include the premiums, credited interest rates (including any bonus), benefits, values, noninterest-based credits, charges, or elements of formulas used to determine any of these. An element is considered determinable only if it is calculated from underlying determinable elements or from both determinable and guaranteed elements.

(h) "FINRA" means the financial industry regulatory authority or succeeding agency.

(i) "Generic name" means a short title descriptive of the annuity contract being applied for or illustrated, such as "single premium deferred annuity."

(j) "Guaranteed elements" means the premiums, credited interest rates (including any bonus), benefits, values, noninterest-based credits, charges, or elements of formulas used to determine any of these that are promised and determined at issue. An element is considered guaranteed if all of the underlying elements that go into its calculation are guaranteed.

(k) "Insurance producer" or "producer" has the same meaning as provided in chapter 10, title 41, Idaho Code. For purposes of the annuity consumer protections act, "producer" includes an insurer where no producer is involved.

(l) "Insurer" means a company required to be licensed under the laws of this state to provide insurance products, including annuities.

(m) "Intermediary" means an entity contracted directly with an insurer or with another entity contracted with an insurer to facilitate the sale of the insurer's annuities by producers.

(n) "Material conflict of interest" means a financial interest of the producer in the sale of an annuity that a reasonable person would expect to influence the impartiality of a recommendation. It does not include cash compensation or noncash compensation.

(o) "Noncash compensation" means any form of compensation that is not cash, including but not limited to health insurance, office rent, office support, and retirement benefits.

(p) "Non-guaranteed elements" means the premiums, credited interest rates including any bonus, benefits, values, dividends, noninterest-based credits, charges, or elements of formulas used to determine any of these that are subject to company discretion and that are not guaranteed at issue. An element is considered non-guaranteed if any of the underlying non-guaranteed elements are used in its calculation.

(q) "Recommendation" means advice provided by a producer to an individual consumer that was intended to result or does result in a purchase, exchange, or replacement of an annuity in accordance with that advice. It does not include general communication to the public, generalized customer services assistance or administrative support, general educational information and tools, prospectuses, or other product and sales material.

(r) "Replacement" means a transaction in which a new policy or contract is purchased and in which it is known or should be known to the proposing producer or insurer that, by reason of the transaction, an existing policy or contract has been or is to be:

- (i) Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer, or terminated;

- (ii) Converted to reduced paid-up insurance, continued as extended term insurance, or reduced in value by the use of nonforfeiture benefits or other policy values;

- (iii) Amended to effect either a reduction in benefits or in the term for which coverage would remain in force or for which benefits would be paid;

- (iv) Reissued with any reduction in cash value; or

- (v) Used in a financed purchase.

(s) "SEC" means the United States securities and exchange commission.

(3) Unless otherwise specifically included, the annuity consumer protections act shall not apply to transactions involving:

(a) Contracts used to fund:

- (i) An employee pension or welfare benefit plan that is covered by the employee retirement and income security act of 1974 (ERISA);

- (ii) A plan described by sections 401(a), 401(k), 403(b), 408(k), or 408(p) of the Internal Revenue Code, as amended, if established or maintained by an employer;

- (iii) A governmental or church plan defined in section 414 of the Internal Revenue Code, a governmental or church welfare benefit plan, or a deferred compensation plan of a state or local government or tax-exempt organization under section 457 of the Internal Revenue Code; or
 - (iv) A nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor;
 - (b) Settlements of or assumptions of liabilities associated with personal injury litigation or any dispute or claim resolution process; or
 - (c) Formal prepaid funeral contracts, also known as prepaid prearrangement sales or prearrangement sales contracts, as defined under section 54-1131(7), Idaho Code, and as regulated in chapter 11, title 54, Idaho Code.
- (4) The director may promulgate rules implementing the provisions of the annuity consumer protections act for the protection of consumers in annuity transactions.
- (5) Nothing in the annuity consumer protections act shall be construed to create or imply a private cause of action for a violation of the annuity consumer protections act or rules promulgated pursuant thereto.

b) 41-1940A. ANNUITY CONSUMER PROTECTIONS — SUITABILITY DUTIES.

- (1) This section through section 41-1940E, Idaho Code, shall apply to any sale or recommendation of an annuity.
- (a) The purpose of these sections is to require producers, as defined in the annuity consumer protections act, to act in the best interest of the consumer when making a recommendation of an annuity and to require insurers to establish and maintain a system to supervise recommendations so that the insurance needs and financial objectives of consumers at the time of the transaction are effectively addressed.
 - (b) Nothing in the annuity consumer protections act shall be construed to subject a producer to civil liability under the best interest standard of care outlined in this section or under standards governing the conduct of a fiduciary or a fiduciary relationship.
- (2) Unless otherwise specifically included, this section through section 41-1940E, Idaho Code, shall not apply to transactions involving:
- (a) Contracts excluded by section 41-1940(3), Idaho Code; or

(b) Direct response solicitations where there is no recommendation based on information collected from the consumer pursuant to this section.

(3) Best interest obligations. A producer, when making a recommendation of an annuity, shall act in the best interest of the consumer under the circumstances known at the time the recommendation is made without placing the producer's or the insurer's financial interest ahead of the consumer's interest. A producer has acted in the best interest of the consumer if he has satisfied the following obligations regarding care, disclosure, conflict of interest, and documentation:

(a) Care obligation. The producer, in making a recommendation, shall exercise reasonable diligence, care, and skill to:

(i) Know the consumer's financial situation, insurance needs, and financial objectives;

(ii) Understand the available recommendation options after making a reasonable inquiry into options available to the producer;

(iii) Have a reasonable basis to believe the recommended option effectively addresses the consumer's financial situation, insurance needs, and financial objectives over the life of the product, as evaluated in light of the consumer profile information; and

(iv) Communicate the basis or bases of the recommendation.

(b) The requirements under paragraph (a) of this subsection include making reasonable efforts to obtain consumer profile information from the consumer prior to the recommendation of an annuity.

(c) The requirements under paragraph (a) of this subsection require a producer to consider the types of products the producer is authorized and licensed to recommend or sell that address the consumer's financial situation, insurance needs, and financial objectives. This does not require analysis or consideration of any products outside the authority and license of the producer or other possible alternative products or strategies available in the market at the time of the recommendation. Producers shall be held to standards applicable to producers with similar authority and licensure.

(d) The requirements under this subsection do not create a fiduciary obligation or relationship and create only a regulatory obligation as established in this section.

(e) The consumer profile information, characteristics of the insurer, and product costs, rates, benefits, and features are those factors generally relevant in making a

determination whether an annuity effectively addresses the consumer's financial situation, insurance needs, and financial objectives, but the level of importance of each factor under the care obligation of this subsection may vary depending on the facts and circumstances of a particular case. However, each factor may not be considered in isolation.

(f) The requirements under paragraph (a) of this subsection include having a reasonable basis to believe the consumer would benefit from certain features of the annuity, such as annuitization, death or living benefit, or other insurance-related features.

(g) The requirements under paragraph (a) of this subsection apply to the particular annuity as a whole and the underlying subaccounts to which funds are allocated at the time of purchase or exchange of an annuity and to riders and similar producer enhancements, if any.

(h) The requirements under paragraph (a) of this subsection do not mean the annuity with the lowest onetime or multiple occurrence compensation structure shall necessarily be recommended.

(i) The requirements under paragraph (a) of this subsection do not mean the producer has ongoing monitoring obligations under the care obligation pursuant to this subsection, although such an obligation may be separately owed under the terms of a fiduciary, consulting, investment advising, or financial planning agreement between the consumer and the producer.

(j) In the case of an exchange or replacement of an annuity, the producer shall consider the whole transaction, which includes taking into consideration whether:

(i) 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;

(ii) The replacing product would substantially benefit the consumer in comparison to the replaced product over the life of the product; and

(iii) The consumer has had another annuity exchange or replacement and, in particular, an exchange or replacement within the preceding sixty (60) months.

(k) Nothing in this section shall be construed to require a producer to obtain any license other than a producer license with the appropriate line of authority to sell, solicit, or negotiate insurance in this state, including but not limited to any securities license, in order to fulfill the duties and obligations contained in this section; provided the

producer does not give advice or provide services that are otherwise subject to securities laws or engage in any other activity requiring other professional licenses.

(4) Disclosure obligation.

(a) Prior to the recommendation or sale of an annuity, the producer shall prominently disclose to the consumer on a form prescribed by the director or substantially similar thereto the following:

(i) A description of the scope and terms of the relationship with the consumer and the role of the producer in the transaction;

(ii) An affirmative statement on whether the producer is licensed and authorized to sell the following products:

1. Fixed annuities;
2. Fixed indexed annuities;
3. Variable annuities;
4. Life insurance;
5. Mutual funds;
6. Stocks and bonds; and
7. Certificates of deposit;

(iii) An affirmative statement describing the insurers the producer is authorized, contracted (or appointed), or otherwise able to sell insurance products for, using the following descriptions:

1. From one (1) insurer;
2. From two (2) or more insurers; or
3. From two (2) or more insurers although primarily contracted with one (1) insurer;

(iv) A description of the sources and types of cash compensation and noncash compensation to be received by the producer, including whether the producer is to be compensated for the sale of a recommended annuity by commission as part of premium or other remuneration received from the insurer, intermediary, or other producer or by fee as a result of a contract for advice or consulting services; and

(v) A notice of the consumer's right to request additional information regarding cash compensation described in paragraph (b) of this subsection.

(b) Upon request of the consumer or the consumer's designated representative, the producer shall disclose:

(i) A reasonable estimate of the amount of cash compensation to be received by the producer, which may be stated as a range of amounts or percentages; and

(ii) Whether the cash compensation is a onetime or multiple occurrence amount and, if a multiple occurrence amount, the frequency and amount of the occurrence, which may be stated as a range of amounts or percentages.

(c) Prior to or at the time of the recommendation or sale of an annuity, the producer shall have a reasonable basis to believe the consumer has been informed of various 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, any annual fees, potential charges for and features of riders or other options of the annuity, limitations on interest returns, potential changes in non-guaranteed elements of the annuity, insurance and investment components, and market risk. The disclosure requirements under this subsection are intended to supplement and not replace the disclosure requirements under section 41-1941, Idaho Code.

(5) Conflict of interest obligation. A producer shall identify and avoid or reasonably manage and disclose material conflicts of interest, including material conflicts of interest related to an ownership interest.

(6) Documentation obligation. A producer shall at the time of recommendation or sale:

(a) Make a written record of any recommendation and the basis for the recommendation subject to this section;

(b) Obtain a consumer-signed statement on a form prescribed by the director or substantially similar to such form, documenting:

(i) A customer's refusal to provide the consumer profile information, if any; and

(ii) A customer's understanding of the ramifications of not providing his consumer profile information or providing insufficient consumer profile information; and

(c) Obtain a consumer-signed statement on a form prescribed by the director or substantially similar to such form, acknowledging the annuity transaction is not

recommended if a customer decides to enter into an annuity transaction that is not based on the producer's recommendation.

(7) Application of the best interest obligation. Any requirement applicable to a producer under this section shall apply to every producer who has exercised material control or influence in the making of a recommendation and has received direct compensation as a result of the recommendation or sale, regardless of whether the producer has had any direct contact with the consumer. Activities such as providing or delivering marketing or educational materials, product wholesaling or other back office product support, and general supervision of a producer do not, in and of themselves, constitute material control or influence.

(8) Transactions not based on a recommendation.

(a) Except as provided under paragraph (b) of this subsection, a producer shall have no obligation to a consumer under subsection (3) of this section related to any annuity transaction if:

(i) No recommendation is made;

(ii) A recommendation was made and was later found to have been prepared based on materially inaccurate information provided by the consumer;

(iii) A consumer refuses to provide relevant consumer profile information and the annuity transaction is not recommended; or

(iv) A consumer decides to enter into an annuity transaction that is not based on a recommendation of the producer.

(b) An insurer's issuance of an annuity subject to paragraph (a) of this subsection shall be reasonable under all the circumstances actually known to the insurer at the time the annuity is issued.

(9) Prohibited practices. Neither a producer nor an insurer shall dissuade, or attempt to dissuade, a consumer from:

(a) Truthfully responding to an insurer's request for confirmation of the consumer profile information;

(b) Filing a complaint; or

(c) Cooperating with the investigation of a complaint.

(10) Safe harbor for financial professionals.

(a) Recommendations and sales of annuities made in compliance with comparable standards shall satisfy the requirements under this section. This subsection applies to all recommendations and sales of annuities made by financial professionals in compliance with business rules, controls, and procedures that satisfy a comparable standard even if such standard would not otherwise apply to the product or recommendation at issue. However, nothing in this subsection shall limit the insurance director's ability to investigate and enforce the provisions of this section.

(b) Nothing in paragraph (a) of this subsection shall limit the insurer's obligation to comply with section 41-1940B(1), Idaho Code, although the insurer may base its analysis on information received from either the financial professional or the entity supervising the financial professional.

(c) For paragraph (a) of this subsection to apply, an insurer shall:

(i) Monitor the relevant conduct of the financial professional seeking to rely on paragraph (a) of this subsection or the entity responsible for supervising the financial professional, such as the financial professional's broker-dealer or an investment adviser registered under federal securities laws, using information collected in the normal course of an insurer's business; and

(ii) Provide to the entity responsible for supervising the financial professional seeking to rely on paragraph (a) of this subsection, such as the financial professional's broker-dealer or investment adviser registered under federal securities laws, information and reports that are reasonably appropriate to assist such entity to maintain its supervision system.

(d) For purposes of this subsection, "financial professional" means a producer that is regulated and acting as:

(i) A broker-dealer registered under federal securities laws or a registered representative of a broker-dealer;

(ii) An investment adviser registered under federal securities laws or an investment adviser representative associated with the federal registered investment adviser; or

(iii) A plan fiduciary under section 3(21) of the employee retirement income security act of 1974 (ERISA) or a fiduciary under section 4975(e)(3) of the Internal Revenue Code or any amendments or successor statutes thereto.

(e) For purposes of this subsection, "comparable standards" means:

- (i) With respect to broker-dealers and registered representatives of broker-dealers, applicable SEC and FINRA rules pertaining to best interest obligations and supervision of annuity recommendations and sales, including but not limited to regulation best interest and any amendments or successor regulations thereto;
- (ii) With respect to investment advisers registered under federal securities laws or investment adviser representatives, the fiduciary duties and all other requirements imposed on such investment advisers or investment adviser representatives by contract or under the investment advisers act of 1940, including but not limited to the form ADV and interpretations; and
- (iii) With respect to plan fiduciaries or fiduciaries, the duties, obligations, prohibitions, and all other requirements attendant to such status under ERISA or the Internal Revenue Code and any amendments or successor statutes thereto.

c) 41-1940B. ANNUITY CONSUMER PROTECTION — SUPERVISION SYSTEM.

- (1) Except as permitted under section 41-1940A(8), Idaho Code, an insurer may not issue an annuity recommended to a consumer unless there is a reasonable basis to believe the annuity would effectively address the particular consumer's financial situation, insurance needs, and financial objectives based on the consumer's consumer profile information.
- (2) An insurer shall establish and maintain a supervision system that is reasonably designed to achieve the insurer's and its producers' compliance with the annuity consumer protections act, including but not limited to the following:
 - (a) The insurer shall establish and maintain reasonable procedures to inform its producers of the requirements of the annuity consumer protections act and shall incorporate the requirements of such act into relevant producer training manuals;
 - (b) The insurer shall establish and maintain standards for producer product training and shall establish and maintain reasonable procedures to require its producers to comply with the requirements of section 41-1940C, Idaho Code;
 - (c) The insurer shall provide product-specific training and training materials that explain all material features of its annuity products to its producers;
 - (d) The insurer shall establish and maintain procedures for the review of each recommendation prior to issuance of an annuity that are designed to ensure there is a reasonable basis to determine that the recommended annuity would effectively address

the particular consumer's financial situation, insurance needs, and financial objectives. Such review procedures may apply a screening system for the purpose of identifying selected transactions for additional review and may be accomplished electronically or through other means, including but not limited to physical review. Such an electronic or other system may be designed to require additional review only of those transactions identified for additional review by the selection criteria;

(e) The insurer shall establish and maintain reasonable procedures to detect recommendations that are not in compliance with section 41-1940A, Idaho Code. This may include but is not limited to confirmation of the consumer's consumer profile information, systematic customer surveys, producer and consumer interviews, confirmation letters, producer statements or attestations, and programs of internal monitoring. Nothing in this paragraph prevents an insurer from complying with this paragraph by applying sampling procedures or by confirming the consumer profile information or other required information under that section after issuance or delivery of the annuity;

(f) The insurer shall establish and maintain reasonable procedures to assess, prior to or upon issuance or delivery of an annuity, whether a producer has provided to the consumer the information required to be provided under the annuity consumer protections act;

(g) The insurer shall establish and maintain reasonable procedures to identify and address suspicious consumer refusals to provide consumer profile information;

(h) The insurer shall establish and maintain reasonable procedures to identify and eliminate any sales contests, sales quotas, bonuses, and noncash compensation that are based on the sales of specific annuities within a limited period of time. The requirements of this paragraph are not intended to prohibit the receipt of health insurance, office rent, office support, retirement benefits, or other employee benefits by employees as long as those benefits are not based on the volume of sales of a specific annuity within a limited period of time; and

(i) The insurer shall annually provide a written report to senior management, including to the senior manager responsible for audit functions, which report shall detail a review, with appropriate testing, reasonably designed to determine the effectiveness of the supervision system, the exceptions found, and corrective action taken or recommended, if any.

(3) Nothing in this section restricts an insurer from contracting for performance of a function, including maintenance of procedures, required under this section.

(a) An insurer is responsible for taking appropriate corrective action and may be subject to sanctions and penalties pursuant to section 41-1940D, Idaho Code, regardless of whether the insurer contracts for performance of a function and regardless of the insurer's compliance with paragraph (b) of this subsection.

(b) An insurer's supervision system under this section shall include supervision of contractual performance under this section. This includes but is not limited to the following:

- (i) Monitoring and, as appropriate, conducting audits to assure that the contracted function is properly performed; and
- (ii) Annually obtaining a certification from a senior manager who has responsibility for the contracted function that the manager has a reasonable basis to represent, and does represent, that the function is properly performed.

(4) An insurer is not required to include in its system of supervision:

- (a) A producer's recommendations to consumers of products other than the annuities offered by the insurer; or
- (b) Consideration of or comparison to options available to the producer or compensation relating to those options other than annuities or other products offered by the insurer.

d) 41-1940C. ANNUITY CONSUMER PROTECTION — PRODUCER TRAINING.

(1) A producer shall not solicit the sale of an annuity product unless the producer has adequate knowledge of the product to recommend the annuity and the producer is in compliance with the insurer's standards for product training. A producer may rely on insurer-provided product-specific training standards and materials to comply with this subsection.

(2) A producer who engages in the sale of annuity products shall complete a onetime four (4) credit training course approved by the department and provided by the department-approved education provider. Individuals who obtain a life insurance line of authority on or after July 1, 2021, may not engage in the sale of annuities until the annuity training course required under this section has been completed.

(a) The minimum length of the training required under this subsection shall be sufficient to qualify for at least four (4) continuing education credits but may be longer.

(b) The training required under this subsection shall include information on the following topics:

- (i) The types of annuities and various classifications of annuities;
- (ii) Identification of the parties to an annuity;
- (iii) How product-specific annuity contract features affect consumers;
- (iv) The application of income taxation of qualified and nonqualified annuities;
- (v) The primary uses of annuities; and
- (vi) Appropriate standard of conduct, sales practices, replacement, and disclosure requirements.

(c) Providers of courses intended to comply with this subsection shall cover all topics listed in the prescribed outline and shall not present any marketing information or provide training on sales techniques or provide specific information about a particular insurer's products. Additional topics may be offered in conjunction with and in addition to the required outline.

(d) A provider of an annuity training course intended to comply with this subsection shall register as a continuing education provider in this state and comply with the rules and guidelines applicable to producer continuing education courses as set forth by the department.

(e) A producer who has completed an annuity training course approved by the department of insurance prior to July 1, 2021, shall, within six (6) months after July 1, 2021, complete either:

- (i) A new four (4) credit training course approved by the department of insurance after July 1, 2021; or
- (ii) An additional onetime one (1) credit training course approved by the department and provided by the department-approved education provider on appropriate sales practices, replacement, and disclosure requirements under the annuity consumer protections act.

(f) Providers of annuity training shall comply with the reporting requirements and shall issue certificates of completion as set forth by the department.

(g) The satisfaction of the training requirements of another state that are substantially similar to the provisions of this subsection shall be deemed to satisfy the training requirements of this subsection in this state.

(h) The satisfaction of the components of the training requirements of any course or courses with components substantially similar to the provisions of this subsection shall be deemed to satisfy the training requirements of this subsection in this state.

(i) An insurer shall verify that a producer has completed the annuity training course required under this subsection before allowing the producer to sell an annuity product for that insurer. An insurer may satisfy its responsibility under this subsection by obtaining certificates of completion of the training course or obtaining reports provided by director-sponsored database systems or vendors or from a reasonably reliable commercial database vendor that has a reporting arrangement with approved insurance education providers.

e) 41-1940D. ANNUITY CONSUMER PROTECTION — COMPLIANCE MITIGATION.

An insurer is responsible for compliance with the annuity consumer protections act. If a violation occurs, either because of the action or inaction of the insurer or its producer, the director may order:

- (1) An insurer to take reasonably appropriate corrective action for any consumer harmed by a failure to comply with this regulation by the insurer, by an entity contracted to perform the insurer's supervisory duties, or by the producer;
- (2) A general agency, an independent agency, or the producer to take reasonably appropriate corrective action for any consumer harmed by the producer's violation of this regulation; and
- (3) Appropriate penalties and sanctions.

f) 41-1940E. ANNUITY CONSUMER PROTECTION — RECORDKEEPING.

(1) Insurers, general agents, independent agencies, and producers shall maintain or be able to make available to the director records of the information collected from the consumer, disclosures made to the consumer including summaries of oral disclosures, and other information used in making the recommendations that were the basis for insurance transactions for five (5) years after the natural life of the contract. An insurer is permitted but shall not be required to maintain documentation on behalf of a producer.

(2) Records required to be maintained by the annuity consumer protections act may be maintained in paper, photographic, micro-process, magnetic, mechanical, or electronic media or by any process that accurately reproduces the actual document.

g) 41-1941. ANNUITY CONSUMER PROTECTIONS — DISCLOSURES.

(1) The provisions of this section shall apply to all group and individual annuity contracts and certificates except:

- (a) Registered or nonregistered variable annuities or other registered products;
- (b) Immediate and deferred annuities that contain no non-guaranteed elements; and
- (c) Contracts excluded by section 41-1940(3), Idaho Code.

(2) If the application for an annuity contract is taken in a face-to-face meeting, the applicant, at or before the time of application and at the time of contract delivery, shall be given both the disclosure document and the buyer's guide in the form prescribed by the director. The disclosure document shall be dated and signed by the prospective annuity owner and producer and the company shall maintain a signed copy for a period of five (5) years after the natural life of the contract.

(3) If the application for an annuity contract is taken by means other than in a face-to-face meeting, the applicant shall be sent both the disclosure document and the buyer's guide at the time of application and at the time of contract delivery. The producer and the company shall maintain a signed copy of the disclosure document for a period of five (5) years after the natural life of the contract.

(4) A solicitation for an annuity contract provided in other than a face-to-face meeting shall include a statement that the proposed applicant may contact the insurer for a free annuity buyer's guide.

(5) At a minimum, the following information shall be included in the disclosure document required to be provided under this section in a form or forms prescribed by the director or substantially similar to such form or forms:

- (a) The generic name of the contract, the company product name, if different, the form number and the fact that it is an annuity;
- (b) The insurer's name and address;
- (c) A description of the contract and its benefits, emphasizing its long-term nature and including the following examples where appropriate:
 - (i) The guaranteed, non-guaranteed and determinable elements of the contract, their limitations, if any, and an explanation of how they operate;

- (ii) An explanation of the initial crediting rate, specifying any bonus or introductory portion, the duration of the rate and the fact that rates may change from time to time and are not guaranteed;
 - (iii) The periodic income options both on a guaranteed and non-guaranteed basis;
 - (iv) Any value reductions caused by withdrawals from or surrender of the contract;
 - (v) How values in the contract can be accessed;
 - (vi) The death benefit, if available, and how it will be calculated;
 - (vii) A summary of the federal tax status of the contract and any penalties applicable on withdrawal of values from the contract; and
 - (viii) The impact of any rider, such as a long-term care rider.
- (d) The specific dollar amount or percentage charges and fees shall be listed with an explanation of how they apply;
- (e) Information about the current guaranteed rate for new contracts that contains a clear notice that the rate is subject to change;
- (f) Whenever projections for non-guaranteed elements of a contract are provided in the disclosure document, equal prominence shall be given to guaranteed elements; and
- (g) Terms used in the disclosure document shall be defined in clear and concise language that facilitates the understanding of a typical person within the segment of the public to which the disclosure document is directed.
- (6) For annuities in the payout period with changes in nonguaranteed elements and for the accumulation period of a deferred annuity, the insurer shall provide each contract owner with a report, at least annually, on the status of the contract. Such report shall contain at a minimum the following information:
- (a) The beginning and end dates of the current report period;
 - (b) The accumulation and cash surrender value, if any, at the end of the previous report period and at the end of the current report period;
 - (c) The total amounts, if any, that have been credited, charged to the contract value or paid during the current report period; and
 - (d) The amount of outstanding loans, if any, as of the end of the current report period.

h) 41-1942. ADVERTISEMENT OF INTEREST-INDEXED ANNUITIES.

No issuer of interest-indexed annuity contracts shall advertise interest-indexed annuity contracts, regardless of the advertising medium, without prior approval of such advertisement from the director. For purposes of this section, "interest-indexed annuity" means a type of annuity whose credited interest is linked to an external reference at any time during the term of the contract and shall include contracts, application forms where written application is required and is to be made a part of the contract, printed riders, endorsements, and renewal certificates.

i) 41-1943. STANDARDS FOR POLICY PROVISIONS FOR ANNUITIES.

No annuity shall be delivered or issued for delivery in this state that contains:

- (1) Surrender charges that persist past ten (10) years from the time of deposit; or
- (2) Surrender charges that exceed ten percent (10%) in the first year and decrease one percent (1%) per year in subsequent years.

C. Individual life

1. Standard provisions (Ref: 41-1833, 1835-36, 1903-1913, 1918, 1930, 1935)

a) 41-1833. EXEMPTION OF PROCEEDS — LIFE INSURANCE. Protection of beneficiaries from creditors

(1) If a policy of insurance, whether heretofore or hereafter issued, is effected by any person on his own life, or on another life, in favor of a person other than himself, or, except in cases of transfer with intent to defraud creditors, if a policy of life insurance is assigned or in any way made payable to any such person, the lawful beneficiary or assignee thereof, other than the insured or the person so effecting such insurance or executors or administrators of such insured or the person so effecting such insurance, shall be entitled to its proceeds and avails against the creditors and representatives of the insured and of the person effecting the same, whether or not the right to change the beneficiary is reserved or permitted, and whether or not the policy is made payable to the person whose life is insured if the beneficiary or assignee shall predecease such person, and such proceeds and avails shall be exempt from all liability for any debt of the beneficiary existing at the time the policy is made available for his use: provided, that subject to the statute of limitations, the amount of any premiums for such insurance paid

with intent to defraud creditors, with interest thereon, shall inure to their benefit from the proceeds of the policy; but the insurer issuing the policy shall be discharged of all liability thereon by payment of its proceeds in accordance with its terms, unless, before such payment, the insurer shall have received written notice at its home office, by or in behalf of a creditor, of a claim to recover for transfer made or premiums paid with intent to defraud creditors, with specification of the amount claimed.

(2) For the purposes of subsection (1) above, a policy shall also be deemed to be payable to a person other than the insured if and to the extent that a facility-of-payment clause or similar clause in the policy permits the insurer to discharge its obligation after the death of the individual insured by paying the death benefits to a person as permitted by such clause.

b) 41-1835. EXEMPTION OF PROCEEDS — GROUP INSURANCE.

(1) A policy of group life insurance or group disability insurance or the proceeds thereof payable to the individual insured or to the beneficiary thereunder, shall not be liable, either before or after payment, to be applied by any legal or equitable process to pay any debt or liability of such insured individual or his beneficiary or of any other person having a right under the policy. The proceeds thereof, when not made payable to a named beneficiary or to a third person pursuant to a facility-of-payment clause, shall not constitute a part of the estate of the individual insured for the payment of his debts.

(2) This section shall not apply to group insurance issued pursuant to this code to a creditor covering his debtors, to the extent that such proceeds are applied to payment of the obligation for the purpose of which the insurance was so issued.

2. 41-1903. STANDARD PROVISIONS REQUIRED.

(1) No policy of life insurance other than group, and pure endowments with or without return of premiums or of premiums and interest, shall be delivered or issued for delivery in this state unless it contains in substance all of the applicable provisions required by sections 41-1904 to 41-1915, [Idaho Code,] inclusive, of this chapter. This section shall not apply to annuity contracts nor to any provision of a life insurance policy, or contract supplemental thereto, relating to disability benefits or to additional benefits in the event of death by accident or accidental means.

(2) Any of such provisions or portions thereof not applicable to single premium or term policies shall to that extent not be incorporated therein.

a) 41-1904. GRACE PERIOD.

There shall be a provision that a **grace period of thirty (30) days**, or, at the option of the insurer, of one (1) month of not less than thirty (30) days, or of four (4) weeks in the case of industrial life insurance policies the premiums for which are payable more frequently than monthly, shall be allowed within which the payment of any premium after the first policy year may be made, during which period of grace the policy shall continue in full force; the insurer may impose an interest charge not in excess of six per cent (6%) per annum for the number of days of grace elapsing before the payment of the premium, and, whether or not such interest charge is imposed, if a claim arises under the policy during such period of grace the amount of any premium due or overdue, together with interest and any deferred instalment of the annual premium, may be deducted from the policy proceeds.

b) 41-1909. POLICY LOAN.

(1) There shall be a provision that after **three (3) full years'** premiums have been paid and after the policy has a cash surrender value and while no premium is in default beyond the grace period for payment, the insurer will advance, on proper assignment or pledge of the policy and on the sole security thereof, an amount equal to or, at the option of the party entitled thereto, less than the loan value of the policy.

The effective date of any increase in such variable rate shall be not less than one (1) year after the effective date of the establishment of the previous rate. If the interest rate is increased, the amount of such increase shall not exceed one per cent (1%) per annum. The variable rate may be decreased without restriction as to amount or frequency. With respect to policies providing for a variable rate, the insurer shall,

1. when a loan is made and when notification of interest due is furnished, give notice of the variable rate currently effective;
2. as to any loans outstanding forty (40) days before the effective date of any increase in the variable rate, give notice of any such increase at least thirty (30) days before such effective date; and
3. as to any loans made during the forty (40) days before the effective date of the increase, give notice of such increase when the loan is made. Every such notice shall be given as directed by the policy owner and any assignee as shown on the records of the insurer at its home office.

(2) (a) Policies issued on or after July 1, 1982 shall provide for policy loan interest rates as follows:

1. **A provision permitting a maximum interest rate of not more than eight per cent (8%) per annum; or**
2. A provision permitting an adjustable maximum interest rate established from time to time by the life insurer as permitted by law.

(b) The rate of interest charged on a policy loan made under subsection (2)(a)2. shall not exceed the higher of the following:

1. The published monthly average for the calendar month ending two (2) months before the date on which the rate is determined; or
2. The rate used to compute the cash surrender values under the policy during the applicable period plus one per cent (1%) per annum.

(c) For purposes of this section the "published monthly average" means:

1. Moody's Corporate Bond Yield Average — Monthly Average Corporates as published by Moody's Investors Service, Inc. or any successor thereto; or
2. In the event that Moody's Corporate Bond Yield Average — Monthly Average Corporates is no longer published, a substantially similar average, established by regulation issued by the director.

(d) If the maximum rate of interest is determined pursuant to subsection (2)(a)2., the policy shall contain a provision setting forth the frequency at which the rate is to be determined for that policy.

(e) The maximum rate for each policy must be determined at regular intervals at least once every twelve (12) months, but not more frequently than once in any three (3) month period. At the intervals specified in the policy:

1. The rate being charged may be increased whenever such increase as determined under subsection (2)(b) would increase that rate by one-half per cent (.5%) or more per annum; or
2. The rate being charged must be reduced whenever such reduction as determined under subsection (2)(b) would decrease that rate by one-half per cent (.5%) or more per annum.

(f) The life insurer shall:

1. Notify the policyholder at the time a cash loan is made of the initial rate of interest on the loan;
2. Notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan. Notice need not be given to the policyholder when a further premium loan is added, except as provided in (f)3. hereof;
3. Sent [Send] to policyholders with loans reasonable advance notice of any increase in the rate; and
4. Include in the notices required above the substance of the pertinent provisions of subsections (2)(a) and (2)(d).

(g) No policy shall terminate in a policy year as the sole result of a change in the interest rate during that policy year, and the life insurer shall maintain coverage during that policy year until the time at which it would otherwise have terminated if there had been no change during that policy year.

(h) The substance of the pertinent provisions of subsections (2)(a) and (2)(d) shall be set forth in the policies to which they apply.

(i) For purposes of this section:

1. The rate of interest on policy loans permitted under this section includes the interest rate charged on reinstatement of policy loans for the period during and after any lapse of a policy.
2. The term "policy loan" includes any premium loan made under a policy to pay one or more premiums that were not paid to the life insurer as they fell due.
3. The term "policyholder" includes the owner of the policy or the person designated to pay premiums as shown on the records of the life insurer.
4. The term "policy" includes certificates issued by a fraternal benefit society and annuity contracts which provide for policy loans.

(j) No other provision of law shall apply to policy loan interest rates unless made specifically applicable to such rates.

(k) The provisions of this section shall not apply to any insurance contract issued before July 1, 1981 unless the policyholder agrees in writing to the applicability of such provisions.

(3) The loan value of the policy shall be at least equal to the cash surrender value at the end of the then current policy year, provided that the insurer may deduct, either from such loan value or from the proceeds of the loan, any existing indebtedness not already deducted in determining such cash surrender value including any interest then accrued but not due, any unpaid balance of the premium for the current policy year, and any interest which may be allowable on the loan to the end of the current policy year. The policy may also provide that if interest on any indebtedness is not paid when due it shall then be added to the existing indebtedness and shall bear interest at the same rate, and that if and when the total indebtedness on the policy, including interest due or accrued, equals or exceeds the amount of the loan value thereof, then the policy shall terminate and become void. The policy shall reserve to the insurer the right to defer the granting of a loan, other than for the payment of any premium to the insurer, for six (6) months after application therefor. The policy, at the insurer's option, may provide for automatic premium loan, subject to an election of the party entitled to elect.

(4) This section shall not apply to term policies nor to term insurance benefits provided by rider or supplemental policy provisions, or to industrial life insurance policies.

c) 41-1911. REINSTATEMENT.

There shall be a provision that unless:

- (1) The policy has been surrendered for its cash surrender value, or
- (2) Its cash surrender value has been exhausted, or
- (3) The paid-up term insurance, if any, has expired,

the policy will be reinstated at any time within **three (3) years** (or two (2) years in the case of industrial life insurance policies) from the date of premium default upon written application therefor, the production of **evidence of insurability** satisfactory to the insurer, the payment of all premiums in arrears with interest at a rate not exceeding eight per cent (8%) per annum compounded annually and the payment or reinstatement of any other policy indebtedness with interest at a rate not exceeding the applicable policy loan rate or rates determined in accordance with the policy's provisions.

d) 41-1935. LIFE INSURANCE AND ANNUITIES — TWENTY DAY FREE EXAMINATION. Free Look

(1) Every life insurance policy to which the provisions of section 41-1927, Idaho Code, apply and every annuity contract shall contain a provision therein or in a separate rider attached thereto when delivered, stating in substance that the person to whom the life insurance policy or annuity contract is issued shall be permitted to return the life insurance policy or annuity within twenty (20) days of its delivery to such person, and to have a refund of the premium paid if after examination of the policy the purchaser is not satisfied with it for any reason. The provision shall be set forth in the policy or contract under appropriate caption, and if not so printed on the face page of the policy or contract adequate notice of the provision shall be printed or stamped conspicuously on the face page.

(2) The policy or contract may be so returned to the insurer at its home or branch office or to the agent through whom it was applied for, and thereupon shall be void as from the beginning and as if the policy or contract had not been issued.

3. Life Settlements Act (Ref: 41-1950 through 1965; IDAPA 18.03.02)

a) IDAPA 18.03.02

000. LEGAL AUTHORITY.

Title 41, Chapters 2 and 19, Sections 41-211 and 41-1965, Idaho Code.

001. TITLE AND SCOPE.

01. Title. 18.03.02, "Life Settlements."

02. Scope. This rule sets forth requirements regarding the sale and settlement of life insurance contracts where the owner of the contract is an Idaho resident.

010. DEFINITIONS.

01. Advertising Materials.

a. Printed and published material, audio visual material, and descriptive literature of a broker or provider used in direct mail, newspapers, magazines, radio scripts, TV scripts, web sites and other internet displays or communications, other forms of electronic communications, billboards and similar displays;

b. Descriptive literature and sales aids of all kinds issued by a provider or broker for presentation to members of the insurance buying public, including but not limited to circulars, leaflets, booklets, depictions, illustrations, and form letters; and

c. Prepared sales talks, presentations and material for use by providers and brokers.

02. Affiliation. Any contractual relationship outside of the proposed life settlement contract, any ownership interest or relation, any familial relation, an employment relation, any relationship creating financial dependency, any arrangement that provides one party the ability to control or influence the actions of another party, or any other arrangement or relationship that might reasonably result in parties treating one another in a less than arm's length manner.

03. Operating as a Broker. As defined in Section 41-1951(6), Idaho Code.

04. Operating as a Provider. As defined in Section 41-1951(8), Idaho Code.

011. REGISTRATION TO OPERATE AS LIFE SETTLEMENT PROVIDER OR LIFE SETTLEMENT BROKER.

01. Registration. Not later than ten (10) days after first operating as a provider or broker a person will notify the Director that they are acting as a provider or broker by registering with the Department and paying applicable fees as set forth at IDAPA 18.01.02, "Schedule of Fees, Licenses and Miscellaneous Charges". Registration includes information as prescribed by the Director along with a certification from the applicant that they have read and familiarized themselves with the requirements of Sections 41-1950 through 41-1965, Idaho Code, and these rules.

02. Renewal of Registration. Registration as a broker or provider continues until the next renewal date of the person's producer license. If the initial registration takes place within ninety (90) calendar days from the producer license expiration date, registration will continue until the following producer license renewal date. Registration may be renewed by payment of the applicable renewal fee as set forth at IDAPA 18.01.02. An insurance producer who allows their registration as a broker or provider to lapse may, within twelve (12) months from the renewal due date, reinstate the registration by paying a penalty in the amount of double the unpaid renewal fee. If a registration is allowed to lapse for more than twelve (12) months without reinstatement, a producer wishing to act a broker or provider will re-register with the Department and pay the applicable registration fee prior to operating as a broker or provider.

012. FILING OF FORMS.

01. Filing of Life Settlement Contracts and Disclosure Forms. No person may use a life settlement contract or disclosure form in Idaho unless the form is first filed with the Department along with a certification that the form meets the requirements of Sections

41-1950 through 41-1965, Idaho Code. The certification will be in the form as prescribed by the Director and signed by a person registered as a provider or broker.

02. Filing of Advertising Materials. No person may use advertising materials promoting or advertising the availability of life settlements or life settlement services in Idaho unless the materials are first filed with the Department. If the advertising is not in written form, a written script will be filed. All advertising relating to the business of life settlements will have a unique identifying form number in the lower left-hand corner of the advertising piece and needs to comply the following standards:

- a. Be truthful and not misleading in fact and implication. All information is set out conspicuously and in close conjunction with the statements and will not be minimized, rendered obscure, ambiguous, or intermingled with the context of the advertisement so as to be confusing or misleading.

- b. Reference the complete form number of any life settlement contract being advertised and clearly identify the full and complete name of the provider or broker using the promotional material. Advertising materials cannot use a trade name, any insurance group designation, name of the parent company of the provider or broker, name of a particular division of the provider or broker, service mark, slogan, symbol or other device which would have the capacity and tendency to mislead or deceive as to the true identity of the provider or broker without disclosing the name of the actual provider or broker using the advertising material.

- c. No advertisement will omit information or use words, phrases, statements, references or illustrations if the omission of such information or use of such words, phrases, statements, references or illustrations has the capacity, tendency or effect of misleading or deceiving sellers or prospective sellers as to the nature or extent of any policy benefit payable. The fact that the contract offered is made available to a prospective seller for inspection prior to consummation of the sale or an offer is made to rescind the life settlement contract if the seller is not satisfied, does not remedy misleading statements.

- d. Advertising materials cannot use words or phrases in a manner which exaggerates any benefits beyond the terms of the life settlement contract and fairly and accurately describe the negative features as well as the positive features of the life settlement contract and life settlement program. An advertisement cannot represent or imply that life settlements by the provider are "liberal" or "generous," or use words of similar import, or that benefits of a life settlement are or will be beyond the actual terms of the life settlement contract.

e. Advertising materials cannot be designed to encourage or promote the purchase of life insurance for the purpose of transferring ownership to third party investors who lack an insurable interest in the in the life of the insured.

f. An advertisement cannot create the impression directly or indirectly that a provider, a broker, its financial condition or status, a life settlement contract or program, or the payment of life settlement benefits is approved, endorsed, or accredited by any division or agency of this state or the United States Government.

g. Testimonials used in advertisements needs to be genuine, represent the current opinion of the author, be applicable to the life settlement contract advertised and be accurately reproduced. A provider or broker using a testimonial makes as its own all of the statements contained therein, and the advertisement, including such statement, is subject to all the provisions of these rules. If the person making a testimonial, an endorsement or an appraisal has a financial interest in the provider or broker, or a related entity as a stockholder, director, officer, employee, or otherwise, such fact is disclosed in the advertisement. If a person is compensated for making a testimonial, endorsement or appraisal, such fact will be disclosed in the advertisement by language substantially as follows: "Paid Endorsement."

h. The source of any statistics used in an advertisement are identified in the advertisement.

03. Font Size for Printed Materials. Pertinent text of all printed materials needs to be filed with the director under the Life Settlement Act, including, but not limited to, notices, disclosure forms, contract forms, and advertising material, is to be formatted using at least a twelve (12) point font. Signature blocks, footnotes or text not relevant to the understanding of the printed material may be printed in a smaller font, but in no case smaller than a ten (10) point font.

04. Disapproval of Noncompliant Forms. The Director may disapprove any form needed to be filed pursuant to this Section if, the form does not comply with any part of Title 41, Idaho Code, or these rules, or the form is unreasonable in its terms, contrary to the interests of the public, misleading to the public, unfair to the owner, or is printed or provided in a manner making any part of the form substantially illegible.

013. ANNUAL REPORTING REQUIREMENTS. All persons registered with the Director as a provider will file an annual statement with the Director, on or before March 1st of each year. An

annual report is needed regardless of whether any life settlement contracts with Idaho owners were executed during the year.

014. EXAMINATION AND RECORDS. Brokers and providers are subject to examination by the Director in accordance with Title 41, Chapter 2, Idaho Code, and pay, at the direction of the Director, the actual travel expenses, reasonable living expense allowance, and reasonable compensation incurred on account of the examination upon presentation of a detailed account of the charges and expenses.

015. DISCLOSURES TO OWNER.

01. Disclosure to Owner Upon Application. A broker or provider will not provide an owner with an application for a life settlement contract unless the owner has also been provided a disclosure form containing all the information requisite by Idaho Code, 41-1956 and in substantially the same form as the sample form found on the Department website. The disclosures are provided in a separate document in at least twelve (12) point font. Each page of the disclosure document is initialed by the owner indicating that it has been received and read by the owner, and the final page is dated and signed by the owner and the broker or provider that delivered the disclosure document to the owner.

02. Disclosures to Owner by Provider Upon Settlement. Prior to the time an owner signs a life settlement contract, the provider will provide the owner a disclosure form containing all the information prescribed by Idaho Code 41-1957 and in substantially the same form as the sample form found on the Department website. The disclosures may be made by a separate document or included as a part of the life settlement contract. If the disclosures are included in the life settlement contract, they are conspicuously displayed in the contract by segregating the disclosures from the rest of the contract on a separate page or as a separate section using at least twelve (12) point font and with a heading in bold font stating: "Important Disclosures Required by Law." Each disclosure page of the life settlement contract is initialed by the owner indicating that the owner has read the page. If the disclosures are provided in a separate document, each page of the document will be initialed by the owner and the final page needs to be dated and signed by the owner and the provider.

03. Disclosure to Owner by Broker Upon Settlement. Prior to the time an owner signs a life settlement contract, the broker will provide the owner a disclosure form containing all the information prescribed in Idaho Code 41-1958 and in substantially the same form as the sample form found on the Department website. The disclosures may be made by a separate document or included as a part of the life settlement contract. If the disclosures are included in the life settlement contract, they are conspicuously displayed

in the contract by segregating the disclosures from the rest of the contract on a separate page or as a separate section using at least twelve (12) point font, and a heading in bold font stating: "Important Disclosures Required by Law." Each disclosure page of the life settlement contract is initialed by the owner indicating that the owner has read the page. If the disclosures are provided in a separate document, each page of the document needs to be initialed by the owner and the final page dated and signed by the owner and the broker.

04. Affiliations Disclosed. As a part of the disclosures in this Section, a provider discloses in writing to the owner any affiliation between the provider and the issuer of the insurance policy to be settled, and a broker discloses in writing any affiliation or contractual arrangement between the broker and any person making an offer in connection with a proposed life settlement contract.

016. ADDITIONAL REQUIREMENTS.

01. Owner's Statement.

a. Prior to entering into a life settlement contract, the provider obtains from each owner a written statement in substantially the following form: "I, [owners name], have freely and voluntarily consented to the life settlement contract that accompanies this statement. I have carefully read my insurance policy that is the subject of the life settlement contract and I understand the benefits that are available under the policy. I further understand that by entering into the life settlement contract, the right to benefits under the insurance policy will be sold to another party and I, my heirs or former beneficiaries will no longer have any right to receive those policy benefits."

b. If the owner has a terminal or chronic illness, the following wording is also to be included in the owner's statement: "I am currently suffering from a terminal or chronic illness that was not diagnosed until after the policy that is the subject of the life settlement contract was issued."

c. The statement of the owner needs to also be acknowledged by a notary public.

02. Owner's Right to Rescind Life Settlement Contract.

a. The life settlement contract is to conspicuously inform the owner in bold type of at least twelve (12) point font that the owner has an absolute right to rescind a life settlement contract within twenty (20) calendar days of the date the contract is executed and sets forth the manner in which notice is given.

b. Upon being informed of the owner's intention or desire to rescind a life settlement contract, the provider immediately provides the owner with a full accounting of the amount that will be repaid by the owner in to rescind the policy. The amount due includes only amounts actually paid to and received by the owner pursuant to the terms of the life settlement contract along with any premiums, loans and loan interest paid by or on behalf of the provider in connection with or as a direct consequence of the life settlement contract. An owner is not obligated to pay any financial penalties, liquidated damages or other punitive fees or charges in connection with rescission of a life settlement contract.

c. Until the owner receives from the provider an accounting of the full and correct repayment amount needed to rescind the life settlement contract, a tender of payment by the owner of amounts actually received and reasonably believed to be due upon rescission will be deemed in substantial compliance with the requirement of notice and repayment of proceeds within the twenty (20) day rescission period.

03. Life Settlements Occurring Within Two Years of Policy Origination.

a. No broker or provider may solicit, arrange for, or enter into a life settlement contract within two (2) years of the date of issuance of the life insurance policy or certificate being settled unless one (1) or more of the conditions identified in Section 41-1961, Idaho Code, applies. If one (1) or more of the conditions is present, the provider obtains from the owner a written statement sworn before a notary public setting forth in detail the circumstances permitting the early settlement of the contract. The sworn statement also includes the following or substantially similar wording: "I hereby affirm that there was no plan or arrangement in place or under discussion, or any promises made, regarding the settlement of this life insurance policy at the time the policy was purchased."

b. In addition to the sworn statement, the provider will obtain and retain as a part of its records independent documentation of the circumstances permitting early settlement of the life insurance policy along with all documentation relating to any premium financing arrangements made in connection with the policy being settled.

c. The sworn statement and copies of all supporting documentation will be provided to the insurer at the time a request for verification of coverage is submitted to the insurer. A request for verification of coverage relating to a policy or certificate that has been in effect for two (2) years or less will be considered

incomplete if it is not accompanied by the owner's sworn statement and supporting documentation. An insurer that determines a request for verification of coverage is incomplete will immediately inform the broker or provider in writing that the verification is incomplete and identify all items needed to complete the request.

D. Group life

1. Standard provisions (Ref: 41-2010-2020)

a) 41-2010. PROVISIONS REQUIRED IN GROUP CONTRACTS.

No policy of group life insurance shall be delivered in this state unless it contains in substance the provisions set forth in sections 41-2011 through 41-2020 of this chapter or provisions which in the opinion of the director are more favorable to the persons insured, or at least as favorable to the persons insured and more favorable to the policyholder; except, however, that:

b) 41-2011. GRACE PERIOD.

The insured is entitled to a grace period of thirty-one (31) days. 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.

c) 41-2012. INCONTESTABILITY.

The group life insurance policy's validity shall not be contested, except for nonpayment of premium, after it has been in force for two years from the issue date. No statements made by any person insured under the policy relating to their insurability shall be contestible

d) 41-2013. APPLICATION — STATEMENTS DEEMED REPRESENTATIONS.

The group life insurance policy shall provide a copy of the application, if any, of the policyholder upon policy issuance. This shall be part of the contract. All statements made by the policyholder or person insured on the application are representations, not warranties, and cannot be used

against any person insured unless a copy of such application has been furnished to such person or their beneficiary.

e) 41-2014. INSURABILITY.

The group life insurance policy shall contain 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 satisfactory to the insurer as a condition to part or all of his coverage.

f) 41-2015. MISSTATEMENT OF AGE.

The policy's premiums, benefits, or both shall be adjusted if the insured's age was misstated.

g) 41-2016. PAYMENT OF BENEFITS.

The group life insurance policy shall contain a provision that any sum becoming due by reason of the death of the person insured shall be payable to the beneficiary designated by the person insured, subject to the provisions of the policy in the event there is no designated beneficiary as to all or any part of such sum living at the death of the person insured, and subject to any right reserved by the insurer in the policy and set forth in the certificate to pay at its option a part of such sum not exceeding five hundred dollars (\$500) to any person appearing to the insurer to be equitably entitled thereto by reason of having incurred funeral or other expenses incident to the last illness or death of the person insured.

Any sum due by death of an insured person shall be payable to the beneficiary designated by the insured, subject to the policy provisions if there is no designated beneficiary for all or part of the sum, subject to rights reserved by the insurer in the policy and certificate to pay, at its option, up to five hundred dollars (\$500) to any person appearing to the insurer to be equitably entitled to such from having incurred funeral or other expenses incident to the last illness or death of the insured.

h) 41-2017. CERTIFICATE.

The group life insurance policy shall contain a provision that the insurer will issue to the policyholder for delivery to each person insured an individual certificate setting forth a statement as to the insurance protection to which he is entitled, to whom the insurance benefits are payable, and the rights and conditions set forth in sections 41-2018, 41-2019 and 41-2020 following.

The group insurer shall issue to the policyholder for each insured person an individual certificate setting forth a statement as to the insurance protection to which they are entitled, to whom the benefits are payable, and the relevant rights and conditions.

i) 41-2019. CONVERSION ON TERMINATION OF POLICY.

If the group policy terminates any insured person's coverage, every person whose policy was terminated and has been insured for at least five (5) years prior shall be entitled to an individual life insurance policy, with the same conditions and limitations, except that the group policy may provide the individual policy not exceed the smaller of:

The amount of life insurance ceasing due to termination or amendment of the group policy, less any they are or become eligible for under any group policy issued or reinstated within thirty-one (31) days after such termination, or

Two thousand dollars (\$2,000).

j) 41-2020. DEATH PENDING CONVERSION.

If an insured dies during the period within which they would be entitled to an individual policy, before the individual policy is effective, the amount of life insurance they would have received from the individual policy shall be payable under the group policy.

2. Conversion rights (Ref: 41-2018)

a) 41-2018. CONVERSION ON TERMINATION OF ELIGIBILITY.

There shall be a provision that if the insurance, or any portion of it, on a person covered under the policy ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such person shall be entitled to have issued to him 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 (31) days after such termination, and provided further that:

If an insurance policy ceases because of termination of employment or membership in eligible classes, that person shall be entitled to, without evidence of insurability, an individual life insurance policy without disability or supplementary benefits, provided they send in the application and first premium within thirty-one (31) days after such termination, and that:

The individual policy, at the option of such person, shall be any form, except for term, customarily issued by the insurer at the age and for the amount applied for.

The individual policy shall not be in excess of the life insurance that ceases, less any life insurance which the person becomes eligible for under the same or any other group policy within thirty-one (31) days after such termination. Any insurance that matures on or before the termination date as an endowment to the insured shall not be included in the amount considered to cease because of such termination.

Premiums shall be at the insurer's customary rate applicable to the form and amount of the individual policy, using the person's class of risk and attained age on the effective date of the individual policy.

3. Eligible groups (Ref: 41-2003-2008)

a) 41-2003. EMPLOYEE GROUPS.

The lives of a group may be insured under a policy issued to an employer, or trustees of a fund established by an employer, which shall be deemed the policyholder, to insure their employees for the benefit of persons other than the employer, with the following requirements:

Eligible employees include all employees of the employer or any classes thereof determined by conditions pertaining to their employment. Policies may provide that “employees” shall include employees of subsidiary corporations and employees, individual proprietors, and partners and affiliated corporations, proprietors, or partnerships if the business is under common control. “Employees” can include the individual proprietor or partners if the employer is an individual proprietor or partnership. “Employees” can include retired employees. No directors of corporate employers are eligible unless they are eligible as bona fide employees beyond their director duties. No individual proprietors or partners are eligible unless they actively engage in and devote substantial time to the conduct of the business. “Employees” of a public body can include elected and appointed officials.

The premiums shall be paid to the policyholder from either the employer’s funds, charges from the insured employees, or both. Policies paid entirely from the creditor’s funds must insure all eligible debtors except those who do not have satisfactory evidence of insurability or who have rejected the coverage in writing.

b) 41-2004. LABOR UNION GROUPS.

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:

The **members eligible** for insurance under the policy shall be **all of the members** of the union,

The premiums shall be paid to the policyholder from either the union’s funds, charges from the insured members, or both. Policies paid entirely from the creditor’s funds must insure all eligible debtors except those who do not have satisfactory evidence of insurability or who have rejected the coverage in writing.

c) 41-2005. DEBTOR GROUPS.

The lives of a group of individuals may be insured under a policy issued to a creditor, or to a trustee or trustees or agent designated by two (2) or more creditors, who shall be deemed the policyholder, to insure debtors of the creditor, subject to the following requirements:

(1) The **debtors eligible** for insurance under the policy shall be **all of the debtors** of the creditor, or all of any class or classes thereof determined by conditions pertaining to the indebtedness or to the purchase giving rise to the indebtedness.

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There must be at least one hundred (100) new eligible debtors entering into the policy yearly, or expects at least one hundred (100) entrants during its first year and requires either at least 75% of them elect to be insured or the debtors must prove evidence of insurability. The policy may exclude debtor classes by age.

The insurance shall be the lesser of the debt or one hundred fifty thousand dollars (\$150,000).

The insurance shall be payable to the policyholder to reduce or extinguish the debtor's debt.

d) 41-2006. PUBLIC EMPLOYEE GROUPS.

75%+ membership from eligible classes.

All association members, department employees, and classes thereof determined by their employment or membership conditions are eligible.

Premiums shall be paid by the policyholder from either the association's funds, charges collected from insured members or employees specifically for insurance, or both. Charges and relevant dues shall be collected through salary deductions, which may be paid by the employer to the association or directly to the insurer. Policies shall only be placed in-force if at least 75% of eligible members participate.

Charges and, if they include the cost of insurance, association dues, shall always be based on attained-age groups or 4+ reasonably spaced attained-age groups.

5+ members at date of issue.

Amounts shall not exceed \$3,000 per member or employee, nor exceed \$500 per retired member, retired employee, or employee over age 65.

e) 41-2007. TRUSTEE GROUPS.

The lives of a group of individuals may be insured for the trustees of a fund established by the state by 2+ employers in the same industry, or the trustees of a fund established by one or more labor unions, or a combination of one or more labor unions and one or more employers.

Trustees are the policyholders, insuring employees of employers or members of unions for the benefit of anyone other than the employers or unions.

All employees, union members, or classes determined by conditions of employment, union membership, or both, are eligible. The term “employees” may include retired employees, individual proprietor, or partnership partners. No directors of corporate employers are eligible unless they are eligible as bona fide employees beyond their director duties. No individual proprietors or partners are eligible unless they actively engage in and devote substantial time to the conduct of the business. Policies may provide that the term “employees” shall include trustees, their employees, or both, if their duties are principally connected with such trusteeship.

Premiums shall be paid from funds by the employer(s), union(s), contributions by the insureds, or any combination of these. Nonparticipating policies must cover all members who qualify by individual insurability and classes.

The policy shall not require that employee coverage ceases solely from a participating employer discontinuing their membership.

f) 41-2008. CREDIT UNION GROUPS.

Credit unions may insure the lives of a group of eligible individuals, with the following requirements:

All members who qualify by individual insurability and classes are eligible.

Premiums by policyholder, either fully credit union funds or partially those and partially contributions by insured members for the insurance. Never solely by the members.

25+ members at date of issue.

The insurance shall not exceed all total member shares and deposits.