

1 Public Protection Cabinet
2 Department of Insurance
3 Division of Health and Life Insurance and Managed Care
4 (Amendment)

5 806 KAR 15:090. Notice of rights as an owner of a life insurance policy.

6 RELATES TO: KRS 304.14-120, 304.15-075

7 STATUTORY AUTHORITY: KRS 304.2-110, 304.15-075(1), (3), (4)

8 NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.2-110(1) authorizes the
9 Commissioner of Insurance to promulgate administrative regulations necessary for or as an aid to
10 the effectuation of any provisions of the Kentucky Insurance Code. KRS 304.15-075(1) authorizes
11 ~~[requires]~~ the commissioner to develop a notice to inform the owner of a life insurance policy
12 ~~[policy of life insurance]~~ issued in this state of his or her rights as an owner of a life insurance
13 policy. KRS 304.15-075(4) authorizes the commissioner to promulgate administrative regulations
14 that [to] establish that ~~[the]~~ notice shall only be made ~~[be made only]~~ with respect to policies with
15 a net death benefit that is \$100,000 or greater. This administrative regulation establishes the notice
16 that shall be provided to owners of life insurance policies at times specified in KRS 304.15-075(3)
17 and exempts insurers from providing notice to owners whose life insurance policy has a net death
18 benefit that is less than \$100,000.

19 Section 1. When required by KRS 304.15-075(3), an insurer shall provide the owner of an
20 individual life insurance policy with a net death benefit of \$100,000 or greater with either of the
21 following:

1 (1) Important Information About Your Life Insurance Policy, Notice 126, 2/2021[
2 8/2010]; or (2) A notice developed by the insurer that shall [~~which~~]:

3 (a) Meet [~~Meets~~] the requirements of KRS 304.15-075(2); and

4 (b) Be [~~Has been~~] approved by the commissioner.

5 Section 2. Incorporation by Reference. (1) "Important Information About Your Life
6 Insurance Policy", Notice 126, 2/2021 [~~8/2010~~], is incorporated by reference.

7 (2) This material may be inspected, copied, or obtained, subject to applicable copyright
8 law, at the Kentucky Department of Insurance, The Mayo-Underwood Building, 500 Mero St.,
9 Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m. Forms may also be
10 obtained on the department Web [~~web~~] site at <http://insurance.ky.gov>.

806 KAR 15:090
READ AND APPROVED:

Sharon P. Clark
Commissioner, Department of Insurance

Date

Kerry B. Harvey
Secretary, Public Protection Cabinet

Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD

A public hearing on this administrative regulation shall be held at 9:00 AM on July 23rd, 2021 at 500 Mero Street, Frankfort, KY 40602. Individuals interested in being heard at this hearing shall notify this agency in writing by five workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through 11:59 PM on July 30, 2021. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person below.

Contact Person: Abigail Gall
Title: Executive Administrative Secretary
Address: 500 Mero Street, Frankfort, KY 40601
Phone: +1 (502) 564-6026
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REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation: 806 KAR 15:090

Contact Person: Abigail Gall

Phone: +1 (502) 564-6026

Email: abigail.gall@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes the notice that must be provided to owners of life insurance policies at specified times and exempts insurers from providing notice to owners whose life insurance policy has a net death benefit that is less than one hundred thousand dollars (\$100,000).

(b) The necessity of this administrative regulation: This administrative regulation is necessary to promulgate the notice required to be sent by insurers to owners of life insurance policies prior to surrendering or lapsing a policy or accelerating a death benefit. Further, this administrative regulation is necessary to allow for an exemption for owners of life insurance policies with net death benefits of less than \$100,000.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 304.2-110 authorizes the Commissioner of the Department of Insurance to make reasonable rules and regulations necessary for the effectuation of any provision of the Kentucky Insurance Code. KRS 304.15-075 requires the commissioner to develop a notice to inform the owner of a policy of life insurance issued in this state of his or her rights as an owner of a life insurance policy. KRS 304.15-075 also allows the commissioner to promulgate administrative regulations to establish that the notice be made only with respect to policies with a net death benefit that is one hundred thousand dollars (\$100,000) or greater. This administrative regulation establishes the notice that must be provided to owners of life insurance policies at specified times and exempts insurers from providing notice to owners whose life insurance policy has a net death benefit that is less than one hundred thousand dollars (\$100,000).

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation will provide insurers with the notice they are statutorily required to send to owners of life insurance policies. Additionally, this administrative regulation will set forth an exemption to the notice requirement, as permitted by statute.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: The primary amendment to this administrative regulation is to the Notice 126 form and to make any technical changes needed. Also, the regulation has been amended to meet the statutory drafting requirement established by Chapter 13A.

(b) The necessity of the amendment to this administrative regulation: The necessity of the amendments made to this administrative regulation is to ensure uniformity-drafting requirements are met set forth in Chapter 13A and to update the instructional language listed on the Notice 126 form incorporated by reference.

(c) How the amendment conforms to the content of the authorizing statutes: KRS 304.2-110 authorizes the Commissioner of the Department of Insurance to make reasonable rules and regulations necessary for the effectuation of any provision of the Kentucky Insurance Code. KRS 304.15-075 requires the commissioner to develop a notice to inform the owner of a policy of life insurance issued in this state of his or her rights as an owner of a life insurance policy. KRS 304.15-075 also allows the commissioner to promulgate administrative regulations to establish that the notice be made only with respect to policies with a net death benefit that is one hundred thousand dollars (\$100,000) or greater. The amendment to the Notice 126 is to aid in the effectuation of KRS 304.12-075.

(d) How the amendment will assist in the effective administration of the statutes: The technical amendments relative to drafting requirements in Chapter 13A aid in the effectuation of the authorizing statutes.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: This administrative regulation could impact the approximately 460 insurers authorized to write life insurance in Kentucky.

(4) Provide an analysis of how the entities identified in the previous question will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions each of the regulated entities have to take to comply with this regulation or amendment: Life insurers will be required to provide the notice promulgated by this administrative regulation to all owners of non-exempt life insurance policies issued by them at specific times identified in statute.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities: The Department of Insurance requested that affected entities provide an estimate of the costs to implement this administrative regulation. The affected entities reported that the upfront cost associated with compliance and implementation of this regulation would be \$20,000 to \$150,000. The range is dependent upon a number of factors including, but not limited to, the types of products sold, the systems and programming capability and capacity, and the implementation of the necessary procedure and control functions to comply with basic accounting and auditing rules. There will also be basic ongoing administrative costs associated with compliance.

(c) As a result of compliance, what benefits will accrue to the entities: Providing the notice required by this administrative regulation will result in compliance with KRS 304.15-075.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: Implementation of this amendment is not anticipated to have an initial cost on the Department of Insurance.

(b) On a continuing basis: Implementation of this amendment is not anticipated to have an on-going cost on the Department of Insurance.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: The Department will use funds from its current operational budget to perform the tasks necessary.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees:

(9) TIERING: Is tiering applied? Explain why or why not. Tiering is not applied because this regulation applies equally to all life insurers.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation: 806 KAR 15:090

Contact Person: Abigail Gall

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Email: abigail.gall@ky.gov

(1) What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The Kentucky Department of Insurance as the implementer of the regulation

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. . KRS 304.2-110, KRS 304.15-075

(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? No revenue is expected to be generated.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? No revenue is expected to be generated.

(c) How much will it cost to administer this program for the first year? No cost is expected.

(d) How much will it cost to administer this program for subsequent years? No cost is expected.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

(4) Revenues (+/-): Neutral

(5) Expenditures (+/-): Neutral

(6) Other Explanation:

SUMMARY OF MATERIALS INCORPORATED BY REFERENCE
806 KAR 15:090

(1) "Important Information About Your Life Insurance Policy", Notice 126, 2/2021; this form is a notice to be provided by life insurance companies to owners of life insurance policies with a net death benefit of one hundred thousand dollars (\$100,000) or greater at specific times outlined in KRS 304.15-075.

SUMMARY OF CHANGES OF MATERIALS INCROPRATED BY REFERENCE

806 KAR 15:090

(1) "Important Information About Your Life Insurance Policy", Notice 126, 2/2021; this form is being amended to re-write the instructional notice below the header to inform individuals of the options to consider if the policy is no longer needed or on the fringe of lapse, as well as an amendment to the edition date.