

1 Public Protection Cabinet

2 Department of Insurance

3 Division of Health and Life Insurance and Managed Care

4 (Amendment)

5 806 KAR 15:050. Reporting and general requirements for settlement providers and brokers.

6 RELATES TO: KRS 304.12-020, 304.14-120, 304.14-450, 304.14-450, 304.15-020,
7 304.15-035, 304.15-700-304.15-725, 304.99-020

8 STATUTORY AUTHORITY: KRS 304.15-715(2), 304.15-720

9 NECESSITY, FUNCTION, AND CONFORMITY: [~~EO 2008-507, signed June 6, 2008,~~
10 ~~and effective June 16, 2008, created the Department of Insurance headed by a commissioner.~~]

11 KRS 304.15-715 requires a request for verification of coverage to be made on a form approved
12 by the commissioner [~~executive director~~]. KRS 304.15-720 authorizes the commissioner
13 [~~executive director~~] to promulgate administrative regulations [~~to~~] implementing the provisions of
14 KRS 304.15-700 to 304.15-720. The function of t[F]his administrative regulation is to
15 establish[es] the standard[s] for life settlement contracts and other forms, the information to be
16 included in disclosures and reports, advertising standards, and general rules and prohibited
17 practices with respect to life settlement contracts, life settlement providers, and life settlement
18 brokers.

1 Section 1. Definitions. As used in this administrative regulation:

2 (1) "Commissioner" means the Commissioner of the Department of Insurance as defined
3 by KRS 304.1-050(1) [~~means the Commissioner of the Department of Insurance~~].

4 (2) "Department" means the Department of Insurance as defined by KRS 304.1-050(2)
5 [~~means the Department of Insurance~~].

6 (3) "Individual identification data" means an insured's address, telephone number,
7 facsimile number, electronic mail address, photograph or likeness, employer, employment status,
8 Social Security number, or other information that is likely to lead to the identification of the
9 insured.

10 (4) "Insured" means the person covered under the policy being considered for settlement.

11 (5) "Insurer" is defined by [~~in~~] KRS 304.1-040.

12 (6) "Life expectancy" means the mean of the number of months the individual insured
13 under the life insurance policy to be settled can be expected to live as utilized by the life
14 settlement provider pursuant to the life settlement contract considering medical records and
15 appropriate experiential data.

16 (7) "Net death benefit" means the amount of the life insurance policy or certificate to be
17 settled less any outstanding debts or liens.

18 (8) "Owner" is defined by [~~in~~] KRS 304.15-020(19).

19 Section 2. General Rules. (1) A life settlement provider shall not unfairly discriminate in
20 making life settlements on the basis of race, age, sex, national origin, creed, religion, occupation,
21 or marital or family status.

1 (2) A life settlement provider shall not unfairly discriminate between an owner with a
2 dependent and an owner with no dependent.

3 (3) A life settlement provider shall not solicit investors who may influence the treatment
4 of the illness of the insured whose coverage would be the subject of the investment.

5 (4) Within three (3) days of execution of the life settlement contract, the life settlement
6 provider shall mail to the owner copies of the following:

7 (a) The executed life settlement contract;

8 (b) The application for the life settlement contract; and

9 (c) The statement from the licensed attending physician that the owner is of sound mind
10 and not under undue influence or constraint.

11 (5) Payment of the proceeds of a life settlement pursuant to KRS 304.15-710 (1)(g) shall
12 be by means of wire transfer to an account designated by the owner or by certified check or
13 cashier's check.

14 (6) Payment of the proceeds to the owner pursuant to a life settlement shall be made in a
15 lump sum, except the life settlement provider may purchase an annuity or similar financial
16 instrument issued by a licensed insurance company or bank, or an affiliate of either. The life
17 settlement provider or escrow agent shall not retain a portion of the proceeds not disclosed or
18 described in the life settlement contract without written consent of the owner.

19 (7) A life settlement provider or life settlement broker shall not pay or offer to pay any
20 finder's fee, commission, or other compensation to any insured's physician, or to an attorney,
21 accountant, or other person providing medical, legal, or financial planning services to the owner,

1 or to any other person acting as an agent of the owner, other than a life settlement broker, with
2 respect to the life settlement.

3 (8) If a life settlement provider enters into a life settlement that allows the owner to retain
4 an interest in the insurance policy, the life settlement contract shall contain the following
5 provisions:

6 (a) A provision that the life settlement provider will affect the transfer of the amount of
7 the death benefit only to the extent or portion of the amount settled. Benefits in excess of the
8 amount settled shall be paid directly to the owner's beneficiary by the insurance company;

9 (b) A provision that the life settlement provider shall, upon acknowledgment of the
10 completion of the transfer, either:

11 1. Advise the owner, in writing, that the insurance company has confirmed the owner's
12 interest in the policy; or

13 2. Send, to the owner, a copy of the instrument sent from the insurance company to the
14 life settlement provider that acknowledges the owner's interest in the policy; and

15 (c) A provision that apportions the premiums to be paid by the life settlement provider
16 and the owner, provides premium payment terms and nonforfeiture options no less favorable, on
17 a proportional basis, than those included in the policy.

18 (9) If the insured is a minor child, disclosures to and permission of a parent or legal
19 guardian satisfy the requirements KRS 304.15-700 through KRS 304.15-720 and this
20 administrative regulation.

21 Section 3. Life Settlement Contract and Form Approval. (1) A life settlement form
22 submitted to the commissioner for approval shall:

- 1 (a) Be filed in accordance with KRS 304.14-120;
- 2 (b) Provide space for identifying the parties;
- 3 (c) Provide space for including the amount of the proceeds payable to the owner; and
- 4 (d) Provide that the contract shall [~~is to~~] be governed under the laws of the
- 5 Commonwealth of Kentucky, and that the courts of the Commonwealth of Kentucky shall be the
- 6 exclusive forum for any judicial remedies sought by either party.

7 (2) Each life settlement contract or other form submitted for approval shall:

- 8 (a) Be accompanied by the filing fee prescribed by 806 KAR 4:010;
- 9 (b) Have a form number in the lower left corner;
- 10 (c) Meet the readability standards established by KRS 304.14-440; and
- 11 (d) Meet the legibility standards established by KRS 304.14-450, except the disclosures
- 12 required by KRS 304.15-710 shall be in at least twelve (12) point type.

13 (3) The commissioner may review any previously approved life settlement contract or

14 other form for compliance with KRS 304.15-700 to 304.15-725 and this administrative

15 regulation.

16 Section 4. Filing Requirements for Advertising of Life Settlements.

17 (1) This section shall apply to advertising of life settlement contracts, or related products

18 or services intended for dissemination in Kentucky, including Internet advertising viewed by

19 persons located in Kentucky.

20 (2) A life settlement licensee shall establish and maintain a system of control over the

21 content, form, and method of dissemination of advertisements of its contracts, products, and

1 services. A system of control shall include routine notification, at least once a year, to persons
2 authorized by the life settlement licensee to disseminate advertisements, of the requirements and
3 procedures for review by the department prior to the use of any advertisements not furnished by
4 the life settlement licensee.

5 (3) A life settlement licensee shall provide a copy of any advertising for life settlements
6 intended for use in Kentucky whether through written, radio, or television medium to the
7 commissioner for review in accordance with KRS 304.12-020.

8 (4) An advertisement shall be truthful and not misleading in fact or by implication. The
9 form and content of an advertisement shall be sufficiently complete and clear [~~so as~~] to avoid
10 deception. It shall not have the capacity or tendency to mislead or deceive. If [~~Whether~~] an
11 advertisement has the capacity or tendency to mislead or deceive shall be determined by the
12 commissioner from the overall impression that the advertisement may be reasonably expected to
13 create upon a person of average education or intelligence within the segment of the public to
14 which it is directed.

15 (5) The information required to be disclosed under this section shall not be minimized,
16 rendered obscure, or presented in an ambiguous fashion or intermingled with the text of the
17 advertisement so it shall not [~~as to~~] be confusing or misleading.

18 (6) The following rules shall govern the advertisement of life settlements:

19 (a) An advertisement shall not omit material information or use words, phrases,
20 statements, references, or illustrations if the omission or use has the capacity, tendency, or effect
21 of misleading or deceiving owners, as to the nature or extent of any benefit, loss covered,
22 premium payable, or state or federal tax consequence. It shall not be a remedy of misleading

1 statements to make the life settlement contract available for inspection prior to completion of the
2 sale, or offering to refund the payment if the owner is not satisfied, or including in the life
3 settlement contract a "free look" period that satisfies or exceeds legal requirements.

4 (b) An advertisement shall not use the name or title of a life insurer or a life insurance
5 policy unless the advertisement has been approved by the insurer.

6 (c) An advertisement shall not state or imply that interest charged on an accelerated death
7 benefit or a policy loan is unfair, inequitable, or in any manner an incorrect or improper practice.

8 (d) The words "free," "no cost," "without cost," "no additional cost," "at no extra cost," or
9 words of similar import shall not be used with respect to a benefit or service unless true. An
10 advertisement may specify the charge for a benefit or a service, may state that a charge is
11 included in the payment, or may use other similar language.

12 (e) When a testimonial, appraisal, or analysis is used in an advertisement, the testimonial,
13 appraisal, or analysis shall:

14 1. Be genuine;

15 2. Represent the current opinion of the author;

16 3. Be applicable to the life settlement contract product or service advertised;

17 4. Be accurately reproduced with sufficient completeness to avoid misleading or
18 deceiving prospective owners as to the nature or scope of the testimonial, appraisal, analysis, or
19 endorsement;

20 5. Prominently disclose in the advertisement if the individual making the testimonial,
21 appraisal, analysis, or endorsement has a financial interest in the life settlement provider or

1 related entity as a stockholder, director, officer, employee, or otherwise, or receives a benefit
2 other than required union scale wages; and

3 6. Not state or imply that a life settlement contract benefit or service has been approved
4 or endorsed by a group of individuals, society, association, or other organization unless that is
5 the fact and unless any relationship between an organization and the life settlement licensee is
6 disclosed. If the entity making the endorsement or testimonial is owned, controlled, or managed
7 by the life settlement licensee, or receives any payment or other consideration from the life
8 settlement licensee for making an endorsement or testimonial, that fact shall be disclosed in the
9 advertisement.

10 (f) In using testimonials, appraisals, or analysis, the life settlement licensee makes as its
11 own all the statements contained therein, and the statements are subject to all the provisions of
12 this section.

13 (g) If an endorsement refers to benefits received under a life settlement contract, all
14 pertinent information shall be retained for a period of not less than five (5) years following
15 creation of the material or the completion of the purpose for which it was created, whichever
16 shall occur last.

17 (h) An advertisement shall not contain statistical information unless it accurately reflects
18 recent and relevant facts. The source of all statistics used in an advertisement shall be identified.

19 (i) An advertisement shall not disparage insurers, life settlement providers, life settlement
20 brokers, insurance producers, policies, services, or methods of marketing.

21 (j) The name of the life settlement licensee shall be identified in all advertisements about
22 the licensee or its life settlement contracts, products, or services, and if any specific life

1 settlement contract is advertised, the life settlement contract shall be identified either by form
2 number or some other appropriate description. If an application is part of the advertisement, the
3 name of the life settlement provider shall be shown on the application.

4 (k) An advertisement shall not use a trade name, group designation, name of the parent
5 company of a life settlement licensee, name of a particular division of the life settlement
6 licensee, service mark, slogan, symbol, or other device, or reference without disclosing the name
7 of the life settlement licensee, if the advertisement would have the capacity or tendency to
8 mislead or deceive as to the true identity of the life settlement licensee, or to create the
9 impression that a company other than the life settlement licensee would have any responsibility
10 for the financial obligation under a life settlement contract.

11 (l) An advertisement shall not use any combination of words, symbols, or physical
12 materials that by their content, phraseology, shape, color, or other characteristics are so similar to
13 a combination of words, symbols, or physical materials used by a government program or agency
14 or otherwise appear to be of such a nature that they tend to mislead prospective owners into
15 believing that the solicitation is in some manner connected with a government program or
16 agency.

17 (m) An advertisement may state that a life settlement licensee is licensed in the state
18 where the advertisement appears, provided it does not exaggerate that fact or suggest or imply
19 that competing life settlement licensee may not be so licensed. The advertisement may ask the
20 audience to consult the licensee's Web site or contact the department to find out if Kentucky
21 requires licensing and, if so, whether the life settlement provider or life settlement broker is
22 licensed.

1 (n) An advertisement shall not create the impression that the life settlement provider, its
2 financial condition or status, the payment of its claims, or the merits, desirability, or advisability
3 of its life settlement contracts are recommended or endorsed by a government entity.

4 (o) The name of the actual licensee shall be stated in all of its advertisements. An
5 advertisement shall not use a trade name, group designation, name of an affiliate or controlling
6 entity of the licensee, service mark, slogan, symbol, or other device in a manner that would have
7 the capacity or tendency to mislead or deceive as to the true identity of the actual licensee or
8 create the false impression that an affiliate or controlling entity would have responsibility for the
9 financial obligation of the licensee.

10 (p) An advertisement shall not create the impression that a division or agency of the state
11 or of the U. S. government endorses, approves or favors:

- 12 1. A life settlement licensee or its business practices or methods of operation;
- 13 2. The merits, desirability, or advisability of a life settlement contract;
- 14 3. A life settlement contract; or
- 15 4. A life insurance policy or life insurer.

16 (q) If the advertiser emphasizes the speed with which the settlement will occur, the
17 advertising shall disclose the average time frame from completed application to the date of offer
18 and from acceptance of the offer to receipt of the funds by the owner.

19 (r) If the advertising emphasizes the dollar amounts available to owners, the advertising
20 shall disclose the average purchase price as a percent of face value obtained by owners
21 contracting with the licensee during the past six (6) months.

1 Section 5. Standards for Evaluation of Reasonable Payments for Terminally or
2 Chronically-Ill Insureds. In order to ensure that owners receive a reasonable return for settling an
3 insurance policy, the return for settling a policy shall be no less than the following payouts for
4 insureds that are terminally or chronically ill:

5 (1) If an insured's life expectancy is less than six (6) months, eighty (80) percent of the
6 minimum percentage of face value, reduced by any outstanding loans received by the owner;

7 (2) If an insured's life expectancy is at least six (6) months, but less than twelve (12)
8 months, seventy (70) percent of the minimum percentage of face value, reduced by any
9 outstanding loans received by the owner;

10 (3) If an insured's life expectancy is at least twelve (12) months, but less than eighteen
11 (18) months, sixty-five (65) percent of the minimum percentage of face value, reduced by any
12 outstanding loans received by the owner;

13 (4) If an insured's life expectancy is at least eighteen (18) months but less than twenty-
14 five (25) months, sixty (60) percent of the minimum percentage of face value, reduced by any
15 outstanding loans received by the owner; and

16 (5) If an insured's life expectancy is twenty-five (25) months or more, the owner shall
17 receive at least the greater of the cash surrender value or accelerated death benefit in the policy.

18 Section 6. Prohibited Practices. (1) Except for a subpoena issued by the commissioner, if
19 a life settlement provider or broker is served with a subpoena compelling the life settlement
20 provider or broker to produce records containing individual identification data, the life settlement
21 provider or broker shall notify the owner and the insured within five (5) business days after

1 receiving notice of the subpoena. Notice shall be sufficient if delivered to the last known address
2 of the owner and the insured.

3 (2) A life settlement broker shall not seek or obtain any compensation from the owner in
4 connection with a life settlement transaction prior to performing any services.

5 Section 7. Insurance Company Practices. (1) Life insurance companies authorized to do
6 business in this state shall respond to a request for verification of coverage from a life settlement
7 provider or a life settlement broker within thirty (30) calendar days of the date a request is
8 received, subject to the receipt of the Verification of Coverage for Life Insurance Policies Form
9 VOC, which has been completed by the life settlement provider or the life settlement broker in
10 accordance with the instructions on the form.

11 (2) A life insurance company shall not charge a fee for responding to a request for
12 information from a life settlement provider or life settlement broker in compliance with this
13 section in excess of any usual and customary charges to policyholders or certificate holders for
14 similar services.

15 (3) The life insurance company shall send an acknowledgement of receipt of the request
16 for verification of coverage to the policyholder or certificate holder the acknowledgment shall
17 contain a general description of any accelerated death benefit that is available under a provision
18 of or rider to the life insurance contract.

19 (4) A life insurance company shall not require the owner to sign any request for change in
20 a policy or a group certificate from a life settlement provider that is the owner or assignee of the
21 insured's insurance coverage, unless the owner has ownership, assignment, or irrevocable
22 beneficiary rights under the policy. In that situation, the life settlement provider shall provide

1 timely notice to the owner that a settlement transaction on the policy has occurred. Notice shall
2 be provided within fifteen (15) calendar days of the change in a policy or group certificate.

3 Section 8. Disclosure. (1) The life settlement broker shall provide a copy of the life
4 settlement disclosure Form LS 7 and the "Kentucky Consumer Guide to Understanding Life
5 Settlements" to the owner on or before the date that the life settlement broker offers or advertises
6 the availability of the owner's life insurance policy, introduces the owner to a life settlement
7 provider, or offers or attempts to negotiate a life settlement between an owner and a life
8 settlement provider.

9 (2) If there is no life settlement broker involved in the life settlement transaction, the life
10 settlement provider shall provide the life settlement disclosure Form LS 7 and the "Kentucky
11 Consumer Guide to Understanding Life Settlements" to the owner on or before the date that the
12 viatical settlement contract is signed by each party to the contract.

13 Section 9. Reporting Requirement. (1) On or before March 1 of each calendar year, the
14 licensed life settlement provider shall submit the following:

15 (a) A report of the life settlement transactions related to Kentucky insureds, which shall
16 be submitted on Form LS 1;

17 (b) A report of the individual mortality of Kentucky insureds, which shall be submitted
18 on Form LS 2;

19 (c) A report of the life settlement transactions in all states and territories, which shall be
20 submitted on Form LS 3; and

21 (d) A certification of the information contained in the reports, which shall be submitted
22 on Form LS 6 and shall be filed with the reports.

1 (2) The information reported pursuant to subsection (1) of this section shall include the
2 total number of policies for the previous calendar year that were:

3 (a) Reviewed for consideration by a life settlement provider;

4 (b) Offered for purchase to an owner of a life insurance policy; and

5 (c) Purchased by an owner of a life insurance policy.

6 Section 10. Incorporation by Reference. (1) The following material is incorporated by
7 reference:

8 (a) "Kentucky Consumer Guide to Understanding Life Settlements" 3/2020 edition
9 ~~[(8/2008 edition)]~~;

10 (b) Form LS 1, "Life Settlement Provider Report - Kentucky Insureds Only" 7/2008
11 edition ~~[(7/2008 edition)]~~;

12 (c) Form LS 2, "Individual Mortality Report - Kentucky Insureds Only" 7/2008 edition
13 ~~[(7/2008 edition)]~~;

14 (d) Form LS 3, "Life Settlement Provider Report - All States and Territories" 7/2008
15 edition ~~[(7/2008 edition)]~~;

16 (e) Form LS 6, "Life Settlement Provider Certification Form" 7/2008 edition ~~[(7/2008~~
17 ~~edition)]~~; and

18 (f) Form LS 7, "The Kentucky Life Settlement Disclosure Form - Notice Regarding Life
19 Settlement Contracts" 3/2020 edition ~~[(7/2008 edition)]~~; and

20 (g) Form VOC, "Verification of Coverage for Life Insurance Policies Form" 7/2008
21 edition ~~[(7/2008 edition)]~~.

1 (2) This material may be inspected, copied, or obtained, subject to applicable copyright
2 law, at the Kentucky Department of Insurance, Mayo-Underwood Building, 500 Mero Street
3 [~~215 West Main Street~~], Post Office Box 517, Frankfort, Kentucky 40602, Monday through
4 Friday, 8 a.m. to 4:30 p.m. This material is also available on the Department of Insurance
5 Internet Web site at <http://insurance.ky.gov>[~~<http://doi.ppr.ky.gov>~~].

806 KAR 15:050
READ AND APPROVED:

Sharon P. Clark

12/18/2020

Sharon P. Clark
Commissioner, Department of Insurance

Date

Kerry B. Harvey

12/21/2020

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 March 22nd, 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 March 31st, 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
Fax: +1 (502) 564-1453
Email: abigail.gall@ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation: 806 KAR 15:050

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 regulation establishes the standards for life settlement contracts and other forms, the information to be included in disclosures and reports, advertising standards, and general rules and prohibited practices with respect to life settlement contracts, life settlement providers and life settlement brokers.

(b) The necessity of this administrative regulation: This regulation is necessary to provide additional clarification of the life settlement statutes and to prescribe the processes for doing business as a life settlement broker and a life settlement provider.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 304.15-720 authorizes the executive director to promulgate administrative regulations to implement the life settlement statutes. KRS 304.15-715 authorizes the executive director to establish a form for life settlement providers to use to request verification of coverage. This regulation aids in the implementation of the life settlement statutes and prescribes the required form to request verification of coverage.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This regulation prescribes the process for approval of forms for use in life settlement transactions, clarifies prohibited practices in life settlement transactions, establishes minimum amounts to be paid to a chronically or terminally ill owner, prescribes required disclosures, sets standards for advertising life settlement services and establishes a reporting mechanism to allow the Department of Insurance to appropriately monitor the industry.

(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 amendments to this administrative regulation are changes required by Chapter 13A.

(b) The necessity of the amendment to this administrative regulation: The necessity of these amendments are established in the Chapter 13A.222, in which the drafting requirements are set forth. These requirements ensure the administrative regulation language to be uniform and simple for those needing to reference.

(c) How the amendment conforms to the content of the authorizing statutes: Chapter 13A gives a very detailed explanation of the formatting rules as well as prohibited words and phrases, so these amendments remove old language and replace with acceptable unambiguous language.

(d) How the amendment will assist in the effective administration of the statutes: The amendments made to this administrative regulation meet Chapter 13A guidelines, which means the administrative regulation meets standards that are more effective. With clearer language 304.1-010 is more effective and thus, allowing the Department to regulate more effectively.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: This regulation will affect the approximately 520 insurers that are licensed to offer life insurance and the approximately 113 licensed life settlement brokers and life settlement providers in the Commonwealth of 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: Most of the amendments to this administrative regulation are formatting and terminology changes that will not require any new action on behalf of the regulated entities.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities: Because most of the changes relate to formatting and terminology changes, there should not be an additional cost to regulated entities in order to comply with the amendments to this administrative regulation. Because the reporting requirement for life settlement brokers was removed, there should be a reduced administrative cost for life settlement brokers.

(c) As a result of compliance, what benefits will accrue to the entities: As a result of compliance with this administrative regulation, regulated entities will be in compliance with the life settlement law in Kentucky and, therefore, not subject to administrative action by the Department. Policyholders seeking to settle life insurance policies can be assured that they are receiving the proper disclosures to make an informed decision..

(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: An increase of fees will not be necessary because additional personnel is likely unnecessary.

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

(9) TIERING: Is tiering applied? Explain why or why not. Tiering is not applied because the requirements in this administrative regulation applies to all insurers offering dividend plans.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation: 806 KAR 15:050

Contact Person: Abigail Gall

Phone: +1 (502) 564-6026

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 Department as the implementer.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 304.15-715(2), 304.15-720

(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? This administrative regulation is revenue neutral.

(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? This administrative regulation is revenue neutral.

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

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

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 15:050

(a) "Kentucky Consumer Guide to Understanding Life Settlements" 3/2020 edition, is the consumer guide that must be provided to a prospective viator on or before the date that the viatical settlement broker or viatical settlement provider begins negotiations. This consumer guide has been amended to update the contents in accordance with the changes to Kentucky's viatical settlement law.

(b) Form VS 001, "Viatical Settlement Provider Report – Kentucky Insureds Only" (4/2001 edition), is the form that a licensed viatical settlement provider must submit to the Office of Insurance on or before March 1 of each calendar year to report its viatical settlement transactions related to Kentucky insureds;

(c) Form VS 002, "Individual Mortality Report – Kentucky Insureds Only" (4/2001 edition), is the form that a licensed viatical settlement provider must submit to the Office of Insurance on or before March 1 of each calendar year to report the individual mortality of its Kentucky insureds;

(d) Form VS 003, "Viatical Settlement Provider Report – All States and Territories" (4/2001 edition), is the form that a licensed viatical settlement provider must submit to the Office of Insurance on or before March 1 of each calendar year to report its viatical settlement transaction in all states and territories in which it does business;

(e) Form VS 004, "Viatical Settlement Broker Report – Kentucky Insureds Only" (4/2001 edition), is the form that all licensed viatical settlement brokers must submit to the

Office of Insurance on or before March 1 of each calendar year to report the viatical settlement transactions related to his or her Kentucky insureds;

(f) Form VS 005, “Viatical Settlement Broker Report – All States and Territories” (4/2001 edition), is the form that all licensed viatical settlement brokers must submit to the Office of Insurance on or before March 1 of each calendar year to report its viatical settlement transactions in all states and territories in which he or she does business;

(g) Form VS 006, “Viatical Settlement Provider/Broker Certification Form” (6/2005 edition), is the form that all licensed viatical settlement providers and licensed viatical settlement brokers must submit with their annual reports certifying the accuracy of the information. This form has been amended to correct a typographical error;

(h) Form VS 007, “The Kentucky Viatical Settlement Disclosure Form – Notice Regarding Viatical Settlement Contracts” (4/2001 edition), is the form that viatical settlement broker must deliver to the viatical settlement provider that purchases the viator’s life insurance policy before the viatical settlement contract is signed. This form has been amended to update the contents in accordance with the changes to Kentucky’s viatical settlement law; and

(i) Form VOC, “Verification of Coverage for Life Insurance Policies Form” (4/2005 edition), is the form that the viatical settlement provider or viatical settlement broker must complete and submit to a life insurance company to request

SUMMARY OF CHANGES TO MATERIALS INCORPORATED BY REFERENCE

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(1) "Kentucky Consumer Guide to Understanding Life Settlements" 3/2020 edition. This form was amended to change the time frame verbiage of completion as well as updating the edition date.

(2) Form LS 7, "The Kentucky Life Settlement Disclosure Form - Notice Regarding Life Settlement Contracts", 3/2020 edition. This form was amended to change the time frame verbiage of completion as well as updating the edition date.