

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation: 806 KAR 15:090

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(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

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(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: