

By Mr. Straus of Mattapoisett, petition of William M. Straus, John F. Quinn, Edward G. Connolly, James H. Fagan and Philip Travis relative to the sales of certain types of life insurance policies within the Commonwealth. Insurance.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Ninety-Seven.

AN ACT RELATIVE TO THE SALE OF CERTAIN TYPES OF LIFE INSURANCE POLICIES WITHIN THE COMMONWEALTH.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 Chapter one hundred and seventy-five of the General Laws is
2 hereby amended by adding the following new section: —

3 Section 132A. (1) It is hereby declared to be an unfair and
4 deceptive trade practice in violation of chapter ninety-three A for
5 any company licensed under chapter one hundred and seventy-
6 five of the General Laws to provide life insurance coverage on
7 any person through a policy or certificate of coverage delivered
8 on or after January 1, 1995, to or on behalf of such person in
9 Massachusetts, unless the benefit payable at death under such
10 policy or certificate will equal or exceed the cumulative pre-
11 miums, as defined in subsection (4) of this section, paid for the
12 policy or certificate, plus interest thereon at the rate of four per-
13 cent per annum compounded annually to the tenth anniversary of
14 the effective date of coverage.

15 (2) This section applies to death benefits in relation to pre-
16 miums, subject to the following provisions:

17 (a) When determining the relationship between benefits and
18 premiums as set forth in subsection (1) of this section, neither pre-
19 miums nor death benefits shall be adjusted for maturity benefits,
20 surrender benefits, or policy loans.

21 (b) Annuity benefits, including annuity death benefits, and the
22 premiums therefor shall be disregarded in applying this section.

23 (c) The following benefits, but not the premiums therefor, shall
24 be disregarded in applying this section:

- 25 (i) Accidental death benefits;
26 (ii) Permanent disability benefits; and
27 (iii) Any benefit similar to (c)(i) or (ii) of this subsection.

28 (3) For coverage which varies by duration, including coverage
29 provided through dividends, the "benefit payable at death" for
30 purposes of this section is the sum of the least death benefit
31 during each policy year, for the lesser of ten years or the term of
32 the coverage, including renewals, divided by the number of death
33 benefits included in said sum.

34 (4) "Cumulative premiums," for purposes of this section, means
35 all sums paid as consideration, net of dividends paid in cash in an
36 orderly progression, for the coverage during the first ten years of
37 the coverage, excluding amounts which are designated in the
38 policy or certificate as providing for annuity benefits.

39 (5) The benefits required by this section shall be provided
40 contractually.

41 (6) This section does not apply to:

42 (a) Life insurance where the minimum death benefit is twenty-
43 five thousand dollars or more; or

44 (b) Coverage under group life insurance policies unless the
45 insured pays all or substantially all of the premium and coverage
46 under individual conversions from such excluded policies; or

47 (c) Limited payment whole life insurance where the premiums are
48 level at all times, if the least death benefit payable at any time equals
49 or exceeds the total of all premiums which, in the absence of death,
50 would have been paid over the entire limited payment period.

51 (7) This section does not apply with respect to optional addi-
52 tional contributions paid to the insurer or fraternal benefit society
53 under the terms of a universal life policy, which policy:

54 (a) Provides a guaranteed plan of insurance of at least ten
55 years' duration on the basis of specified premiums and complies
56 with subsections (1) through (5) of this section; and

57 (b) Contains a carefully expressed provision which clearly,
58 fairly, and fully discloses the optional plan and the choice to par-
59 ticipate therein; and

60 (c) Is designed so that the charges for, and the benefits to be
61 derived from, the optional contributions are no less favorable to
62 the insured than those which are applicable to the guaranteed plan
63 required by (a) of this subsection.