

§6811. Prohibited practices and provisions under policies**1. Assignment.** The following provisions govern assignment.

A. A policy of individual or group life insurance that permits assignment issued or delivered in this State may not, in any way, restrict a person from making an absolute assignment of rights for consideration. Prohibited restrictions include, but are not limited to, assignments only as a gift and without consideration, assignments only to a limited class of persons and assignments only to a natural person and not to a legal entity. [PL 2003, c. 636, §13 (AMD).]

B. A life insurance company that acknowledges and records an absolute assignment of life insurance policy or rights under a group life insurance policy may rely solely on the authorization of the assignor to make the assignment and the life insurance company is not obligated to inquire into the validity, sufficiency or terms of the assignment. In acknowledging and recording an assignment, a life insurance company acting in good faith and reliance on the presentation of the absolute assignment, acts in a ministerial capacity and may exhibit no discretion as to whether an assignor may make the assignment or whether the assignment conforms with applicable law. [PL 1997, c. 430, §1 (NEW); PL 1997, c. 430, §2 (AFF).]

[PL 2003, c. 636, §13 (AMD).]

2. Rights under an assignment. The following provisions apply to an assignment.**A.** For life insurance contracts that permit assignment:

(1) A person has the right to assign, transfer, sell or bequeath the ownership of or death benefit payable under a life insurance policy or certificate at any time for any remaining portion of that coverage after exercising any option for accelerated benefits;

(2) A person also has the right to assign, transfer, sell, devise or bequeath the ownership of or death benefit payable under a life insurance policy or certificate if that coverage is on disability waiver of premium at any time; and

(3) The absolute assignee of an individual life insurance policy or of all rights under a group life insurance policy has all rights at law or in equity as the assignor held under that policy, including, but not limited to, the right to convert the coverage to an individual policy, the right to timely notice of the right to that conversion at the time that right accrues, the right to make premium payments or take such other action as may be necessary under the policy in order to preserve the value of the coverage assigned, the right to receive information concerning the coverage, the right to receive notice of a lapse or discontinuation of coverage, the exclusive right to exercise any options concerning the assigned coverage during an open enrollment period and all such other rights and privileges initially granted to a person under the terms of the individual or group life insurance policy. [PL 2003, c. 636, §13 (AMD).]

B. A person has the right to exercise any option for accelerated benefits under the terms of any individual or group life insurance policy at any time for any unassigned portion of that policy or certificate. [PL 2003, c. 636, §13 (AMD).]

[PL 2003, c. 636, §13 (AMD).]

3. Failure to give notice under group life insurance policy. If the rights under a group life insurance policy have been assigned and the administrator of the policy fails to give notice to the assignee that a person is no longer a covered person under the group and of the right to convert the policy to an individual life insurance policy, the period of time during which the assignee must make application for conversion under the terms of the group life insurance policy begins from the date the notice is given to the assignee.

[PL 2003, c. 636, §13 (AMD).]

4. Riders and postsettlement increases or additions. With respect to policies containing a provision for double or additional indemnity for accidental death or any other riders or additional death benefits, including the increase in the death benefit in excess of the amount of the death benefits of the date the settlement contract is effected at the time the policy is assigned, transferred, sold, devised or bequeathed, unless otherwise mutually agreed to in writing by the viator and the settlement provider, the additional amount remains payable to the beneficiary last named by the viator prior to entering into the settlement contract or to such other beneficiary other than the settlement provider as the viator may thereafter designate or, in the absence of a designation, to the estate of the viator. [PL 2003, c. 636, §13 (AMD).]

5. Prohibition on settlements. It is a violation of this chapter for any person to enter into a settlement contract at any time prior to, or at the time of the application for, the issuance of a policy or within a 2-year period commencing with the date of issuance of the insurance policy or certificate unless the viator certifies to the settlement provider that one or more of the following conditions have been met within the 2-year period:

A. The policy was issued upon the viator's exercise of conversion rights arising out of a group or individual policy, as long as the total of the time covered under the conversion policy plus the time covered under the prior policy is at least 24 months. The time covered under a group policy must be calculated without regard to any change in insurance carriers, as long as the coverage has been continuous and under the same group sponsorship; and [PL 2003, c. 636, §13 (NEW).]

B. The viator submits independent evidence to the settlement provider that one or more of the following conditions have been met within the 2-year period:

(1) The viator or insured is terminally ill or chronically ill; or

(2) The viator or insured disposes of the viator's entire ownership interest in a closely held corporation pursuant to the terms of a buyout or other similar agreement in effect at the time the insurance policy was initially issued. [PL 2003, c. 636, §13 (NEW).]

[PL 2007, c. 543, §6 (AMD).]

6. Submission of certification. If the settlement provider submits to the insurer a copy of the owner's or insured's certification described in subsection 5 when the settlement provider submits a request to the insurer to effect the transfer of the policy or certificate to the settlement provider, the copy is deemed to conclusively establish that the settlement contract satisfies the requirements of this section and the insurer shall timely respond to the request.

[PL 2003, c. 636, §13 (NEW).]

SECTION HISTORY

PL 1997, c. 430, §1 (NEW). PL 1997, c. 430, §2 (AFF). PL 2003, c. 636, §13 (AMD). PL 2007, c. 543, §6 (AMD).

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