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Department of Banking, Insurance, Securities and Health Care Administration

89 Main Street, Drawer 20
Montpelier, VT 05620-3101

Telephone: (802) 828-3301 Facsimile: (802) 828-3306

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Insurance Division Bulletin 148

INDIVIDUAL LIFE INSURANCE TERMINATION AND SECONDARY ADDRESSEE NOTICE

The purpose of this bulletin is to notify life insurance companies of recent changes in Vermont law relating to the termination of coverage under individual life insurance policies for nonpayment of premium and the right of policyholders to identify a secondary addressee to receive a notice of termination for nonpayment of premium. See 8 V.S.A. § 3742(c). Effective July 1, 2004 Vermont law was amended to require the following of all life insurance companies:

1. No individual policy for life insurance covering an individual 64 years of age or older, which has been in force for at least one year, shall be canceled for nonpayment of premium, unless, after expiration of the grace period and at least 21 days prior to the effective date of any such cancellation, the insurer has mailed a notification of such impending cancellation in coverage to the policyholder and to a specified secondary addressee if such addressee has been designated. If a life insurance policy provides a grace period longer than 51 days, the notice of possible cancellation shall be mailed at least 21 days prior to the expiration of the grace period.
 - This requirement means that for policies with a grace period of less than 51 days, the insurer must, at the end of the grace period, send a notice to the policyholder and a secondary addressee, if one has been identified, of the impending cancellation.
 - If payment is received during the notice period, an insurer must continue coverage without interruption. If an insured person dies during the notice period, an insurer must pay policy benefits.
2. An insurer issuing an individual life insurance policy shall notify the applicant of the right to designate a secondary addressee at the time of application for the policy on a form provided by the insurer.

3. Annually, the insurer shall notify the policyholder of the right to designate a secondary addressee and a policyholder may change a secondary addressee designation at any time by submitting written notice to the insurer.
 - The notice may be contained in the annual statement or in a separate mailing to policyholders.
 - The notice is required to be sent to policyholders 64 years of age or older but may be sent, at the discretion of the insurer, to all policyholders.

4. These new requirements took effect on July 1, 2004 and apply to all individual life insurance policies issued on or after July 1, 2004 and to all other individual life insurance policies on the anniversary date of their issuance.
 - Companies may meet these notice requirements by sending a “catch-up mailing” and then sending the notice annually thereafter.
 - These requirements apply to policyholders who are residents of Vermont.

NO FILING REQUIREMENT: Insurers are not required to file with the Department, nor obtain the Department’s approval of, the form of notice of impending cancellation nor the form of notice of a policyholder’s right to specify a secondary addressee.

Questions should be directed to the Life Analyst, at 802-828-3301.

John P. Crowley, Commissioner