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CHANGES TO FREE-LOOK PERIOD FOR LIFE INSURANCE AND ANNUITIES

Assembly Bill 74, which was signed into law by Governor Sandoval on June 17, 2011, included provisions (sections 38 and 39) which amend the free-look period requirements under NRS 688A.165 for individual life insurance policies and individual annuity contracts.

The purpose of this Bulletin is to provide guidance to companies issuing life insurance policies or annuities in the State of Nevada regarding compliance with the revised free-look period provisions. The following is a summary of the revisions affecting individual life insurance policies and individual annuity contracts:

- Non-replacement individual life insurance policies and annuity contracts must include a provision or attached notice allowing the owner of the policy or contract to cancel the life insurance policy or annuity contract within 10 days after delivery of the policy or contract and receive a refund of all premiums or considerations paid, including any policy or contract fees or other charges. Previously, the 10-day requirement applied to all life insurance policies and did not explicitly address annuities. Therefore, the new law clarifies that the free-look period also applies to annuities and, as described below, allows for a longer free-look period for replacement policies and contracts.
- Life insurance policies or annuity contracts replacing an existing policy or contract are required to provide a minimum **30-day** period after delivery of the policy or contract during which the policy or contract may be cancelled and a full refund of all premiums or considerations paid, including any policy or contract fees or other charges.

Therefore, the Division recommends that insurers review their life insurance policies and annuity contracts that have been approved for sale in Nevada and ensure that the free-look period provisions meet or exceed the new minimum standards. Policies and contracts that are not in compliance must be revised and submitted to the Division for approval before they can be issued in Nevada. Beginning October 1, 2011, policies and contracts that are not in compliance with the new law may not be issued in Nevada.

Filing Guidelines

Companies may modify the free-look provisions in previously approved forms by submitting the revised language in any of the following formats:

1. A revised cover page; or
2. An amendment or sticker; or
3. An endorsement.

A new, distinct identifying form number should be included in the lower left hand corner of the revised cover page, amendment, sticker or endorsement. In order to expedite our review, if a revised cover page is used to accomplish this change, the Division will waive its requirement to submit a red-lined copy of the previously approved contract.

For changes made by amendments, stickers or endorsements, the submission must include a listing (including approval date) of all previously approved policies or contracts to which the amendment, sticker or endorsement will be attached.

In order to facilitate the prompt review of affected forms by October 1, 2011, insurers should use the System for Electronic Rates and Forms Filing (SERFF) and indicate "AB74" in the Company Tracking Number field if the only reason for the submission is compliance with the 2011 legislative changes.

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