

**RULES
OF
THE DEPARTMENT OF INSURANCE
DIVISION OF INSURANCE**

**CHAPTER 0780-1-43
RELATING TO THE "SMALL INSURANCE POLICY LAW OF 1979"**

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0780-1-43-.01 PURPOSE. The purpose of this rule is to implement the provisions of Chapter 398 of the Public Act of 1979, known as the "Small Insurance Policy Law of 1979".

Authority: T.C.A. §56-7-702(d)(3). *Administrative History:* Original rule filed September 28, 1979; effective November 30, 1979.

0780-1-43-.02 SCOPE. This rule shall apply to all industrial life insurance policies issued or delivered in this State after April 1, 1980. Industrial life insurance is defined in T.C.A. §56-7-701, as follows:

"...that form of life insurance, the policies for which include the words 'industrial policy' as part of the descriptive matter; and (a) under which the premiums are payable weekly, or (b) which the premiums are payable monthly or oftener, but less often than weekly, if the fact amount of the insurance provided in such policy is one thousand dollars (\$1,000) or less."

Authority: T.C.A. §56-7-702(d)(3). *Administrative History:* Original rule filed September 28, 1979; effective November 30, 1979.

0780-1-43-.03 APPROVAL OF FORMS. All approvals heretofore given to industrial life insurance policy forms, including endorsements, rider and applications, used in Tennessee shall cease to be effective as of April 1, 1980. No industrial life insurance form, including endorsements, riders and applications, shall be issued or delivered in this State after April 1, 1980 unless such form prior to its use shall have been filed and approved by the Commissioner of Insurance and until the applicable premium rates have been filed. No such form shall be approved unless it complies with each and every applicable provision of the "Small Insurance Policy Law of 1979" and all other applicable sections of Title 56, Tennessee Code Annotated. No such form will be approved if the Commissioner of Insurance determines that it is misleading, deceptive or encourages misrepresentation of coverage.

Authority: T.C.A. §56-7-702(d)(3). *Administrative History:* Original rule filed September 28, 1979; effective November 30, 1979.

0780-1-43-.04 CONTENT OF POLICIES.

- (1) (a) Except as noted herein, all industrial life insurance policies issued or delivered in this State issued on or after April 1, 1980, must contain the provisions set forth in T.C.A. §§56-7-702(a), 56-7-303(b), and 56-7-401(1)(b) and (d), or provisions which in the opinion of the Commissioner are as favorable to the policyholder. The loan provision required by T.C.A. §56-7-702(a), shall be contained in all industrial policies issued or delivered in this State after July 1, 1980; however, upon request by an insurer, the Commissioner of Insurance shall hold a hearing to determine if good cause exists to extend the time for compliance with the policy loan requirement, such extension not be exceed twelve (12) months.

(Rule 0780-1-43-.04, continued)

- (b) In connection with the provisions required by T.C.A. §56-7-702(a), for discount or refund in the event of premiums paid in advance at least 26 weeks and at least 52 weeks, the policy must provide either the discount or the refund at the end of the stipulated period. In the alternative, the policy may provide for both the discount or refund, with the insured given the opportunity to elect either option.
- (c) No industrial life insurance policy shall be issued or delivered in this State after April 1, 1980, if such policy contains any of the provisions prohibited by T.C.A. §56-7-302. In addition, no such policy shall be issued if it contains a provision reducing or excluding liability for the face amount or natural death benefit, because the insured's death occurred as the result of the act of another.
- (d) No industrial life insurance policy shall be issued or delivered in this State after April 1, 1980, unless such policy is designed so that the premiums for optional benefits, if any, are displayed in the policy in a clear, conspicuous, understandable manner, thereby enabling the policyholder to determine the actual cost of optional benefits. The term "optional benefits" as used herein means policy benefits which can be purchased or not purchased or which can be added to or deleted from such policy at the election of the applicant or policyowner.
- (e) In addition to the provisions required and prohibited as described above, an industrial life insurance policy issued or delivered in this State after April 1, 1980, may, at the option of the insurer, contain a provision for refund of a portion of the premium if payments are made directly to the insurer's home office or other designated office for a period of one year.
- (f) This subsection shall not preclude the reissue of policies which were approved for issue and originally issued prior to April 1, 1980, nor shall it preclude the issue of policies pursuant to contractual provisions of policies which were approved for issue and originally issued prior to April 1, 1980.

Authority: T.C.A. §56-7-702(d)(3). **Administrative History:** Original rule filed September 28, 1979; effective November 30, 1979.

0780-1-43-.05 CONTENT OF APPLICATIONS.

- (1) No application form for an industrial life insurance policy shall be used in this State after April 1, 1980 unless such form contains the provisions required by T.C.A. §56-7-702 (d) (6) which are:
 - (a) a question as to whether the applicant has reviewed his or her life insurance program;
 - (b) A question as to whether the applicant is aware of the relationship of the cost of his or her life insurance program to the applicant's total income;
 - (c) A question which requires the applicant to disclose the total number of policies and total amount of insurance presently in force on the life of the applicant and the proposed insured, if the proposed insured is a person other than the applicant.

The question must be stated in language which can be understood by the average consumer, and shall be stated so as to require a "yes" or "no" answer.

(Rule 0780-1-43-.05, continued)

All of the questions required by this rule shall be displayed in the policy application in a manner no less prominent than other questions.

Authority: T.C.A. §56-7-702(d)(3). **Administrative History:** Original rule filed September 28, 1979; effective November 30, 1979.

0780-1-43-.06 RECEIPTS. The requirements with respect to receipts for premiums paid under industrial life insurance policies, as set forth in T.C.A. §56-7-702(a), may be satisfied by either (i) delivery of a separate receipt for each premium remittance, which receipt shall bear the signature (actual or facsimile) of a company officer, or (ii) delivery of a premium receipt book to the policyholder, which premium receipt book shall bear the signature (actual or facsimile) of a company officer and which shall be countersigned by a company representative upon receipt of each premium remittance.

Authority: T.C.A. §56-7-702(d)(3). **Administrative History:** Original rule filed September 28, 1979; effective November 30, 1979.

0780-1-43-.07 PENALTY. Any insurer violating the "Small Insurance Policy Law of 1979" shall be subject to a penalty not to exceed five hundred dollars (\$500.00) for each violation as provided by T.C.A. §56-7-702(d)(2).

Authority: T.C.A. §56-7-702(d)(3). **Administrative History:** Original rule filed September 28, 1979; effective November 30, 1979.

0780-1-43-.08 EFFECTIVE DATE. The effective date of this rule is November 30, 1979.

Authority: T.C.A. §56-7-702(d)(3). **Administrative History:** Original rule filed September 28, 1979; effective November 30, 1979.