

The New Mexico Public Regulation Commission, Insurance Division, regulates life insurance disclosure rules as specified in Title 13, Chapter 9, Part 5, which apply to the solicitation, negotiation, or procurement of life insurance within the state, including issuers of life insurance contracts and fraternal benefit societies. However, these rules exclude annuities, credit life insurance, group life insurance (with certain exceptions for preneed funeral contracts), life insurance policies linked to ERISA plans, and variable life insurance. The primary aim of these regulations is to enhance the buyer's ability to select appropriate life insurance plans, comprehend policy features, and assess costs effectively. Insurers are mandated to provide a buyer's guide to prospective purchasers before accepting initial premiums, along with a policy summary for policies not marketed with illustrations, which must detail guarantees only.

The policy summary must include critical information such as the title "Statement Of Policy Cost And Benefit Information," the insurance agent's contact details, the insurer's name and address, the generic name of the policy and riders, and specific financial details for the first five policy years, including annual premiums, death benefits, cash surrender values, and endowment amounts. If applicable, insurers must also disclose the effective policy loan interest rate. For existing policies, insurers are required to provide policy data or in-force illustrations upon request, depending on the policy's issuance date and whether it was declared to be used with illustrations. Insurers must notify policyholders of any changes in the determination of nonguaranteed elements and any material revisions in terms and conditions.

For preneed funeral contracts funded by life insurance, insurers must disclose the role of life insurance, the relationships among parties, the impact of policy changes, and details about the merchandise and services included in the prearrangement. Insurers are required to maintain a complete file of authorized documents for three years and mandate that agents disclose their role and the insurer's name to prospective purchasers. Agents must avoid using misleading terms that suggest they are primarily engaged in advisory services unless they are. Any references to

nonguaranteed elements must clarify that these are not guaranteed and are based on the company's current scale.

The insurance policy document emphasizes the necessity for insurers to comply with providing essential documentation such as buyer's guides and policy summaries, with failure to deliver these documents considered a misrepresentation of the policy's benefits and terms. The Life Insurance Buyer's Guide serves as a valuable resource for consumers, outlining how to select a policy that aligns with individual needs and budget, determine the required coverage amount, and make informed purchasing decisions. Key considerations include reviewing personal insurance needs, ensuring premium affordability, and understanding the implications of signing applications. The guide advises against hastily replacing existing policies without thorough evaluation, as this may lead to additional costs and loss of benefits. It encourages consumers to assess their financial responsibilities and potential future needs, including final expenses and education costs for dependents.

The document distinguishes between two primary types of life insurance: term insurance, which provides coverage for a specified period without cash value accumulation, and cash value insurance, which includes whole life, universal life, and variable life policies that build cash value over time. Each type has different premium structures and benefits, with term insurance generally offering lower initial premiums and cash value policies providing lifelong coverage and investment opportunities. The guide also underscores the importance of understanding policy illustrations, which depict potential future benefits and risks associated with non-guaranteed values. Consumers are encouraged to compare policies from various companies, considering factors beyond just premium costs, such as the growth of cash value and specific policy features that align with their needs. Overall, the document aims to empower consumers with the knowledge necessary to make informed decisions regarding life insurance.