§ 7812. Life insurance applications. (a) Without limiting the ability of an insurer to assess the insurability of a policy applicant and to determine whether or not to issue the policy, and in addition to other questions an insurer may lawfully pose to a life insurance applicant, insurers may inquire in the application for insurance whether the proposed owner intends to pay premiums with the assistance of financing from a lender that will use the policy as collateral to support the financing.

(b) The insurer may include the following notice to the applicant and the insured, or other notice acceptable to the superintendent, on the application or as an amendment thereto: "If you enter into a loan arrangement where the policy is used as collateral, and the policy changes ownership at some point in the future in satisfaction of the loan, then the following may be true:

(1) a change of ownership may lead to a person unknown to you owning an interest in the insured's life;

(2) a change of ownership may limit your ability to purchase insurance in the future on the insured's life because there is a limit to how much coverage insurers will issue on one life;

(3) if ownership of the life insurance policy changes, and you wish to obtain more insurance coverage on the insured's life in the future, the insured's higher issue age, a change in health status, and/or other factors may reduce the ability to obtain coverage and/or may result in significantly higher premiums; and

(4) you should consult a professional advisor, since a change in ownership in satisfaction of the loan may result in tax consequences to the owner."