Article - Insurance

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§16–206.

(a) (1) Each participating ordinary life insurance policy shall contain a provision that:

(i) each year the insurer shall determine and apportion any divisible surplus under the policy that will accrue on the policy anniversary or other dividend date specified in the policy; and

(ii) the dividends arising from the apportionment shall be credited each year beginning not later than the end of the third policy year.

(2) Each participating industrial life insurance policy shall contain a provision that:

(i) each year the insurer shall determine and apportion any divisible surplus under the policy that will accrue on the policy anniversary or other dividend date specified in the policy; and

(ii) the dividends arising from the apportionment shall be credited each year beginning not later than the end of the fifth policy year.

(3) The policy may not contain a provision that the payment of any dividend payable under this section is contingent on the payment of any premium due on or after the date when the dividend becomes payable.

(b) (1) Subject to paragraph (2) of this subsection, each policy shall contain a provision that the party entitled to the dividend may elect to have the dividend:

(i) paid in cash;

(ii) applied to the payment of any premium then due;

(iii) applied to provide paid-up additions to the policy; or

(iv) left to accumulate at an interest rate not less than the rate specified in the policy.

(2) A term policy need not provide the dividend options specified in paragraph (1)(iii) and (iv) of this subsection.

(3) Each participating ordinary life insurance policy shall contain a provision that a specified option becomes effective unless the party entitled to the dividend notifies the insurer in writing of a different option within 30 days after the date on which the dividend is payable.

(c) If a participating policy provides that the benefit under any paid-up nonforfeiture provision is to be participating, the policy may provide that any divisible surplus apportioned while the insurance is in force under the nonforfeiture provision shall be applied in any manner specified in the policy.

(d) This section does not prohibit an insurer from granting to the party entitled to the dividends the right to elect another dividend option offered by the insurer in addition to the options required by this section, whether or not the additional option is specified in the policy.

(e) This section does not prohibit payment of additional dividends on default of payment of premiums or on termination of the policy.

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