

Article - Insurance

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§16-303.

(a) Subject to § 16-304(a) of this subtitle, a policy of life insurance may not be delivered or issued for delivery in the State on or after the operative date of this subtitle unless the policy contains in substance:

(1) each provision in subsections (b) through (g) of this section; or

(2) corresponding provisions that in the opinion of the Commissioner are at least as favorable to a defaulting or surrendering policyholder as the corresponding minimum requirements in subsections (b) through (g) of this section and that essentially comply with § 16-312 of this subtitle.

(b) (1) Each policy shall contain a provision that if a premium payment is in default after premiums have been paid for at least 1 year, on proper request under paragraph (2) of this subsection the insurer will grant:

(i) a paid-up nonforfeiture benefit on a plan specified in the policy of the amount required by this subtitle, effective as of the due date of the premium in default; or

(ii) an actuarially equivalent paid-up nonforfeiture benefit that provides a greater amount or longer period of death benefits or a greater amount or earlier payment of any endowment benefits.

(2) The request for a paid-up nonforfeiture benefit must be made to the insurer within 60 days after the due date of the premium in default.

(c) Each policy shall contain a provision that unless a person entitled to elect another available option within 60 days after the due date of the premium in default makes the election, the specified paid-up nonforfeiture benefit becomes effective.

(d) Each policy shall contain a provision that on surrender of a policy within 60 days after the due date of a premium in default, instead of a paid-up nonforfeiture benefit, the insurer will pay a cash surrender value as specified in the policy of the amount required by this subtitle after premiums have been paid for at least:

(1) 3 years for ordinary life insurance; or

(2) 5 years for industrial life insurance.

(e) Each policy shall contain a provision that on surrender of a policy within 30 days after the policy anniversary, the insurer will pay a cash surrender value as specified in the policy of the amount required by this subtitle if the policy:

(1) is paid-up by completion of all premium payments; or

(2) is continued under a paid-up nonforfeiture benefit that became effective on or after:

(i) the third policy anniversary for ordinary life insurance; or

(ii) the fifth policy anniversary for industrial life insurance.

(f) (1) If a policy provides for unscheduled changes in benefits or premiums on a basis guaranteed by the policy or provides an option for changes in benefits or premiums, other than a change to a new policy, the policy shall contain a statement of the mortality table, interest rate, and method used to calculate cash surrender values and paid-up nonforfeiture benefits available under the policy.

(2) (i) Each policy other than a policy described in paragraph (1) of this subsection shall contain:

1. a statement of the mortality table and interest rate used to calculate cash surrender values and paid-up nonforfeiture benefits available under the policy; and

2. a table that shows any cash surrender value and any paid-up nonforfeiture benefit available under the policy on each policy anniversary during the first 20 years of the policy or, if shorter, the term of the policy.

(ii) Cash surrender values and paid-up nonforfeiture benefits shall be calculated on the assumption that:

1. there are no dividends or paid-up additions credited to the policy; and

2. there is no indebtedness to the insurer on the policy.

(g) Each policy shall contain:

(1) a statement that cash surrender values and paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by this article;

(2) an explanation how cash surrender values and paid-up nonforfeiture benefits are altered due to paid-up additions credited to the policy or indebtedness to the insurer on the policy;

(3) a statement that the method of calculating cash surrender values and paid-up nonforfeiture benefits has been filed with the Commissioner if a detailed statement of the calculation method is not stated in the policy; and

(4) a statement of the method of calculating the cash surrender value and paid-up nonforfeiture benefit available under the policy on any policy anniversary after the last anniversary for which the cash surrender values and paid-up nonforfeiture benefits are shown consecutively in the policy.

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