

Article - Insurance

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§16–312.

(a) This section applies to policies of life insurance issued on or after January 1, 1986, and is in addition to any other applicable provisions of this subtitle.

(b) On default of a premium payment due on a policy anniversary, any cash surrender value available under the policy may not differ from the sum of the greater of the basic cash value calculated in accordance with subsection (c) of this section and zero and the present value of any existing paid-up additions less any indebtedness to the insurer on the policy by more than 0.2% of:

(1) the amount of insurance if the insurance is a uniform amount; or

(2) the average amount of insurance at the beginning of each of the first 10 policy years.

(c) The basic cash value on any anniversary equals the remainder of:

(1) the present value of the future guaranteed benefits, calculated as of the anniversary, that would have been provided by the policy, excluding any existing paid-up additions and before the deduction of any indebtedness to the insurer on the policy; less

(2) the present value of the nonforfeiture factors, calculated under subsection (e) of this section, corresponding to the premiums that would have fallen due on or after the anniversary.

(d) The effects on the basic cash value of supplemental life insurance, annuity benefits, or family coverage as described under the applicable provisions of §§ 16–305, 16–307, 16–308(b), and 16–309 of this subtitle shall be the same as the effects on cash surrender values under those applicable provisions.

(e) (1) The nonforfeiture factor for each policy year shall be equal to the percentage of the adjusted premium for that policy year calculated in accordance with the applicable provisions of § 16-307, § 16-308(b), or § 16-309 of this subtitle.

(2) Except as required under paragraph (4) of this subsection, the percentage of the adjusted premium shall be the same percentage for each policy year between:

(i) the second policy anniversary; and

(ii) the later of:

1. the fifth policy anniversary; or

2. the first policy anniversary when there is a cash surrender value available under the policy, excluding any paid-up additions but including any indebtedness on the policy, of at least 0.2% of the amount of insurance if the insurance is a uniform amount or of the average amount of insurance at the beginning of each of the first 10 policy years.

(3) The percentage of the adjusted premium after the later of the 2 policy anniversaries specified in paragraph (2) of this subsection shall apply for at least 5 consecutive policy years.

(4) The basic cash value may not be less than the value that would be obtained if the adjusted premiums for the policy calculated under the applicable provisions of § 16-307, § 16-308(b), or § 16-309 of this subtitle were substituted for the nonforfeiture factors in the calculation of the basic cash value.

(f) Adjusted premiums and present values referred to in this section shall be calculated for each policy on the same mortality and interest bases that are used to demonstrate compliance of the policy with other applicable provisions of this subtitle.

(g) Cash surrender values referred to in this section include endowment benefits provided by the policy.

(h) (1) Any cash surrender value available under a policy, other than on default of a premium due on a policy anniversary, and any paid-up nonforfeiture benefit available under a policy on default of a premium payment shall be determined in a manner consistent with the manner specified to determine the analogous minimum amounts under the applicable provisions of §§ 16-303 through 16-306, § 16-309, and § 16-311 of this subtitle.

(2) Any cash surrender value and any paid-up nonforfeiture benefits granted in connection with additional benefits similar to those under § 16-311(d)(1) through (7) of this subtitle shall conform to the principles of this section.

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