charged against the current or next succeeding payment or payments to be made by the insurer under the contract.

407. Dividends—Annuities.

(a) In a participating contract, there shall be a provision that the insurer shall annually ascertain and apportion any divisible surplus under the contract which will accrue on the contract anniversary or other dividend date specified in the contract, and that dividends arising from such apportionment shall be credited annually beginning not later than the end of the third contract year. The payment of any dividend payable on or after the end of the third contract year shall not be made contingent upon the payment of any consideration due on or after the date when such dividend becomes payable. The contract shall provide that the party entitled thereto shall have the right, at his option, to have the dividend arising from such participation (1) paid in cash, or (2) applied to the payment of any consideration then due; provided, however, that in the case of any deferred annuity contract such contract need not provide for participation in surplus after the commencement of annuity payments.

(b) This section shall not preclude the granting by the insurer to the party entitled thereto, the right to elect other dividend options as may be provided by the insurer in addition to those required by this section, whether or not such additional options are specified in the contract.

(c) The contract shall further provide that a specified option shall become effective if the party entitled thereto fails to notify the insurer in writing of his election not later than thirty (30) days following the date on which any dividend is payable.

408. Reinstatement—Annuities.

There shall be a provision that the contract may be reinstated at any time within one year from the default in making stipulated payments to the insurer, unless the cash surrender value had been paid, but all overdue stipulated payments and any indebtedness to the insurer on the contract shall be paid or reinstated with interest thereon at a rate to be specified in the contract but not exceeding six percent (6%) per annum payable annually, and in cases where applicable the insurer may also include a requirement of evidence of insurability satisfactory to the insurer.

408A. Nonforfeiture Benefits—Annuities.

(a) In the case of annuities other than those covered by subsection (b), there shall be a provision that, in the event of default in premium payments after three full years' premiums have been paid, the annuity shall, without any further act or stipulation, be converted into a paid-up annuity for such proportion of the original annuity as the number of completed years' premiums paid bears to the total number of premiums required under the contract.

(b) In the case of annuities under which the period of premium payments extends beyond the date of commencement of annuity payments and in the case of any other annuities for which the requirement of subsection (a) is in the opinion of the Commissioner inequitable, there shall be a provision for a nonforfeiture benefit, in