

BY repealing and reenacting, with amendments,

Article 48A - Insurance Code
 Section 394
 Annotated Code of Maryland
 (1972 Replacement Volume and 1977 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That section(s) of the Annotated Code of Maryland be repealed, amended, or enacted to read as follows:

Article 48A - Insurance Code

394.

(a) There shall be a provision that after three [(3)] full years' premiums have been paid and after the policy has a cash surrender value and while no premium is in default beyond the grace period for payment, the insurer will advance, on proper assignment or pledge of the policy and on the sole security thereof, at a specified rate of interest not exceeding an effective rate of ~~[- six percent (6%) per annum -] 8 PERCENT PER YEAR OR 7.4 PERCENT IF, PAID ANNUALLY IN ADVANCE 7 PERCENT PER ANNUM~~, an amount equal to or, at the option of the party entitled thereto, less than the loan value of the policy. ~~AS A CONDITION FOR APPROVAL OF A POLICY LOAN INTEREST RATE IN EXCESS OF 6 PERCENT PER ANNUM, THE COMMISSIONER MAY SHALL REQUIRE THE INSURER TO FURNISH SUCH ASSURANCES AS HE DEEMS NECESSARY THAT THE INTEREST RATE ON THESE LOANS WILL BEAR A REASONABLE RELATIONSHIP TO OTHER INTEREST RATES AND IF THE POLICY LOAN INTEREST RATE IS IN EXCESS OF 6 PERCENT PER ANNUM THAT THE HOLDERS OF THESE POLICIES WILL BENEFIT THROUGH HIGHER DIVIDENDS OR LOWER PREMIUMS, OR BOTH MAY AUTHORIZE A RATE IN EXCESS OF 6 PERCENT BUT NOT IN EXCESS OF 8 PERCENT PER ANNUM UPON A FINDING THAT SUCH ACTION WILL REDUCE THE NET COST OF LIFE INSURANCE OFFERED BY THE COMPANY IN DIRECT RELATIONSHIP TO THE REVENUE FROM SUCH INCREASE.~~ The loan value of the policy shall be at least equal to the cash surrender value at the end of the then current policy year, provided that the insurer may deduct, either from such loan value or from the proceeds of the loan, any existing indebtedness not already deducted in determining such cash surrender value including any interest then accrued but not due, any unpaid balance of the premium for the current policy year, and interest on the loan to the end of the current policy year. The policy may also provide that if interest on any indebtedness is not paid when due it shall then be added to the existing indebtedness and shall bear interest at the same rate, and that if and when the total indebtedness on the policy, including interest due or accrued, equals or exceeds the amount of the loan value thereof, then the policy shall terminate and become void, but not until at least 30 days notice shall have been mailed by the insurer to the last known address of the insured or policy owner and of any assignee of record at the home office of the insurer. The policy shall reserve to the insurer the right to defer