

Life Insurance Policy Loans

FOR the purpose of permitting and setting guidelines for life insurers to include in life insurance policies issued after the effective date of this Act a provision for periodic adjustment of policy loan interest rates; and generally relating to life insurance policy loans.

BY adding to

Article 48A - Insurance Code
Section 394A
Annotated Code of Maryland
(1979 Replacement Volume and 1982 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article 48A - Insurance Code

394A.

(A) (1) IN THIS SECTION, "PUBLISHED MONTHLY AVERAGE" MEANS:

(1) MOODY'S CORPORATE BOND YIELD AVERAGE - MONTHLY AVERAGE CORPORATES AS PUBLISHED BY MOODY'S INVESTOR'S SERVICE, INC. OR ITS SUCCESSOR; OR

(2) IF THE MOODY'S CORPORATE BOND YIELD AVERAGE - MONTHLY AVERAGE CORPORATES IS NOT PUBLISHED, A SUBSTANTIALLY SIMILAR AVERAGE THAT THE COMMISSIONER ESTABLISHES BY REGULATION.

(B) LIFE INSURANCE POLICIES ISSUED ON OR AFTER JULY 1, 1983 SHALL PROVIDE FOR POLICY LOAN INTEREST RATES AS-FOLLOWS EITHER:

(1) A PROVISION PERMITTING A MAXIMUM INTEREST RATE THAT DOES NOT EXCEED AN EFFECTIVE ANNUAL RATE OF 8 PERCENT; OR

(2) A PROVISION PERMITTING AN ADJUSTABLE MAXIMUM ANNUAL INTEREST RATE ESTABLISHED FROM TIME TO TIME BY THE LIFE INSURER AS PERMITTED BY LAW.

(C) THE ANNUAL RATE OF INTEREST CHARGED ON A POLICY LOAN MADE UNDER SUBSECTION (B)(2) OF THIS SECTION MAY NOT EXCEED THE HIGHER OF:

(1) THE PUBLISHED MONTHLY AVERAGE FOR THE CALENDAR MONTH ENDING 2 MONTHS BEFORE THE DATE ON WHICH THE RATE IS DETERMINED; OR

(2) THE ANNUAL RATE USED TO COMPUTE THE CASH SURRENDER VALUES UNDER THE POLICY DURING THE APPLICABLE PERIOD PLUS 1 PERCENT.