16–107. CONTESTABILITY AND LIABILITY OF REINSTATED POLICIES AND CONTRACTS.

(A) LIMITATION ON CONTESTABILITY.

A REINSTATED POLICY OF LIFE INSURANCE OR REINSTATED ANNUITY CONTRACT MAY BE CONTESTED ON ACCOUNT OF FRAUD OR MISREPRESENTATION OF FACTS MATERIAL TO THE REINSTATEMENT ONLY FOR THE SAME PERIOD AFTER REINSTATEMENT AND WITH THE SAME CONDITIONS AND EXCEPTIONS AS THE POLICY OR ANNUITY CONTRACT PROVIDES WITH RESPECT TO CONTESTABILITY AFTER ORIGINAL ISSUE.

(B) LIMITATION OF LIABILITY.

(1) A REINSTATED POLICY OF LIFE INSURANCE OR REINSTATED ANNUITY CONTRACT MAY EXCLUDE OR RESTRICT LIABILITY TO THE SAME EXTENT THAT LIABILITY MIGHT HAVE BEEN OR WAS EXCLUDED OR RESTRICTED WHEN THE POLICY OR ANNUITY CONTRACT ORIGINALLY WAS ISSUED.

(2) THE EXCLUSION OR RESTRICTION IS EFFECTIVE AS OF THE DATE OF REINSTATEMENT.

REVISOR'S NOTE: This section is new language derived without substantive change from former Art. 48A, § 412.

In subsection (a) of this section, the reference to the conditions and exceptions as the policy or "annuity contract" provides is added for consistency within the section.

Defined terms: "Annuity contract" § 1–101
"Life insurance" § 1–101
"Policy" § 1–101

16–108. HOLDING PROCEEDS.

(A) IN GENERAL.

A LIFE INSURER MAY HOLD UNDER AGREEMENT THE PROCEEDS OF A POLICY ISSUED BY IT ON THE TERMS AND RESTRICTIONS AS TO REVOCATION BY THE POLICYHOLDER AND CONTROL BY BENEFICIARIES, AND WITH THE EXEMPTIONS FROM THE CLAIMS OF CREDITORS OF BENEFICIARIES OTHER THAN THE POLICYHOLDER, AS SET FORTH IN THE POLICY OR AS AGREED TO IN WRITING BY THE LIFE INSURER AND THE POLICYHOLDER.

(B) UNDER AGREEMENT WITH BENEFICIARIES.

IF A POLICYHOLDER HAS NOT MADE AN AGREEMENT DESCRIBED IN SUBSECTION (A) OF THIS SECTION, ON MATURITY OF THE POLICY THE LIFE INSURER MAY HOLD THE PROCEEDS OF THE POLICY UNDER AN AGREEMENT WITH THE BENEFICIARIES.

(C) SEGREGATION OF FUNDS NOT REQUIRED.