

16-206. DIVIDENDS.

(A) IN GENERAL.

(1) EACH PARTICIPATING ORDINARY LIFE INSURANCE POLICY SHALL CONTAIN A PROVISION THAT:

(I) EACH YEAR THE INSURER SHALL DETERMINE AND APPORTION ANY DIVISIBLE SURPLUS UNDER THE POLICY THAT WILL ACCRUE ON THE POLICY ANNIVERSARY OR OTHER DIVIDEND DATE SPECIFIED IN THE POLICY; AND

(II) THE DIVIDENDS ARISING FROM THE APPORTIONMENT SHALL BE CREDITED EACH YEAR BEGINNING NOT LATER THAN THE END OF THE THIRD POLICY YEAR.

(2) EACH PARTICIPATING INDUSTRIAL LIFE INSURANCE POLICY SHALL CONTAIN A PROVISION THAT:

(I) EACH YEAR THE INSURER SHALL DETERMINE AND APPORTION ANY DIVISIBLE SURPLUS UNDER THE POLICY THAT WILL ACCRUE ON THE POLICY ANNIVERSARY OR OTHER DIVIDEND DATE SPECIFIED IN THE POLICY; AND

(II) THE DIVIDENDS ARISING FROM THE APPORTIONMENT SHALL BE CREDITED EACH YEAR BEGINNING NOT LATER THAN THE END OF THE FIFTH POLICY YEAR.

(3) THE POLICY MAY NOT CONTAIN A PROVISION THAT THE PAYMENT OF ANY DIVIDEND PAYABLE UNDER THIS SECTION IS CONTINGENT ON THE PAYMENT OF ANY PREMIUM DUE ON OR AFTER THE DATE WHEN THE DIVIDEND BECOMES PAYABLE.

(B) PAYMENT OPTIONS.

(1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, EACH POLICY SHALL CONTAIN A PROVISION THAT THE PARTY ENTITLED TO THE DIVIDEND MAY ELECT TO HAVE THE DIVIDEND:

(I) PAID IN CASH;

(II) APPLIED TO THE PAYMENT OF ANY PREMIUM THEN DUE;

(III) APPLIED TO PROVIDE PAID-UP ADDITIONS TO THE POLICY; OR

(IV) LEFT TO ACCUMULATE AT AN INTEREST RATE NOT LESS THAN THE RATE SPECIFIED IN THE POLICY.

(2) A TERM POLICY NEED NOT PROVIDE THE DIVIDEND OPTIONS SPECIFIED IN PARAGRAPH (1)(III) AND (IV) OF THIS SUBSECTION.

(3) EACH PARTICIPATING ORDINARY LIFE INSURANCE POLICY SHALL CONTAIN A PROVISION THAT A SPECIFIED OPTION BECOMES EFFECTIVE UNLESS