EACH POLICY OF LIFE INSURANCE SHALL CONTAIN A PROVISION THAT, ON PROPER ASSIGNMENT OR PLEDGE OF THE POLICY AND ON THE SOLE SECURITY OF THE POLICY, THE INSURER SHALL ADVANCE AN AMOUNT EQUAL TO, OR AT THE OPTION OF THE PARTY ENTITLED TO THE ADVANCE, AN AMOUNT NOT EXCEEDING THE LOAN VALUE OF THE POLICY:

(1) AFTER PREMIUMS HAVE BEEN PAID FOR AT LEAST 3 YEARS;

(2) AFTER THE POLICY HAS A CASH SURRENDER VALUE; AND

(3) WHILE NO PREMIUM IS IN DEFAULT BEYOND THE GRACE PERIOD.

(C) INTEREST.

(1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION AND SUBJECT TO § 16–208 OF THIS SUBTITLE, THE INSURER MAY CHARGE INTEREST ON THE ADVANCE AT A RATE SPECIFIED IN THE POLICY NOT EXCEEDING AN EFFECTIVE RATE OF 6% PER YEAR.

(2) THE COMMISSIONER MAY AUTHORIZE AN INTEREST RATE EXCEEDING AN EFFECTIVE RATE OF 6% BUT NOT EXCEEDING 8% PER YEAR IF THE COMMISSIONER FINDS THAT A GREATER RATE WILL REDUCE THE NET COST OF LIFE INSURANCE OFFERED BY THE INSURER IN DIRECT RELATIONSHIP TO THE REVENUE FROM THE INCREASE.

(D) LOAN VALUE OF POLICY.

(1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE LOAN VALUE OF A POLICY SHALL AT LEAST EQUAL THE CASH SURRENDER VALUE OF THE POLICY AT THE END OF THE CURRENT POLICY YEAR.

(2) IN DETERMINING THE CASH SURRENDER VALUE OF A POLICY, THE INSURER MAY DEDUCT FROM THE LOAN VALUE OR FROM THE PROCEEDS OF THE LOAN:

(I) ANY EXISTING INDEBTEDNESS TO THE INSURER NOT ALREADY DEDUCTED INCLUDING ANY INTEREST THEN ACCRUED BUT NOT DUE;

(II) ANY UNPAID BALANCE OF THE PREMIUM FOR THE CURRENT POLICY YEAR; AND

(III) INTEREST ON THE LOAN TO THE END OF THE CURRENT POLICY YEAR.

(E) INTEREST ON UNPAID INDEBTEDNESS; TERMINATION OF POLICY.

EACH POLICY MAY ALSO CONTAIN A PROVISION THAT:

(1) INTEREST ON ANY INDEBTEDNESS THAT IS NOT PAID WHEN DUE SHALL BE ADDED TO THE EXISTING INDEBTEDNESS AND SHALL BEAR INTEREST AT THE SAME RATE; AND

(2) THE POLICY TERMINATES IF: