

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

(II) THE ANNUAL RATE USED TO CALCULATE THE CASH SURRENDER VALUES UNDER THE POLICY DURING THE APPLICABLE PERIOD PLUS 1%.

(C) FREQUENCY OF DETERMINATION OF RATE.

(1) IF THE MAXIMUM RATE OF INTEREST IS DETERMINED UNDER SUBSECTION (B)(2) OF THIS SECTION, THE POLICY SHALL INCLUDE PROVISIONS THAT DISCLOSE THE FREQUENCY AT WHICH THE RATE WILL BE DETERMINED FOR THE POLICY.

(2) THE MAXIMUM ANNUAL INTEREST RATE FOR EACH POLICY WITH AN ADJUSTABLE POLICY LOAN INTEREST RATE MUST BE DETERMINED AT REGULAR INTERVALS AT LEAST ONCE EVERY 12 MONTHS, BUT NOT MORE THAN ONCE IN ANY 3-MONTH PERIOD.

(D) INCREASING OR REDUCING RATE.

FOR A POLICY WITH AN ADJUSTABLE POLICY LOAN INTEREST RATE, AT THE INTERVALS SPECIFIED IN THE POLICY:

(1) THE INTEREST RATE MAY BE INCREASED IF THE CALCULATION UNDER SUBSECTION (B)(2) OF THIS SECTION WOULD INCREASE THE ANNUAL RATE BY AT LEAST 0.5%; AND

(2) THE INTEREST RATE SHALL BE REDUCED IF THE CALCULATION UNDER SUBSECTION (B)(2) OF THIS SECTION WOULD REDUCE THE ANNUAL RATE BY AT LEAST 0.5%.

(E) REQUIRED NOTICES TO POLICYHOLDERS.

(1) THIS SUBSECTION APPLIES ONLY TO A POLICY WITH AN ADJUSTABLE POLICY LOAN INTEREST RATE.

(2) WHEN A CASH LOAN IS MADE, THE LIFE INSURER SHALL NOTIFY THE POLICYHOLDER OF THE BEGINNING ANNUAL INTEREST RATE ON THE LOAN.

(3) WHEN A PREMIUM LOAN IS MADE, THE LIFE INSURER SHALL NOTIFY THE POLICYHOLDER AS SOON AS IS REASONABLY PRACTICAL AFTER MAKING THE INITIAL LOAN OF THE BEGINNING ANNUAL INTEREST RATE ON THE LOAN.

(4) THE LIFE INSURER SHALL GIVE REASONABLE ADVANCE NOTICE TO POLICYHOLDERS WITH OUTSTANDING LOANS OF ANY INCREASE IN INTEREST RATES.

(5) THE NOTICES REQUIRED UNDER THIS SUBSECTION SHALL INCLUDE THE SUBSTANCE OF THE RELEVANT PROVISIONS OF SUBSECTIONS (B) AND (C)(2) OF THIS SECTION.