

SECTION 6. AND BE IT FURTHER ENACTED, That Section(s) 408A of Article 48A – Insurance Code of the Annotated Code of Maryland be repealed and reenacted, with amendments, and transferred to the Session Laws, to read as follows:

INDIVIDUAL ANNUITIES ISSUED BEFORE OPERATIVE DATE OF STANDARD  
NONFORFEITURE LAW FOR INDIVIDUAL DEFERRED ANNUITIES

[408A.] 1.

(a) In the case of annuities other than those covered by subsection (c), there shall be a provision that, in the event of default, in premium payments after three full years' premiums have been paid, the annuity shall, without any further act or stipulation, be converted into a paid-up annuity for such proportion of the original annuity as the number of completed years' premiums paid bears to the total number of premiums required under the contract, or into a paid-up annuity of an amount, if greater, which is the actuarial equivalent of any cash surrender value required under subsection (b).

(b) In the case of annuities other than those covered by subsection (c), there shall be a provision that, in the event of default in premium payments, the contract holder shall have the option of surrendering the contract for its cash surrender value prior to the date of commencement of annuity payments. The cash surrender value as of the date of default shall not be less than an amount determined as follows: in the event of default in premium payments (1) at any time during the first contract year, 60 percent of all considerations paid under the contract; (2) at the end of the second contract year, 70 percent of all considerations paid under the contract; (3) at the end of the third contract year, 73 1/3 percent of all considerations paid under the contract; (4) at any time during the second or third contract year, other than at the end of the second or third year, the sum of 60 percent of all considerations paid under the contract during the first contract year, plus 80 percent of all considerations paid after the first contract year; and (5) after the third contract year, the actuarial equivalent, on a basis stated in the policy and approved by the Commissioner, of any paid-up annuity required under subsection (a). The cash surrender value at any time after the date of default but prior to the date of commencement of annuity payments shall be not less than the cash surrender value specified in the contract as of the date of default increased by interest to the date of surrender, at a rate specified in the policy and approved by the Commissioner.

(c) In the case of annuities under which the period of premium payments extends beyond the date of commencement of annuity payments and in the case of any other annuities for which the requirements of subsections (a) and (b) are in the opinion of the Commissioner inequitable, there shall be provision for nonforfeiture benefits, in the event of default in premium payments, which in the opinion of the Commissioner are equitable to the holder of the contract.

(d) This section shall apply to only those individual annuities issued prior to the operative date of [§ 408B (The Standard Nonforfeiture Law for Individual Deferred Annuities)] THE MARYLAND STANDARD NONFORFEITURE LAW FOR INDIVIDUAL DEFERRED ANNUITIES.

REVISOR'S NOTE: This section formerly was Art. 48A, § 408A.