**CHAPTER 29**

**LIFE INSURANCE AND ANNUITY CONTRACTS**

**§2501. Scope of chapter**

This chapter applies only to contracts of life insurance and annuities, other than reinsurance, group life insurance and group annuities, except that: [PL 2009, c. 244, Pt. I, §1 (AMD).]

**1.**  Section 2537 also applies as to group life insurance and group annuity contracts; and

[PL 2009, c. 244, Pt. I, §1 (NEW).]

**2.**  Sections 2541 to 2551 apply to group annuities other than those exempted by section 2542.

[PL 2009, c. 244, Pt. I, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 560, §2 (AMD). PL 1977, c. 261, §1 (AMD). PL 1995, c. 375, §C5 (AMD). PL 2009, c. 244, Pt. I, §1 (AMD).

**§2502. Industrial life insurance defined**

For the purposes of this Title "industrial life insurance" is that form of life insurance written under policies of face amount of $2,500 or less bearing the words "industrial policy," or "weekly premium policy" or words of similar import imprinted on the face thereof as part of the descriptive matter, and under which premiums are payable monthly or more often. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2503. Standard provisions required**

**1.**  No policy of life insurance other than pure endowments with or without return of premiums or of premiums and interest, shall be delivered or issued for delivery in this State unless it contains in substance all of the applicable provisions required by sections 2504 to 2515. This section shall not apply to annuity contracts nor to any provision of a life insurance policy, or contract supplemental thereto, relating to disability benefits or to additional benefits in the event of death by accident or accidental means.

[PL 1969, c. 132, §1 (NEW).]

**2.**  Any of such provisions or portions thereof not applicable to single premium or nonparticipating or term policies or insurance granted in exchange for lapsed or surrendered policies shall to that extent not be incorporated therein.

[PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2504. Payment of premiums**

There shall be a provision relating to the time and place of payment of premiums. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2505. Grace period**

There shall be a provision that a grace period of 30 days, or, at the option of the insurer, of one month of not less than 30 days, or of 4 weeks in the case of industrial life insurance policies the premiums for which are payable more frequently than monthly, shall be allowed within which the payment of any premium after the first may be made, during which period of grace the policy shall continue in full force. The insurer may impose an interest charge not in excess of 6% per annum for the number of days of grace elapsing before the payment of the premium, and, whether or not such interest charge is imposed, if a claim arises under the policy during such period of grace the amount of any premium due or overdue, together with interest and any deferred installment of the annual premium, may be deducted from the policy proceeds. Grace shall date from the premium due date specified in the policy. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2506. Entire contract**

There shall be a provision that except as otherwise expressly provided by law, the policy and the application therefor, if a copy of such application is endorsed upon or attached to the policy when issued, shall constitute the entire contract between the parties, and that all statements contained in the application shall, in the absence of fraud, be deemed representations and not warranties. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2507. Incontestability**

There shall be a provision that the policy shall be incontestable after it has been in force during the lifetime of the insured for a period of not more than 2 years after its date of issue, except for nonpayment of premiums and, at the insurer's option, provisions relating to benefits in the event of total and permanent disability and provisions granting additional benefits specifically against death by accident or accidental means. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2508. Misstatement of age**

There shall be a provision that if the age of the insured or of any other person whose age is considered in determining the premium or benefit has been misstated, any amount payable or benefit accruing under the policy shall be such as the premium would have purchased at the correct age or ages. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2509. Dividends**

**1.**  There shall be a provision in participating policies that, beginning not later than the end of the 3rd policy year, the insurer shall annually ascertain and apportion the divisible surplus, if any, that will accrue on the policy anniversary or other dividend date specified in the policy provided the policy is in force and all premiums to that date are paid. Except as hereinafter provided, any dividend becoming payable shall at the option of the party entitled to elect such option be either:

A. Payable in cash, or [PL 1969, c. 132, §1 (NEW).]

B. Applied to any one of such other dividend options as may be provided by the policy. If any such other dividend options are provided, the policy shall further state which option shall be automatically effective if such party shall not have elected some other option. If the policy specifies a period within which such other dividend option may be elected, such period shall be not less than 30 days following the date on which such dividend is due and payable. The annually apportioned dividend shall be deemed to be payable in cash within the meaning of paragraph A even though the policy provides that payment of such dividend is to be deferred for a specified period, provided such period does not exceed 6 years from the date of apportionment and that interest will be added to such dividend at a specified rate. [RR 2011, c. 1, §38 (COR).]

[RR 2011, c. 1, §38 (COR).]

**2.**  Renewable term policies of 10 years or less may provide that the surplus accrued to such policies shall be determined and apportioned each year after the second policy year, and accumulated during each renewal period, and that at the end of the renewal period, on renewal of the policy by the insured, the insurer shall apply the accumulated surplus as an annuity for the next succeeding renewal term in the reduction of premiums.

[PL 1969, c. 132, §1 (NEW).]

**3.**  In participating industrial life insurance policies, in lieu of the provision required in subsection 1, there shall be a provision that, beginning not later than the end of the 5th policy year, the policy shall participate annually in the divisible surplus, if any, in the manner set forth in the policy.

[PL 1969, c. 132, §1 (NEW).]

**4.**  This section does not apply as to insurance issued in consideration of lapsed or surrendered policies.

[PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). RR 2011, c. 1, §38 (COR).

**§2510. Policy loan**

**1.**  There shall be a provision that after 3 full years' premiums have been paid and after the policy has a cash surrender value and while no premium is in default beyond the grace period for payment, the insurer will advance, on proper assignment or pledge of the policy and on the sole security thereof, at a rate of interest as specified in sections 2552 to 2554, an amount equal to or, at the option of the party entitled thereto, less than the loan value of the policy. The loan value of the policy shall be at least equal to the cash surrender value at the end of the then current policy year, and the insurer may deduct, either from such loan value or from the proceeds of the loan, any existing indebtedness not already deducted in determining such cash surrender value including any interest then accrued but not due, any unpaid balance of the premium for the current policy year, and interest on the loan to the end of the current policy year. The policy may also provide that if interest on any indebtedness is not paid when due, it shall then be added to the existing indebtedness and shall bear interest at the same rate, and that if and when the total indebtedness on the policy, including interest due or accrued, equals or exceeds the amount of the loan value thereof, then the policy shall terminate and become void, but not until at least 30 days' notice has been mailed by the insurer to the last address, of record with the insurer, of the insured or other policy owner and of any assignee of record at the insurer's home office. The policy shall reserve to the insurer the right to defer the granting of a loan, other than for the payment of any premium to the insurer, for 6 months after application therefor. Such provision shall also contain a table showing in figures the loan values each year during the first 20 years of the policy, or during the term of the policy, whichever is shorter. The policy, at the insurer's option, may provide for automatic premium loan.

[PL 1981, c. 698, §108 (AMD).]

**2.**  This section shall not apply to term policies or to term insurance benefits provided by rider or supplemental policy provisions or to industrial life insurance policies.

[PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1981, c. 188, §1 (AMD). PL 1981, c. 698, §108 (AMD).

**§2511. Table of installments**

In case the policy provides that the proceeds may be payable in installments which are determinable at issue of the policy, there shall be a table showing the amounts of the guaranteed installments. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2512. Reinstatement**

There shall be a provision that unless: [PL 1969, c. 132, §1 (NEW).]

**1.**  The policy has been surrendered for its cash surrender value;

[PL 1981, c. 188, §2 (AMD).]

**2.**  Its cash surrender value has been exhausted; or

[PL 1969, c. 132, §1 (NEW).]

**3.**  The paid-up term insurance, if any, has expired;

the policy will be reinstated at any time within 3 years, or 2 years in the case of industrial life insurance policies, from the date of premium default upon written application therefor, the production of evidence of insurability satisfactory to the insurer, the payment of all premiums in arrears with interest at a rate not exceeding 6% per annum compounded annually and the payment or reinstatement of any other indebtedness to the insurer upon the policy with interest at the policy loan interest rate.

[PL 1969, c. 132, §1 (NEW); PL 1981, c. 188, §2 (AMD).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1981, c. 188, §2 (AMD).

**§2513. Payment of claims**

There shall be a provision that when the benefits under the policy shall become payable by reason of the death of the insured, settlement shall be made upon receipt of due proof of death and, at the insurer's option, surrender of the policy and proof of the interest of the claimant. If an insurer shall specify a particular period prior to the expiration of which settlement shall be made, such period shall not exceed 2 months from the receipt of such proofs. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2514. Beneficiary, industrial policies**

An industrial life insurance policy shall have the name of the beneficiary designated thereon or in the application or other form if attached to the policy, with a reservation of the right to designate or change the beneficiary after the issuance of the policy, unless such beneficiary be irrevocably designated. The policy may also provide that no designation or change of beneficiary shall be binding on the insurer until endorsed on the policy by the insurer, and that the insurer may refuse to endorse the name of any proposed beneficiary who does not appear to the insurer to have an insurable interest in the life of the insured. The policy may also provide that if the beneficiary designated in the policy does not make a claim under the policy or does not surrender the policy with due proof of death within the period stated in the policy, which shall not be less than 30 days after the death of the insured, or if the beneficiary is the estate of the insured, or is a minor, or dies before the insured, or is not legally competent to give a valid release, then the insurer may make any payment thereunder to the executor or administrator of the insured, or to any relative of the insured by blood or legal adoption or connection by marriage, or to any person appearing to the insurer to be equitably entitled thereto by reason of having been named beneficiary, or by reason of having incurred expense for the maintenance, medical attention or burial of the insured. The policy may also include a similar provision applicable to any other payment due under the policy. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2515. Title**

There shall be a title on the policy, briefly describing the same. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2515-A. Right to examine and return policy**

**1.**  Every individual life insurance policy delivered or issued for delivery in this State after December 31, 1976, shall contain a provision therein, or in a separate rider attached thereto when delivered, stating in substance that the person to whom the policy is issued shall be permitted to return the policy within 10 days of its delivery to such person and to have a refund of the premium paid, if after examination of the policy the purchaser is not satisfied with it for any reason. The provision shall be set forth in the policy under an appropriate caption and, if not so printed on the face page of the policy, adequate notice of the provision shall be printed or stamped conspicuously on the face page.

[PL 1975, c. 168 (NEW).]

**2.**  The policy may be so returned to the insurer at its home or branch office or to the agent through whom it was applied for, and thereupon shall be void as from the beginning and as if the policy had not been issued.

[PL 1975, c. 168 (NEW).]

SECTION HISTORY

PL 1975, c. 168 (NEW).

**§2516. Excluded or restricted coverage**

A clause in any policy of life insurance policy or annuity contract providing that such policy or contract shall be incontestable after a specified period shall preclude only a contest of the validity of the policy or contract, and shall not preclude the assertion at any time of defenses based upon provisions in the policy or contract which exclude or restrict coverage, whether or not such restrictions or exclusions are excepted in such clause. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2517. Standard provisions -- annuity and pure endowment contracts**

**1.**  No annuity or pure endowment contract, other than reversionary annuities, also called survivorship annuities, or group annuities and except as stated herein, shall be delivered or issued for delivery in this State unless it contains in substance each of the provisions specified in sections 2518 to 2523. Any of such provisions not applicable to single premium annuities or single premium pure endowment contracts shall not, to that extent, be incorporated therein.

[PL 1969, c. 132, §1 (NEW).]

**2.**  This section shall not apply to contracts for deferred annuities included in, or upon the lives of beneficiaries under, life insurance policies, nor to variable annuity contracts.

[PL 1969, c. 132, §1 (NEW).]

**3.**  The superintendent shall adopt rules regarding the suitability of sales of annuities for the purpose of protecting the consumer and furthering uniformity of laws with other states. Rules adopted pursuant to this section are routine technical rules pursuant to Title 5, chapter 375, subchapter 2‑A.

[PL 2005, c. 65, Pt. B, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 2005, c. 65, §B1 (AMD).

**§2518. Grace period -- annuities**

In an annuity or pure endowment contract, other than a reversionary, survivorship or group annuity, there shall be a provision that there shall be a period of grace of one month, but not less than 30 days, within which any stipulated payment to the insurer falling due after the first may be made, subject at the option of the insurer to an interest charge thereon at a rate to be specified in the contract but not exceeding 6% per annum for the number of days of grace elapsing before such payment, during which period of grace the contract shall continue in full force; but in case a claim arises under the contract on account of death prior to expiration of the period of grace before the overdue payment to the insurer or the deferred payments of the current contract year, if any, are made, the amount of such payments, with interest on any overdue payments, may be deducted from any amount payable under the contract in settlement. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2519. Incontestability -- annuities**

If any statements, other than those relating to age, sex and identity are required as a condition to issuing an annuity or pure endowment contract, other than a reversionary, survivorship, or group annuity, and subject to section 2521, there shall be a provision that the contract shall be incontestable after it has been in force during the lifetime of the person or of each of the persons as to whom such statements are required, for a period of 2 years from its date of issue, except for nonpayment of stipulated payments to the insurer; and at the option of the insurer such contract may also except any provisions relative to benefits in the event of disability and any provisions which grant insurance specifically against death by accident or accidental means. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2520. Entire contract -- annuities**

In an annuity or pure endowment contract, other than a reversionary, survivorship, or group annuity, there shall be provision that the contract shall constitute the entire contract between the parties or, if a copy of the application is endorsed upon or attached to the contract when issued, a provision that the contract and the application therefor shall constitute the entire contract between the parties. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2521. Misstatement of age or sex -- annuities**

In an annuity or pure endowment contract, other than a reversionary, survivorship, or group annuity, there shall be a provision that if the age or sex of the person or persons upon whose life or lives the contract is made, or of any of them has been misstated, the amount payable or benefits accruing under the contract shall be such as the stipulated payment or payments to the insurer would have purchased according to the correct age or sex and that if the insurer shall make or has made any overpayment or overpayments on account of any such misstatement, the amount thereof with interest at the rate to be specified in the contract but not exceeding 6% per annum, may be charged against the current or next succeeding payment or payments to be made by the insurer under the contract. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2522. Dividends -- annuities**

If an annuity or pure endowment contract, other than a reversionary, survivorship, or group annuity, is participating, there shall be a provision that the insurer shall annually ascertain and apportion any divisible surplus accruing on the contract. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2523. Reinstatement -- annuities**

In an annuity or pure endowment contract, other than a reversionary or group annuity, there shall be a provision that the contract may be reinstated at any time within one year from the default in making stipulated payments to the insurer, unless the cash surrender value has been paid, but all overdue stipulated payments shall be paid with interest thereon at a rate to be specified in the contract but not exceeding 6% per annum payable annually and the payment or reinstatement of any other indebtedness to the insurer upon the contract with interest at the policy loan interest rate, and in cases where applicable the insurer may also include a requirement of evidence of insurability satisfactory to the insurer. [PL 1981, c. 188, §3 (AMD).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1981, c. 188, §3 (AMD).

**§2524. Standard provisions -- reversionary annuities**

**1.**  Except as stated herein, no contract for a reversionary annuity shall be delivered or issued for delivery in this State unless it contains in substance each of the following provisions:

A. Any such reversionary annuity contract shall contain the provisions specified in sections 2518 to 2522, except that under section 2518 the insurer may at its option provide for an equitable reduction of the amount of the annuity payments in settlement of an overdue payment in lieu of providing for deduction of such payments from an amount payable upon settlement under the contract. [PL 1969, c. 132, §1 (NEW).]

B. In such reversionary annuity contracts there shall be a provision that the contract may be reinstated at any time within 3 years from the date of default in making stipulated payments to the insurer, upon production of evidence of insurability satisfactory to the insurer, and upon condition that all overdue payments and any indebtedness to the insurer on account of the contract be paid, or, within the limits permitted by the then cash values of the contract, reinstated, with interest as to both payments and indebtedness at a rate to be specified in the contract but not exceeding 6% per annum compounded annually. [PL 1969, c. 132, §1 (NEW).]

[PL 1969, c. 132, §1 (NEW).]

**2.**  This section shall not apply to group annuities, variable annuities, or to annuities included in life insurance policies, and any of such provisions not applicable to single premium annuities shall not to that extent be incorporated therein.

[PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2525. Limitation of liability**

**1.**  No policy of life insurance shall be delivered or issued for delivery in this State if it contains any of the following provisions:

A. A provision limiting the time within which an action at law or in equity may be commenced on such a policy to less than 3 years after the cause of action has accrued. [PL 1969, c. 132, §1 (NEW).]

B. A provision that excludes or restricts liability for death caused in a certain specified manner or occurring while the insured has a specified status, except that a policy may contain provisions excluding or restricting coverage as specified therein in the event of death under any one or more of the following circumstances:

(1) Death as a result, directly or indirectly, of war, declared or undeclared, or of action by military forces, or of any act or hazard of such war or action, or of service in the military, naval or air forces or in civilian forces auxiliary thereto, or from any cause while a member of such military, naval or air forces of any country at war, declared or undeclared, or of any country engaged in such military action;

(2) Death as a result of aviation or any air travel or flight;

(3) Death as a result of a specified hazardous occupation or occupations or avocation;

(4) Death while the insured is a resident outside continental United States and Canada;

(5) Death within 2 years from the date of issue of the policy as a result of suicide, while sane or insane; or

(6) Death within 2 years from the date of issue of an increase in policy face amount, as a result of suicide, while sane or insane. [PL 1999, c. 256, Pt. J, §1 (AMD).]

[PL 1999, c. 256, Pt. J, §1 (AMD).]

**2.**  A policy that contains any exclusion or restriction pursuant to subsection 1, paragraph B, subparagraphs (1) to (5) must also provide that, in the event of death under the circumstances to which any such exclusion or restriction is applicable, the insurer will pay an amount not less than the reserve attributable thereto determined according to the commissioners reserve valuation method upon the basis of the mortality table and interest rate specified in the policy for the calculation of nonforfeiture benefits or, if the policy provides for no such benefits, computed according to a mortality table and interest rate determined by the insurer and specified in the policy, with adjustment for indebtedness or dividend credit.

[PL 1999, c. 256, Pt. J, §2 (AMD).]

**2-A.**  A policy that contains any exclusion or restriction pursuant to subsection 1, paragraph B, subparagraph (6) must also provide that, in the event of death under the circumstances to which an exclusion or restriction regarding the increase in policy face amount is applicable, the insurer will pay, with respect to the increase in policy face amount, a return of premiums paid.

[PL 1999, c. 256, Pt. J, §3 (NEW).]

**3.**  This section shall not apply to group life insurance, health insurance, reinsurance, or annuities, or to any provision in a life insurance policy or contract supplemental thereto relating to disability benefits or to additional benefits in the event of death by accident or accidental means.

[PL 1969, c. 132, §1 (NEW).]

**4.**  Nothing contained in this section shall prohibit any provision which in the opinion of the superintendent is more favorable to the policyholder than a provision permitted by this section.

[PL 1969, c. 132, §1 (NEW); PL 1973, c. 585, §12 (AMD).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). PL 1979, c. 541, §A164 (AMD). PL 1999, c. 256, §§J1-3 (AMD).

**§2526. Prohibited provisions**

**1.**  No life insurance policy, other than industrial insurance, shall be delivered or issued for delivery in this State, if it contains any of the following provisions:

A. A provision by which the policy purports to be issued or to take effect more than one year before the original application for the insurance was made. [PL 1969, c. 132, §1 (NEW).]

B. A provision for any mode of settlement at maturity of the policy of less value than the amount insured under the policy, plus dividend additions, if any, less any indebtedness to the insurer on or secured by the policy and less any premium that may by the terms of the policy be deducted. [PL 1969, c. 132, §1 (NEW).]

C. A provision to the effect that the agent soliciting the insurance is the agent of the person insured under the policy, or making the acts or representations of such agent binding upon the person so insured under the policy. [PL 1969, c. 132, §1 (NEW).]

[PL 1969, c. 132, §1 (NEW).]

**2.**  No policy of industrial life insurance shall be delivered or issued for delivery in this State if it contains any of the following provisions:

A. A provision by which the insurer may deny liability under the policy for the reason that the insured has previously obtained other insurance from the same insurer. [PL 1969, c. 132, §1 (NEW).]

B. A provision giving the insurer the right to declare the policy void because the insured has had any disease or ailment, whether specified or not, or because the insured has received institutional, hospital, medical or surgical treatment or attention, except a provision which gives the insurer the right to declare the policy void if the insured has, within 2 years prior to the issuance of the policy, received institutional, hospital, medical or surgical treatment or attention and if the insured or claimant under the policy fails to show that the condition occasioning such treatment or attention was not of a serious nature or was not material to the risk. [PL 1969, c. 132, §1 (NEW).]

C. A provision giving the insurer the right to declare the policy void because the insured has been rejected for insurance, unless such right be conditioned upon a showing by the insurer that knowledge of such rejection would have led to a refusal by the insurer to make such contract. [PL 1969, c. 132, §1 (NEW).]

[PL 1969, c. 132, §1 (NEW).]

**3.**  No insurer shall provide in any policy, certificate, contract or agreement of life insurance for the payment of any insurance, indemnity or benefit in services, goods, wares or merchandise of any kind.

[PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2526-A. Acquired Immune Deficiency Syndrome**

No individual policy of life insurance delivered or issued for delivery in this State may provide more restrictive coverage for death resulting from Acquired Immune Deficiency Syndrome (AIDS), AIDS Related Complex (ARC) or HIV related diseases than for death resulting from any other disease or sickness or exclude coverage for death resulting from AIDS, ARC or HIV related diseases. This section shall not apply to death by accident or accidental means. [PL 1989, c. 176, §3 (NEW).]

SECTION HISTORY

PL 1989, c. 176, §3 (NEW).

**§2527. Provisions required by law of other jurisdiction**

The policies of a foreign life insurer may contain any provision which the law of the state, territory, district, or country under which the insurer is organized prescribes shall be in such policies when issued in this State, and the policies of a domestic life insurer may, when issued or delivered in any other state, territory, district, or country, contain any provisions required by the laws thereof, anything in this chapter to the contrary notwithstanding. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2528. Short title**

Sections 2528 to 2534 shall be known as the "Standard Nonforfeiture Law for Life Insurance." [PL 1979, c. 442, §1 (AMD).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1979, c. 442, §1 (AMD).

**§2529. Nonforfeiture provisions**

**1.**  In the case of policies issued on or after January 1, 1970, no policy of life insurance, except as stated in section 2534, may be delivered or issued for delivery in this State, unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the superintendent are at least as favorable to the defaulting or surrendering policyholder as are the minimum requirements hereinafter specified and which are essentially in compliance with section 2533‑A:

A. Paid-up nonforfeiture benefit. That, in the event of default in any premium payment, the insurer will grant, upon proper request not later than 60 days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of that due date, of such amount as may be hereinafter specified. In lieu of the stipulated paid-up nonforfeiture benefit, the insurer may substitute, upon proper request not later than 60 days after the due date of the premium in default, an actuarially equivalent alternative paid-up nonforfeiture benefit which provides a greater amount or longer period of death benefits or, if applicable, a greater amount or earlier payment of endowment benefits; [PL 1983, c. 346, §10 (AMD).]

B. Cash surrender value. That, upon surrender of the policy within 60 days after the due date of any premium payment in default after premiums have been paid for at least 3 full years in the case of ordinary insurance or 5 full years in the case of industrial insurance, the insurer will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be hereinafter specified; [PL 1983, c. 346, §10 (AMD).]

C. Effective date of benefit. That a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make such election elects another available option not later than 60 days after the due date of the premium in default; [PL 1983, c. 346, §10 (AMD).]

D. Cash surrender value if policy paid up. That, if the policy shall have become paid up by completion of all premium payments or if it is continued under any paid-up nonforfeiture benefit which became effective on or after the 3rd policy anniversary in the case of ordinary insurance or the 5th policy anniversary in the case of industrial insurance, the insurer will pay, upon surrender of the policy within 30 days after any policy anniversary, a cash surrender value of such amount as may be hereinafter specified; [PL 1983, c. 346, §10 (AMD).]

E. Mortality table and interest rate used. In the case of policies which cause, on a basis guaranteed in the policy, unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, a statement of the mortality table, interest rate, and method used in calculating cash surrender values and the paid-up nonforfeiture benefits available under the policy. In the case of all other policies, a statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy, together with a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary either during the first 20 policy years or during the term of the policy, whichever is shorter, those values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the insurer on the policy; and [PL 1983, c. 346, §10 (AMD).]

F. Method used in computing value and benefit. A statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance law of the state in which the policy is delivered; an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the insurer on the policy; if a detailed statement of the method of computation of the values and benefits shown in the policy is not stated therein, a statement that such method of computation has been filed with the insurance supervisory official of the state in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values and benefits are consecutively shown in the policy. [PL 1983, c. 346, §10 (AMD).]

[PL 1983, c. 346, §10 (AMD).]

**2.**  Any of the foregoing provisions or portions thereof not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from the policy.

[PL 1969, c. 132, §1 (NEW).]

**3.**  The insurer shall reserve the right to defer the payment of any cash surrender value for a period of 6 months after demand therefor with surrender of the policy.

[PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). PL 1973, c. 625, §144 (AMD). PL 1983, c. 346, §10 (AMD).

**§2530. Cash surrender value**

**1.**  Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, whether or not required by section 2529, shall be an amount not less than the excess, if any, of the present value, on that anniversary, of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions, if there had been no default, over the sum of:

A. Present value of adjusted premiums. The then present value of the adjusted premiums as defined in sections 2532 and 2532‑A, corresponding to premiums which would have fallen due on and after that anniversary; and [PL 1983, c. 346, §11 (NEW).]

B. Amount of indebtedness. The amount of any indebtedness to the insurer on the policy. [PL 1983, c. 346, §11 (NEW).]

[PL 1983, c. 346, §11 (RPR).]

**2.**  For any policy issued on or after the operative date of section 2532‑A as defined therein, which provides supplemental life insurance or annuity benefits at the option of the insured and for an identifiable additional premium by rider or supplemental policy provision, the cash surrender value referred to in subsection 1 shall be an amount not less than the sum of the cash surrender value as defined in that subsection for an otherwise similar policy issued at the same age without that rider or supplemental policy provision and the cash surrender value as defined in that subsection for a policy which provides only the benefits otherwise provided by that rider or supplemental policy provision.

[PL 1983, c. 346, §11 (RPR).]

**3.**  For any family policy issued on or after the operative date of section 2532‑A as defined therein, which defines a primary insured and provides term insurance on the life of the spouse of the primary insured expiring before the spouse's age 71, the cash surrender value referred to in subsection 1 shall be an amount not less than the sum of the cash surrender value as defined in that subsection for an otherwise similar policy issued at the same age without that term insurance on the life of the spouse and the cash surrender value as defined in that subsection for a policy which provides only the benefits otherwise provided by that term insurance on the life of the spouse.

[PL 1983, c. 346, §11 (NEW).]

**4.**  Any cash surrender value available within 30 days after any policy anniversary under any policy paid-up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefit, whether or not required by section 2529, shall be an amount not less than the present value, on that anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the insurer on the policy.

[PL 1983, c. 346, §11 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1983, c. 346, §11 (RPR).

**§2531. Paid-up nonforfeiture benefits**

Any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be at least equal to the cash surrender value then provided for by the policy or, if none is provided for, that cash surrender value which would have been required by sections 2529 to 2534 in the absence of the condition that premiums shall have been paid for at least a specified period. [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2532. Adjusted premiums for policies issued before the operative date of section 2532-A**

**1.**  This section shall not apply to policies issued on or after the operative date of section 2532‑A as defined therein.

[PL 1983, c. 346, §12 (RPR).]

**2.**  Except as provided in subsection 4, the adjusted premiums for any policy shall be calculated on an annual basis and shall be the uniform percentage of the respective premiums specified in the policy for each policy year, excluding any extra premiums charged because of cover impairments or special hazards, that the present value, at the date of issue of the policy, of all those adjusted premiums shall be equal to the sum of:

A. The then present value of the future guaranteed benefits provided for by the policy; [PL 1983, c. 346, §12 (NEW).]

B. Two percent of the amount of insurance, if the insurance be uniform in amounts, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy; [PL 1983, c. 346, §12 (NEW).]

C. Forty percent of the adjusted premium for the first policy year; and [PL 1983, c. 346, §12 (NEW).]

D. Twenty-five percent of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less. [PL 1983, c. 346, §12 (NEW).]

In applying the percentages specified in paragraphs C and D, no adjusted premium may be deemed to exceed 4% of the amount of insurance or uniform amount equivalent thereto. The date of issue of a policy for the purpose of this section shall be the date as of which the rated age of the insured is determined.

[PL 1983, c. 346, §12 (RPR).]

**3.**  In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of this section shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy, provided that in the case of a policy providing a varying amount of insurance issued on the life of a child under age 10, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age 10 were the amount provided by that policy at age 10.

[PL 1983, c. 346, §12 (RPR).]

**4.**  The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to:

A. The adjusted premiums for an otherwise similar policy issued at the same age without those term insurance benefits, increased, during the period for which premiums for those term insurance benefits are payable, by [PL 1983, c. 346, §12 (NEW).]

B. The adjusted premiums for that term insurance. [PL 1983, c. 346, §12 (NEW).]

Paragraphs A and B shall be calculated separately and as specified in subsections 2 and 3, except that, for purposes of subsection 2, paragraphs B, C and D, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in paragraph B of this subsection shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in paragraph A.

[PL 1983, c. 346, §12 (RPR).]

**5.**  Except as provided in subsection 6 and in section 2532‑A, all adjusted premiums and present values referred to in sections 2529 to 2534 shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table, provided that, for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than 3 years younger than the actual age of the insured, and those calculations for all policies of industrial insurance shall be made on the basis of the Commissioners 1961 Standard Industrial Mortality Table. All calculations shall be made on the basis of the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that that rate of interest shall not exceed 3 1/2% each year, except that a rate of interest not exceeding 4% each year may be used for policies issued on or after December 31, 1975. In calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit for ordinary insurance, the rates of mortality assumed may not be more than those shown in the Commissioners 1958 Extended Term Insurance Table and for industrial insurance rates of mortality may not be more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table. For insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the superintendent.

[PL 1983, c. 346, §12 (RPR).]

**6.**  In the case of policies issued on or after January 1, 1980, adjusted premiums and present values for any category of ordinary insurance issued on female risks may be calculated according to an age not more than 6 years younger than the actual age of the insured. All calculations for all policies of ordinary and industrial insurance shall be made on the basis of the rate of interest specified on the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that the rate of interest shall not exceed 5 1/2% each year.

[PL 1983, c. 346, §12 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). PL 1975, c. 342, §4 (AMD). PL 1979, c. 442, §§2,3 (AMD). PL 1983, c. 346, §12 (RPR).

**§2532-A. Adjusted premiums for policies issued on or after January 1, 1989, or elected operative date of this section**

**1.**  This section shall apply to all policies issued on or after the operative date of this section as defined herein. Except as provided in subsection 7, the adjusted premiums for any policy shall be calculated on an annual basis and shall be that uniform percentage of the respective premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments or special hazards and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the date of issue of the policy, of all adjusted premiums shall be equal to the sum of:

A. The then present value of the future guaranteed benefits provided for by the policy; [PL 1983, c. 346, §13 (NEW).]

B. One percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years; and [PL 1983, c. 346, §13 (NEW).]

C. One hundred twenty-five percent of the nonforfeiture net level premium as hereinafter defined. [PL 1983, c. 346, §13 (NEW).]

In applying the percentage specified in paragraph C, no nonforfeiture net level premium may be deemed to exceed 4% of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years. The date of issue of a policy for the purpose of this section shall be the date as of which the rated age of the insured is determined.

[PL 1983, c. 346, §13 (NEW).]

**2.**  The nonforfeiture net level premium shall be equal to the present value, at the date of issue of the policy, of the guaranteed benefits provided for by the policy divided by the present value, at the date of issue of the policy, of an annuity of one per annum payable on the date of issue of the policy and on each anniversary of the policy on which a premium falls due.

[PL 1983, c. 346, §13 (NEW).]

**3.**  In the case of policies which cause, on a basis guaranteed in the policy, unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, the adjusted premiums and present values shall initially be calculated on the assumption that future benefits and premiums do not change from those stipulated at the date of issue of the policy. At the time of any change of that type in the benefits or premiums the future adjusted premiums, nonforfeiture net level premiums and present values shall be recalculated on the assumption that future benefits and premiums do not change from those stipulated by the policy immediately after the change.

[PL 1983, c. 346, §13 (NEW).]

**4.**  Except as otherwise provided in subsection 7, the recalculated future adjusted premiums for any policy of that type shall be that uniform percentage of the respective future premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments and special hazards, and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the time of change to the newly defined benefits or premiums of all those future adjusted premiums shall be equal to the excess of:

A. The sum of the then present value of the then future guaranteed benefits provided for by the policy and the additional expense allowance, if any; over [PL 1983, c. 346, §13 (NEW).]

B. The then cash surrender value, if any, or present value of any paid-up nonforfeiture benefit under the policy. [PL 1983, c. 346, §13 (NEW).]

[PL 1983, c. 346, §13 (NEW).]

**5.**  The additional expense allowance, at the time of the change to the newly defined benefits or premiums, shall be the sum of:

A. One percent of the excess, if positive, of the average amount of insurance at the beginning of each of the first 10 policy years subsequent to the change over the average amount of insurance prior to the change at the beginning of each of the first 10 policy years subsequent to the time of the most recent previous change, or, if there has been no previous change, the date of issue of the policy; and [PL 1983, c. 346, §13 (NEW).]

B. One hundred twenty-five percent of the increase, if positive, in the nonforfeiture net level premium. [PL 1983, c. 346, §13 (NEW).]

[PL 1983, c. 346, §13 (NEW).]

**6.**  The recalculated nonforfeiture net level premium shall be equal to the result obtained by dividing paragraph A by paragraph B where:

A. Paragraph A equals the sum of:

(1) The nonforfeiture net level premium applicable prior to the change times the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of the change on which a premium would have fallen due had the change not occurred; and

(2) The present value of the increase in future guaranteed benefits provided for by the policy; and [PL 1983, c. 346, §13 (NEW).]

B. Paragraph B equals the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of change on which a premium falls due. [PL 1983, c. 346, §13 (NEW).]

[PL 1983, c. 346, §13 (NEW).]

**7.**  Notwithstanding any other provisions of this section to the contrary, in the case of a policy issued on a substandard basis which provides reduced graded amounts of insurance so that, in each policy year, that policy has the same tabular mortality cost as an otherwise similar policy issued on the standard basis which provides higher uniform amounts of insurance, adjusted premiums and present values for that substandard policy may be calculated as if it were issued to provide those higher uniform amounts of insurance on the standard basis.

[PL 1983, c. 346, §13 (NEW).]

**8.**  All adjusted premiums and present values referred to in this Standard Nonforfeiture Law for Life Insurance shall, for all policies of ordinary insurance issued after the operative date of this section, be calculated on the basis of the Commissioners 1980 Standard Ordinary Mortality Table or, at the election of the insurer for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with 10-year select mortality factors; shall, for all policies of industrial insurance, be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table; and shall, for all policies issued in a particular calendar year, be calculated on the basis of a rate of interest not exceeding the nonforfeiture interest rate as defined in this section for policies issued in that calendar year, provided that:

A. At the option of the insurer, calculations for all policies issued in a particular calendar year may be made on the basis of a rate of interest not exceeding the nonforfeiture interest rate, as defined in this section, for policies issued in the immediately preceding calendar year; [PL 1983, c. 346, §13 (NEW).]

B. Under any paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by section 2529, shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of that paid-up nonforfeiture benefit and paid-up dividend additions, if any; [PL 1983, c. 346, §13 (NEW).]

C. An insurer may calculate the amount of any guaranteed paid-up nonforfeiture benefit, including any paid-up additions under the policy on the basis of an interest rate no lower than that specified in the policy for calculating cash surrender values; [PL 1983, c. 346, §13 (NEW).]

D. In calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1980 Extended Term Insurance Table for policies of ordinary insurance and not more than the Commissioners 1961 Industrial Extended Term Insurance Table for policies of industrial insurance; [PL 1983, c. 346, §13 (NEW).]

E. For insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on appropriate modifications of the tables mentioned in this section; [PL 1983, c. 346, §13 (NEW).]

F. Any approved commissioners standard ordinary mortality tables, adopted in accordance with paragraph H, may be substituted for the Commissioners 1980 Standard Ordinary Mortality Table with or without 10-year select mortality factors or for the Commissioners 1980 Extended Term Insurance Table; [PL 2013, c. 238, Pt. C, §11 (AMD).]

G. Any approved commissioners standard industrial mortality tables, adopted in accordance with paragraph H, may be substituted for the Commissioners 1961 Standard Industrial Mortality Table or the Commissioners 1961 Industrial Extended Term Insurance Table; and [PL 2013, c. 238, Pt. C, §11 (AMD).]

H. For policies issued before the operative date of the valuation manual, as defined in section 951‑A, subsection 3, the superintendent may adopt rules approving commissioners standard mortality tables for use in determining the minimum nonforfeiture standard. Rules adopted pursuant to this paragraph are routine technical rules as defined in Title 5, chapter 375, subchapter 2‑A. For policies issued on or after the operative date of the valuation manual, the applicable commissioners standard mortality tables specified in the valuation manual are approved for use in determining the minimum nonforfeiture standard unless superseded by rule adopted by the superintendent. [PL 2013, c. 238, Pt. C, §12 (NEW).]

[PL 2013, c. 238, Pt. C, §§11, 12 (AMD).]

**9.**  The nonforfeiture interest rate per annum for any policy issued in a particular calendar year must be equal to 125% of the calendar year statutory valuation interest rate for that policy as defined in the Standard Valuation Law, rounded to the nearer 1/4 of 1%, except as otherwise provided in the valuation manual for policies issued on and after the operative date of the valuation manual, as defined in section 951‑A, subsection 3.

[PL 2013, c. 238, Pt. C, §13 (AMD).]

**10.**  Notwithstanding any other provision in this code to the contrary, any refiling of nonforfeiture values or their methods of computation for any previously approved policy form which involves only a change in the interest rate or mortality table used to compute nonforfeiture values shall not require refiling of any other provisions of that policy form.

[PL 1983, c. 346, §13 (NEW).]

**11.**  After the effective date of this section, any insurer may file with the superintendent a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1989, which shall be the operative date of this section for that insurer. If an insurer makes no such election, the operative date of this section for that company shall be January 1, 1989.

[PL 1983, c. 346, §13 (NEW).]

SECTION HISTORY

PL 1983, c. 346, §13 (NEW). PL 2013, c. 238, Pt. C, §§11-13 (AMD).

**§2532-B. Superintendent's authority to approve certain new plans**

**1.**  In the case of any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurer based on then estimates of future experience, or in the case of any plan of life insurance which is of such a nature that minimum values cannot be determined by the methods described in sections 2529 to 2532‑A herein, then:

A. The superintendent must be satisfied that the benefits provided under the plan are substantially as favorable to policyholders and insureds as the minimum benefits otherwise required by sections 2529 to 2532‑A herein; [PL 1983, c. 346, §14 (NEW).]

B. The superintendent must be satisfied that the benefits and the pattern of premiums of that plan are not such as to mislead prospective policyholders or insureds; and [PL 1983, c. 346, §14 (NEW).]

C. The cash surrender values and paid-up nonforfeiture benefits provided by that plan must not be less than the minimum values and benefits required for the plan computed by a method consistent with the principles of this Standard Nonforfeiture Law for Life Insurance, as determined by regulations promulgated by the superintendent. [PL 1983, c. 346, §14 (NEW).]

[PL 1983, c. 346, §14 (NEW).]

SECTION HISTORY

PL 1983, c. 346, §14 (NEW).

**§2533. Calculation of cash surrender value of certain policies on default**

Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in sections 2530 to 2532‑A may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the amounts used to provide those additions. Notwithstanding section 2530, additional benefits payable: [PL 1983, c. 346, §15 (AMD).]

**1. Death or accident.**  In the event of death or dismemberment by accident or accidental means;

[PL 1969, c. 132, §1 (NEW).]

**2. Total disability.**  In the event of total and permanent disability;

[PL 1969, c. 132, §1 (NEW).]

**3. Reversionary annuity.**  As reversionary annuity or deferred reversionary annuity benefits;

[PL 1969, c. 132, §1 (NEW).]

**4. Term insurance benefits.**  As term insurance benefits provided by a rider or supplemental policy provisions to which, if issued as a separate policy, section 2529 to 2534 would not apply;

[PL 1969, c. 132, §1 (NEW).]

**5. Child term insurance benefits.**  As term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if such term insurance expires before the child's age is 26, is uniform in amount after the child's age is one, and has not become paid up by reason of the death of a parent of the child; and

[PL 1969, c. 132, §1 (NEW).]

**6. Other policy benefits.**  As other policy benefits additional to life insurance and endowment benefits; and premiums for all such additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by sections 2529 to 2534, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

[PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1983, c. 346, §15 (AMD).

**§2533-A. Additional provisions for policies issued after January 1, 1987**

**1.**  This section, in addition to all other applicable sections of the Standard Nonforfeiture Law for Life Insurance, applies to all policies issued on or after January 1, 1987. Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary must be in an amount that does not differ by more than 2/10ths of 1% of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years, from the sum of:

A. The greater of zero and the basic cash value specified in subsection 2; and [RR 1993, c. 1, §60 (COR).]

B. The present value of any existing paid-up additions less the amount of any indebtedness to the company under the policy. [PL 1983, c. 346, §16 (NEW).]

[RR 1993, c. 1, §60 (COR).]

**2.**  The basic cash value is equal to the present value, on that anniversary, of the future guaranteed benefits that would have been provided for by the policy, excluding any existing paid-up additions and before deduction of any indebtedness to the insurer, if there had been no default, less the then present value of the nonforfeiture factors, as defined in subsection 3, corresponding to premiums that would have fallen due on and after that anniversary, except that the effects on the basic cash value of supplemental life insurance or annuity benefits or of family coverage, as described in section 2530 or 2532, whichever is applicable, must be the same as are the effects specified in section 2530 or 2532, whichever is applicable on the cash surrender values defined in that section.

[RR 1993, c. 1, §60 (COR).]

**3.**  The nonforfeiture factor for each policy year must be an amount equal to a percentage of the adjusted premium for the policy year, as defined in section 2532 or 2532‑A, whichever is applicable. Except as is required by subsection 4, that percentage:

A. Must be the same percentage for each policy year between the 2nd policy anniversary and the later of the 5th policy anniversary and the first policy anniversary at which there is available under the policy a cash surrender value in an amount, before including any paid-up additions and before deducting any indebtedness, of at least 2/10ths of 1% of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years; and [PL 1983, c. 346, §16 (NEW).]

B. Must be such that no percentage after the later of the 2 policy anniversaries, specified in paragraph A, may apply to fewer than 5 consecutive policy years. [PL 1983, c. 346, §16 (NEW).]

[RR 1993, c. 1, §60 (COR).]

**4.**  No basic cash value may be less than the value that would be obtained if the adjusted premiums for the policy, as defined in section 2532 or 2532‑A, whichever is applicable, were substituted for the nonforfeiture factors in the calculation of the basic cash value.

[RR 1993, c. 1, §60 (COR).]

**5.**  All adjusted premiums and present values referred to in this section are for a particular policy calculated on the same mortality and interest bases as are used in demonstrating the policy's compliance with the other sections of the Standard Nonforfeiture Law for Life Insurance. The cash surrender values referred to in this section must include any endowment benefits provided for by the policy.

[RR 1993, c. 1, §60 (COR).]

**6.**  Any cash surrender value available other than in the event of default in a premium payment due on a policy anniversary, and the amount of any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment must be determined in manners consistent with the manners specified for determining the analogous minimum amounts in sections 2529 to 2532‑A and section 2533. The amounts of any cash surrender values and of any paid-up nonforfeiture benefits granted in connection with additional benefits such as those listed in section 2533, subsections 1 to 6, must conform with the principles of this section.

[RR 1993, c. 1, §60 (COR).]

SECTION HISTORY

PL 1983, c. 346, §16 (NEW). RR 1993, c. 1, §60 (COR).

**§2534. Exceptions**

Sections 2529 to 2534 do not apply to any of the following: [RR 1993, c. 1, §61 (COR).]

**1.**  Reinsurance;

[PL 1983, c. 346, §17 (NEW).]

**2.**  Group insurance;

[PL 1983, c. 346, §17 (NEW).]

**3.**  Pure endowment;

[PL 1983, c. 346, §17 (NEW).]

**4.**  Annuity or reversionary annuity contract;

[PL 1983, c. 346, §17 (NEW).]

**5.**  Any term policy of uniform amount, which provides no guaranteed nonforfeiture or endowment benefits, or renewal thereof, of 20 years or less expiring before age 71, for which uniform premiums are payable during the entire term of the policy;

[PL 1983, c. 346, §17 (NEW).]

**6.**  Any term policy of decreasing amount, which provides no guaranteed nonforfeiture or endowment benefits, on which each adjusted premium, calculated as specified in sections 2532 and 2532‑A, is less than the adjusted premium so calculated, on a term policy of uniform amount, or renewal thereof, which provides no guaranteed nonforfeiture or endowment benefits, issued at the same age and for the same initial amount of insurance and for a term of 20 years or less expiring before age 71, for which uniform premiums are payable during the entire term of the policy;

[PL 1983, c. 346, §17 (NEW).]

**7.**  Any policy, which provides no guaranteed nonforfeiture or endowment benefits, for which no cash surrender value, if any, or present value of any paid-up nonforfeiture benefit, at the beginning of any policy year, calculated as specified in sections 2530 to 2532‑A, exceeds 2 1/2% of the amount of insurance at the beginning of the same policy year; or

[PL 1983, c. 346, §17 (NEW).]

**8.**  Any policy that is delivered outside this State through an agent or other representative of the insurer issuing the policy.

[RR 1993, c. 1, §61 (COR).]

For purposes of the Standard Nonforfeiture Law for Life Insurance, the age at expiry for a joint term life insurance policy is the age at expiry of the oldest life. [RR 1993, c. 1, §61 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1983, c. 346, §17 (RPR). RR 1993, c. 1, §61 (COR).

**§2535. Incontestability, limitation of liability after reinstatement**

**1.**  A reinstated policy of life insurance or annuity contract may be contested on account of fraud or misrepresentation of facts material to the reinstatement only for the same period following reinstatement and with the same conditions and exceptions as the policy provides with respect to contestability after original issuance.

[PL 1969, c. 132, §1 (NEW).]

**2.**  When any life insurance policy or annuity contract is reinstated, such reinstated policy or contract may exclude or restrict liability to the same extent that such liability could have been or was excluded or restricted when the policy or contract was originally issued, and such exclusion or restriction shall be effective from the date of reinstatement.

[PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2536. Participating, nonparticipating policies -- right to issue**

A life insurer may issue policies on either the participating basis or the nonparticipating basis, or on both bases, if the right or absence of right of participation is reasonably related to the premium charged and the insurer is otherwise not in violation of sections 2159 (unfair discrimination -- life insurance, annuities, and health insurance) or 2160 (rebates -- life, health and annuity contracts). [PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2537. Separate accounts**

**1.**  Any domestic insurer may establish one or more separate accounts, including that type known as a unit investment trust, as defined by the Investment Company Act of 1940, Stat. 789, 15 U.S.C. § 80a, et seq., as amended, and may allocate to such separate accounts, in accordance with the terms of a written contract or agreement or annuity or pension, profitsharing or retirement plan, whether or not qualified under the applicable provisions of the Internal Revenue Code, 68A Stat. 1, 26 U.S.C. § 1, et seq., as amended, with any individual or any group, any amounts, including without limitation proceeds applied under optional modes of settlement or under dividend options, paid or remitted to or held by the insurer which are to be applied to provide for life insurance or annuities and benefits incidental thereto, payable in fixed and guaranteed or variable dollar amounts, or both.

[PL 1973, c. 560, §3 (AMD).]

**2.**  The amounts allocated to each account of that type and accumulations thereon may be invested and reinvested as provided in section 1159 (special investments: separate accounts). Amounts allocated to a separate account in the exercise of the power granted by this section shall be owned by the insurer, and the insurer shall not be, nor hold itself out to be, a trustee with respect to those amounts.

[PL 1987, c. 399, §15 (AMD).]

**3.**  The income, gains and losses, realized or unrealized, from assets allocated to a separate account shall be credited to or charged against the separate account, without regard to other income, gains or losses of the insurer. If and to the extent so provided under the applicable contracts, that portion of the assets of any such separate account equal to the reserves and other contract liabilities with respect to such account shall not be chargeable with liabilities arising out of any other business the insurer may conduct.

[PL 1973, c. 560, §5 (AMD).]

**4.**  Unless otherwise approved by the superintendent, assets allocated to a separate account shall be valued at their market value on the date of that valuation, or if there is no readily available market, then in accordance with the terms of the contract or the rules or other written agreement applicable to that separate account; except that, unless otherwise approved by the superintendent, the portion of the assets of that separate account at least equal to the insurer's reserve liability with regard to the guaranteed benefits and funds referred to in section 1159, if any, shall be valued in accordance with rules otherwise applicable to the insurer's assets.

[PL 1987, c. 399, §16 (AMD).]

**5.**  If the contract or agreement provides for payment of benefits in variable amounts, it shall contain a statement of the essential features of the procedure to be followed by the insurer in determining the dollar amount of such variable benefits. Any such contract or agreement, under which the benefits vary to reflect investment experience, including a group agreement and any certificate in evidence of variable benefits issued thereunder, shall state that such dollar amount will so vary and shall contain on its first page a statement that the benefits thereunder are on a variable basis.

[PL 1973, c. 560, §7 (AMD).]

**6.**  No insurer shall deliver or issue for delivery within this State any contract or agreement providing benefits in variable amounts under this section unless it is duly authorized to conduct a life insurance or annuity business within this State and has satisfied the superintendent that its condition or methods of operation in connection with the issuance of such contracts or agreements will not render its operation hazardous to the public or its policyholders in this State. In determining the qualification of an insurer requesting such authority, the superintendent shall consider, among other things:

A. The history and financial condition of the insurer; [PL 1969, c. 132, §1 (NEW).]

B. The character, responsibility and general fitness of the officers and directors of the insurer; and [PL 1969, c. 132, §1 (NEW).]

C. The law and regulation under which the insurer is authorized in the state of domicile to issue variable contracts. [PL 1973, c. 560, §8 (RPR).]

An insurer which issues variable contracts and which is a subsidiary of, or affiliated through common management or ownership with, another life insurer authorized to transact business in this State may be deemed by the superintendent to have met the provisions of this subsection, if either it or the parent or affiliated insurer meets the requirements hereof.

[PL 1973, c. 560, §§8, 9 (AMD); PL 1973, c. 585, §12 (AMD).]

**7.**  Any insurer which establishes one or more separate accounts pursuant to subsection 1, to the extent it deems necessary to comply with the Investment Company Act of 1940, 54 Stat. 789, 15 U.S.C. § 80a, et seq., as amended, may amend its charter to provide, with respect to any separate account or any portion thereof, for the benefit of persons having beneficial interests therein, special voting and other rights and special procedures for the conduct of the business and affairs of such separate account or portion thereof, including without limitation special rights and procedures relating to investment policy, investment advisory services, selection of independent public accountants, and selection of a committee, the members of which need not be otherwise affiliated with the insurer, to manage the business and affairs of such separate account or portion thereof. In addition, the insurer may make such other provisions in respect to the separate account, as the insurer may deem appropriate to facilitate compliance with any requirements of, or pursuant to, any federal or state law, now or hereafter in effect. However, this subsection shall not in any manner affect existing laws pertaining to the voting rights of the policyholders of the insurer.

[PL 1969, c. 132, §1 (NEW).]

**8.**  No sale, exchange or other transfer of assets may be made by an insurer between any of its separate accounts or between any other investment account and one or more of its separate accounts unless, in case of a transfer into a separate account, such transfer is made solely to establish the account or to support the operation of the contracts with respect to the separate account to which the transfer is made, and unless such transfer, whether into or from a separate account is made,

A. By a transfer of cash, or [PL 1969, c. 132, §1 (NEW).]

B. By a transfer of securities having a readily determinable market value, as long as such transfer of securities is approved by the superintendent. The superintendent may approve other transfers among such accounts if, in the superintendent's opinion, such transfers would not be inequitable. [RR 2021, c. 1, Pt. B, §226 (COR).]

[RR 2021, c. 1, Pt. B, §226 (COR).]

**9.**  The insurer shall not, in connection with the allocation of investments or expenses, or in any other respect, discriminate unfairly between separate accounts or between separate and other accounts, but this subsection shall not require the insurer to follow uniform investment policies for its accounts.

[PL 1969, c. 132, §1 (NEW).]

**10.**  A variable annuity contract delivered or issued for delivery in this State may include as an incidental benefit a provision for payment on death during the deferred period of an amount equal to either the value of the contract at the time of death or the sum of the premiums less adjusted withdrawals from the policy, whichever is greater. The beneficiary under the contract may not be paid any other amount. A variable annuity contract that includes such incidental benefit may not be deemed to be life insurance and therefore is not subject to the provisions of this Title governing life insurance contracts. A variable annuity contract with a provision for any other benefit on death during the deferred period is subject to the provisions of this Title governing life insurance contracts. A payment on death pursuant to a variable annuity contract under this subsection must be made in accordance with section 2436. This subsection applies to variable annuity contracts delivered or issued for delivery in this State on or after January 1, 2009.

[PL 2011, c. 163, §1 (AMD).]

**11.**  Notwithstanding any other provision of law, the superintendent shall have sole authority to regulate the issuance and sale of variable contracts and to promulgate such rules and regulations as may be necessary for the effectuation of this section.

[PL 1969, c. 132, §1 (NEW); PL 1973, c. 585, §12 (AMD).]

**12.**  Except for sections 2505, 2510, 2511, 2512, 2528 to 2534 and 2614, in the case of a variable life insurance policy and except as otherwise provided in this section, all pertinent provisions of this Title shall apply to separate accounts and contracts relating thereto. Any individual variable life insurance contract, delivered or issued for delivery in this State, shall contain grace, reinstatement and nonforfeiture provisions appropriate to such a contract. Any individual variable annuity contract, delivered or issued for delivery in this State, shall contain grace and reinstatement provisions appropriate to such a contract. Any group variable life insurance contract, delivered or issued for delivery in this State, shall contain grace provisions appropriate to such a contract. The reserve liability for variable contracts shall be established in accordance with actuarial procedures that recognize the variable nature of the benefits provided and any mortality guarantees.

[PL 1973, c. 560, §11 (RPR).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1969, c. 177, §40 (AMD). PL 1973, c. 560, §§3-11,14 (AMD). PL 1973, c. 585, §12 (AMD). PL 1987, c. 399, §§15,16 (AMD). PL 2007, c. 544, §1 (AMD). PL 2011, c. 163, §1 (AMD). RR 2021, c. 1, Pt. B, §226 (COR).

**§2538. Prohibited policy plans**

**1.**  No life insurer shall hereafter deliver or issue for delivery in this State:

A. As part of or in combination with any life insurance, endowment or annuity contract, any agreement or plan, additional to the rights, dividends, and benefits arising out of any such contract, which provides for the accumulation of profits over a period of years and for payment of all or any part of such accumulated profits only to members or policyholders of a designated group or class who continue as members or policyholders until the end of a specified or ascertainable period of years. [PL 1969, c. 132, §1 (NEW).]

B. Any "registered" policy; that is, any policy (other than one "registered" as a security under applicable State law) purporting to be "registered" or otherwise specially recorded, with any agency of the State of Maine, or of any other state, or with any bank, trust company, escrow company, or other institution other than the insurer; or purporting that any reserves, assets or deposits are held, or will be so held, for the special benefit or protection of the holder of such policy, by or through any such agency or institution. [PL 1969, c. 132, §1 (NEW).]

C. Any policy or contract under which any part of the premium or of funds or values arising from the policy or contract or from investment of reserves, or from mortality savings, lapses or surrenders, in excess of the normal reserves or amounts required to pay death, endowment, and nonforfeiture benefits in respective amounts as specified in or pursuant to the policy or contract, are on a basis not involving insurance or life contingency features,

(1) To be placed in special funds or segregated accounts or specially designated places or

(2) To be invested in specially designated investments or types thereof, and the funds or earnings thereon to be divided among the holders of such policies or contracts, or their beneficiaries or assignees. This provision does not apply as to any contract authorized under section 2537. [PL 1969, c. 132, §1 (NEW).]

D. Any policy which provides that on the death of anyone not specifically named therein the owner or beneficiary shall receive the payment or granting of anything of value. This provision shall not prohibit family policies insuring unspecified members of a family, nor prohibit payment to unspecified beneficiaries of a class designated by the insured or policy owner. [PL 1969, c. 132, §1 (NEW).]

E. Any policy providing benefits or values for surviving or continuing policyholders contingent upon the lapse or termination of the policies of other policyholders, whether by death or otherwise. [PL 1969, c. 132, §1 (NEW).]

F. Any policy, other than as authorized under section 2537 (separate accounts), containing or referring to one or more of the following provisions or statements:

(1) Investment returns or profit-sharing, other than as a participation in the divisible surplus of the insurer under a regular participation provision as provided for in section 2509.

(2) Special treatment in the determination of any dividend that may be paid as to such policy.

(3) Reference to premiums as "deposits".

(4) Relating policyholder interest or returns from such policy or contract to those of stockholders.

(5) That the policyholder as a member of a select group will be entitled to extra benefits or extra dividends not available to policyholders generally. [PL 1969, c. 132, §1 (NEW).]

[PL 1969, c. 132, §1 (NEW).]

**2.**  This section shall not be deemed to prohibit the provision, payment, allowance or apportionment of regular dividends or "savings" under regular participating forms of policies or contracts.

[PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2539. Holding proceeds of policies in trust**

**1.**  Any domestic life insurer shall have power to hold the proceeds of any policy issued by it under a trust or other agreement upon such terms and restrictions as to revocation by the policyholder and control by the beneficiaries and with such exemptions from the claims of creditors of beneficiaries other than the policyholder as shall have been agreed to in writing by the insurer and the policyholder.

[PL 1969, c. 132, §1 (NEW).]

**2.**  The insurer shall not be required to segregate funds so held but may hold them as a part of its general corporate assets.

[PL 1969, c. 132, §1 (NEW).]

**3.**  A foreign or alien insurer, when authorized by its charter or the laws of its domicile, may exercise any such powers with respect to policies issued to or held by residents of this State.

[PL 1969, c. 132, §1 (NEW).]

**4.**  Nothing in this section shall be construed to subject any such insurer to any other laws or requirements of this State which would not be deemed applicable in the absence of this section.

[PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW).

**§2540. "Wholesale life insurance" defined**

"Wholesale life insurance" is that plan of life insurance, other than salary savings life insurance or pension trust insurance and annuities, under which individual policies are issued to the employees of any employer and where such policies are issued on the lives of not less than 3 employees at date of issue. Premiums for such policies must be paid either wholly from the employer's funds, or funds contributed by the employer, or partly from such funds and partly from funds contributed by the insured employees. [PL 2023, c. 405, Pt. A, §87 (AMD).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 204 (AMD). PL 1979, c. 141 (AMD). PL 2023, c. 405, Pt. A, §87 (AMD).

**§2541. Short title**

Sections 2541 to 2551 shall be known as the "Standard Nonforfeiture Law for Individual Deferred Annuities." [PL 1979, c. 442, §4 (NEW).]

SECTION HISTORY

PL 1979, c. 442, §4 (NEW).

**§2542. Applicability**

Sections 2541 to 2551 shall not apply to any reinsurance, group annuity purchased under a retirement plan or plan of deferred compensation established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under the United States Internal Revenue Code, Section 408, as now or hereafter amended, premium deposit fund, variable annuity, investment annuity, immediate annuity, any deferred annuity contract after annuity payments have commenced, or reversionary annuity, nor to any contract which shall be delivered outside this State through an agent or other representative of the company issuing the contract. [PL 1979, c. 442, §4 (NEW).]

SECTION HISTORY

PL 1979, c. 442, §4 (NEW).

**§2543. Nonforfeiture provisions**

**1.**  In the case of contracts issued on or after January 1, 1980, no contract of annuity, except as stated in section 2542, shall be delivered in this State unless it contains in substance the following provisions, or corresponding provisions which in the opinion of the superintendent are at least as favorable to the contract holder, upon cessation of payment of considerations under the contract:

A. Upon cessation of payment of considerations under a contract, the insurer will grant a paid-up annuity benefit on a plan stipulated in the contract of such value as is specified in sections 2545 to 2548 and section 2550; [PL 1979, c. 442, §4 (NEW).]

B. If a contract provides for a lump sum settlement at maturity, or at any other time, upon surrender of the contract at or prior to the commencement of any annuity payments, the insurer will pay in lieu of any paid-up annuity benefit a cash surrender benefit of such amount as is specified in sections 2545 to 2548 and section 2550. The insurer shall reserve the right to defer the payment of the cash surrender benefit for a period of 6 months after demand therefor with surrender of the contract; [PL 1979, c. 442, §4 (NEW).]

C. A statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of the benefits; and [PL 1979, c. 442, §4 (NEW).]

D. A statement that any paid-up annuity, cash surrender or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which the benefits are altered by the existence of any additional amounts credited by the insurer to the contract, any indebtedness to the insurer on the contract or any prior withdrawals from or partial surrenders of the contract. [PL 1979, c. 442, §4 (NEW).]

[PL 1979, c. 442, §4 (NEW).]

**2.**  Notwithstanding the requirements of sections 2541 to 2551, any deferred annuity contract may provide that if no considerations have been received under a contract for a period of 2 full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from considerations paid prior to that period would be less than $20 monthly, the insurer may at its option terminate the contract by payment in cash of the then present value of that portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by that payment shall be relieved of any further obligation under that contract.

[PL 1979, c. 442, §4 (NEW).]

SECTION HISTORY

PL 1979, c. 442, §4 (NEW).

**§2544. Minimum values**

The minimum values as specified in sections 2545 to 2548 and section 2550 of any paid-up annuity, cash surrender or death benefits available under an annuity contract must be based upon minimum nonforfeiture amounts as defined in this section. [PL 2003, c. 307, §1 (AMD).]

**1.**  The minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments must be equal to an accumulation up to that time at a rate of interest as permitted under subsection 1‑A of the net considerations, as hereinafter defined, paid prior to that time, decreased by the sum of:

A. Any prior withdrawals from or partial surrenders of the contract accumulated at a rate of interest as permitted under subsection 1‑A; [PL 2003, c. 307, §1 (AMD).]

B. The amount of any indebtedness to the insurer on the contract, including interest due and accrued; [PL 2003, c. 307, §1 (AMD).]

C. An annual contract charge of $50, accumulated at a rate of interest as permitted under subsection 1‑A; and [PL 2003, c. 307, §1 (NEW).]

D. Any premium tax paid by the insurer for the contract, accumulated at a rate of interest as permitted under subsection 1‑A. [PL 2003, c. 307, §1 (NEW).]

The net considerations for a given contract year used to define the minimum nonforfeiture amount must be an amount equal to 87 1/2% of the gross considerations credited to the contract during that contract year.

[PL 2003, c. 307, §1 (AMD).]

**1-A.**  The rate of interest used in determining minimum nonforfeiture amounts must be determined in accordance with the following requirements and specified in any contract providing for recalculation of the rate of interest permitted under this subsection.

A. The rate of interest must be an annual rate of interest determined as the lesser of 3% per annum and the 5-year Constant Maturity Treasury Rate reported by the Federal Reserve rounded to the nearest 1/20th of 1% as of a date, or average over a period, specified in the contract that is no later than 15 months prior to the contract issue date or the redetermination date decreased by 125 basis points as long as the resulting rate of interest is not less than 1%. [PL 2003, c. 307, §1 (NEW).]

B. The rate of interest applies for an initial period and may be redetermined for additional periods. The redetermination date, basis and period, if any, must be stated in the contract. The basis is the date or average over a specified period that produces the value of the 5-year Constant Maturity Treasury Rate to be used at each redetermination date. [PL 2003, c. 307, §1 (NEW).]

C. During the period or term that a contract provides substantive participation in an equity indexed benefit, the contract may increase the reduction described in paragraph A by up to an additional 100 basis points to reflect the value of the equity indexed benefit. The present value at the contract issue date, and at each redetermination date thereafter, of the additional reduction may not exceed the market value of the benefit. The superintendent may require a demonstration that the present value of the additional reduction does not exceed the market value of the benefit and may disallow or limit the reduction if such a demonstration is not accepted. [PL 2003, c. 307, §1 (NEW).]

D. The superintendent may adopt rules to implement this subsection and to provide for further adjustments to the minimum nonforfeiture amounts for contracts providing for substantive participation in an equity indexed benefit and for contracts for which the superintendent determines adjustments are appropriate. Rules adopted pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2‑A. [PL 2003, c. 307, §1 (NEW).]

[PL 2003, c. 307, §1 (NEW).]

**2.**

[PL 2003, c. 307, §1 (RP).]

**3.**

[PL 2003, c. 307, §1 (RP).]

**4.**

[PL 2003, c. 307, §1 (NEW); MRSA T. 24-A §2544, sub-§4 (RP).]

SECTION HISTORY

PL 1979, c. 442, §4 (NEW). PL 2003, c. 307, §1 (AMD).

**§2545. Computation of present value**

Any paid-up annuity benefit available under a contract shall be such that its present value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that date. The present value shall be computed using the mortality table, if any, and the interest rate specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract. [PL 1979, c. 442, §4 (NEW).]

SECTION HISTORY

PL 1979, c. 442, §4 (NEW).

**§2546. Calculation of cash surrender values**

For contracts that provide cash surrender benefits, the cash surrender benefits available prior to maturity may not be less than the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit that would be provided under the contract at maturity arising from considerations paid prior to the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract, the present value being calculated on the basis of an interest rate not more than 1% higher than the interest rate specified in the contract for accumulating the net considerations to determine the maturity value, decreased by the amount of any indebtedness to the insurer on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the insurer to the contract. In no event may any cash surrender benefit be less than the minimum nonforfeiture amount at that time. The death benefit under the contracts must be at least equal to the cash surrender benefit. [PL 2017, c. 475, Pt. A, §40 (AMD).]

SECTION HISTORY

PL 1979, c. 442, §4 (NEW). PL 2017, c. 475, Pt. A, §40 (AMD).

**§2547. Calculation of paid-up annuity benefits**

For contracts which do not provide cash surrender benefits, the present value of any paid-up annuity benefit available as a nonforfeiture option at any time prior to maturity shall not be less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid prior to the time the contract is surrendered in exchange for, or changed to, a deferred paid-up annuity, the present value being calculated for the period prior to the maturity date on the basis of the interest rate specified in the contract for accumulating the net considerations to determine the maturity value, and increased by existing additional amounts credited by the insurer to the contract. For contracts which do not provide any death benefits prior to the commencement of any annuity payments, the present values shall be calculated on the basis of the interest rate and the mortality table specified in the contract for determining the maturity value of the paid-up annuity benefit. In no event shall the present value of a paid-up annuity benefit be less than the minimum nonforfeiture amount at that time. [PL 1979, c. 442, §4 (NEW).]

SECTION HISTORY

PL 1979, c. 442, §4 (NEW).

**§2548. Maturity date**

For the purpose of determining the benefits calculated under section 2546 and 2547, in the case of annuity contracts under which an election may be made to have annuity payments commence at optional maturity dates, the maturity date shall be deemed to be the latest date for which election shall be permitted by the contract, but shall not be deemed to be later than the anniversary of the contract next following the annuitant's 70th birthday or the 10th anniversary of the contract, whichever is later. [PL 1979, c. 442, §4 (NEW).]

SECTION HISTORY

PL 1979, c. 442, §4 (NEW).

**§2549. Disclosure of limited death benefits**

Any contract which does not provide cash surrender benefits or does not provide death benefits at least equal to the minimum nonforfeiture amount prior to the commencement of any annuity payments shall include a statement in a prominent place in the contract that those benefits are not provided. [PL 1979, c. 442, §4 (NEW).]

SECTION HISTORY

PL 1979, c. 442, §4 (NEW).

**§2550. Inclusion of lapse of time considerations**

Any paid-up annuity, cash surrender or death benefits available at any time, other than on the contract anniversary under any contract with fixed scheduled considerations, shall be calculated with allowance for the lapse of time and the payment of any scheduled considerations beyond the beginning of the contract year in which cessation of payment of considerations under the contract occurs. [PL 1979, c. 442, §4 (NEW).]

SECTION HISTORY

PL 1979, c. 442, §4 (NEW).

**§2551. Proration of values; additional benefits**

For any contract which provides, within the same contract by rider or supplemental contract provision, both annuity benefits and life insurance benefits that are in excess of the greater of cash surrender benefits or a return of the gross considerations with interest, the minimum nonforfeiture benefits shall be equal to the sum of the minimum nonforfeiture benefits for the annuity portion and the minimum nonforfeiture benefits, if any, for the life insurance portion computed as if each portion were a separate contract. Notwithstanding the provisions of sections 2545 to 2548 and section 2550, additional benefits payable, in the event of total and permanent disability, as reversionary annuity or deferred reversionary annuity benefits, or as other policy benefits additional to life insurance, endowment and annuity benefits, and considerations for all these additional benefits, shall be disregarded in ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits that may be required by sections 2541 to 2551. The inclusion of the additional benefits shall not be required in any paid-up benefits, unless the additional benefits separately would require minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits. [PL 1979, c. 442, §4 (NEW).]

SECTION HISTORY

PL 1979, c. 442, §4 (NEW).

**§2552. Definitions**

For the purposes of sections 2553 and 2554 the "published monthly average" means: [PL 1981, c. 188, §4 (NEW).]

**1.**  Moody's Corporate Bond Yield Average-Monthly Average Corporates as published by Moody's Investors Services, Inc. or any successor thereto; or

[PL 1981, c. 188, §4 (NEW).]

**2.**  In the event that Moody's Corporate Bond Yield Average-Monthly Average Corporates is no longer published, a substantially similar average, established by regulation issued by the superintendent.

[PL 1981, c. 188, §4 (NEW).]

SECTION HISTORY

PL 1981, c. 188, §4 (NEW).

**§2553. Maximum rate of interest on policy loans**

**1.**  Policies issued on or after the effective date of this Act shall provide for policy loan interest rates as follows:

A. A provision permitting a maximum interest rate of not more than 8% each year; or [PL 1981, c. 188, §4 (NEW).]

B. A provision permitting an adjustable maximum interest rate established from time to time by the life insurer as permitted by law. [PL 1981, c. 188, §4 (NEW).]

[PL 1981, c. 188, §4 (NEW).]

**2.**  The rate of interest charged on a policy loan made under subsection 1, paragraph B, shall not exceed the higher of the following:

A. The published monthly average for the calendar month ending 2 months before the date on which the rate is determined; or [PL 1981, c. 188, §4 (NEW).]

B. The rate used to compute the cash surrender values under the policy during the applicable period plus 1% each year. [PL 1981, c. 188, §4 (NEW).]

[PL 1981, c. 188, §4 (NEW).]

**3.**  If the maximum rate of interest is determined pursuant to subsection 1, paragraph B, the policy shall contain a provision setting forth the frequency at which the rate is to be determined for that policy.

[PL 1981, c. 188, §4 (NEW).]

**4.**  The maximum rate for each policy shall be determined at regular intervals at least once every 12 months, but not more frequently than once in any 3-month period. At the intervals specified in the policy:

A. The rate being charged may be increased whenever such increase, as determined under subsection 2, would increase that rate by 1/2% or more each year; and [PL 1981, c. 188, §4 (NEW).]

B. The rate being charged shall be reduced whenever such reduction, as determined under subsection 2, would decrease that rate by 1/2% or more each year. [PL 1981, c. 188, §4 (NEW).]

[PL 1981, c. 188, §4 (NEW).]

**5.**  The life insurer shall:

A. Notify the policyholder at the time a cash loan is made of the initial rate of interest on the loan; [PL 1981, c. 188, §4 (NEW).]

B. Notify the policyholder, with respect to premium loans, of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan. Notice need not be given to the policyholder when a further premium loan is added, except as provided in paragraph C; [PL 1981, c. 188, §4 (NEW).]

C. Send to policyholders with loans, reasonable advance notice of any increase in the rate; and [PL 1981, c. 188, §4 (NEW).]

D. Include in the notices required under this subsection the substance of the pertinent provisions of subsections 1 and 3. [PL 1981, c. 188, §4 (NEW).]

[PL 1981, c. 188, §4 (NEW).]

**6.**  The loan value of the policy shall be determined in accordance with section 2510, but no policy may terminate in a policy year as the sole result of a change in the interest rate during that policy year, and the life insurer shall maintain coverage during that policy year until the time at which it would otherwise have terminated and if there had been no change during that policy year.

[PL 1981, c. 188, §4 (NEW).]

**7.**  The substance of the pertinent provisions of subsections 1 and 3 shall be set forth in the policies to which they apply.

[PL 1981, c. 188, §4 (NEW).]

**8.**  For purposes of this section:

A. The rate of interest on policy loans permitted under this section includes the interest rate charged on reinstatement of policy loans for the period during and after any lapse of a policy; [PL 1981, c. 188, §4 (NEW).]

B. The term "policy loan" includes any premium loan made under a policy to pay one or more premiums that were not paid to the life insurer as they fell due; [PL 1981, c. 188, §4 (NEW).]

C. The term "policyholder" includes the owner of the policy or the person designated to pay premiums as shown on the records of the life insurer; and [PL 1981, c. 188, §4 (NEW).]

D. The term "policy" includes certificates issued by a fraternal benefit society and annuity contracts which provide for policy loans. [PL 1981, c. 188, §4 (NEW).]

[PL 1981, c. 188, §4 (NEW).]

**9.**  No other provision of law may apply to policy loan interest rates unless made specifically applicable to such rates.

[PL 1981, c. 188, §4 (NEW).]

SECTION HISTORY

PL 1981, c. 188, §4 (NEW).

**§2554. Applicability to existing policies**

The provisions of sections 2552 and 2553 shall not impair any insurance contract issued before the effective date of this Act. [PL 1981, c. 188, §4 (NEW).]

SECTION HISTORY

PL 1981, c. 188, §4 (NEW).

**§2555. Inclusion of nursing home benefits in life insurance policies**

**1.**  In order to offer a life insurance policy providing for acceleration of life insurance or annuity benefits in advance of the time the benefits would otherwise be payable because of confinement to a nursing home or long-term care facility, receipt of home health care or hospice care benefits, diagnosis of terminal illness or for substantially similar reasons, the insurer must have a certificate of authority to transact life or life and health insurance in this State.

[PL 1989, c. 26 (NEW).]

**2.**  The superintendent shall promulgate reasonable rules, in accordance with the Maine Administrative Procedure Act, Title 5, chapter 375, to provide for the full and fair disclosure of information in connection with the sale of the policies referred to in subsection 1, and may include, but are not limited to, definitions, acceptable restrictions on benefit payments, coverage periods and nonforfeiture requirements.

[PL 1989, c. 26 (NEW).]

SECTION HISTORY

PL 1989, c. 26 (NEW).

**§2556. Notification prior to lapse or termination**

**1. Notice to 3rd party.**  An individual life insurance policy that has been in force for at least one year may not be terminated for nonpayment of premium unless, at least 21 days prior to the expiration of the grace period, the insurer has mailed a notice of cancellation to the policyholder and any 3rd party designated by the policyholder by name and address in writing. The bureau shall adopt rules to implement the notice requirements under this subsection.

[PL 2007, c. 40, §1 (NEW).]

**2. Restrictions on lapse or termination; cognitive impairment or functional incapacity.**  Notwithstanding any other provision of this chapter, an insurer shall provide restrictions on cancellation, termination or lapse of individual life insurance policies in accordance with this subsection to reduce the danger that a life insurance policyholder will lose life insurance coverage when the policyholder suffers from cognitive impairment or functional incapacity and the loss of coverage is due to that cognitive impairment or functional incapacity. Within 90 days after cancellation, termination or lapse of coverage due to nonpayment of premium, a policyholder, a person authorized to act on behalf of the policyholder or a dependent of the policyholder covered under a life insurance policy may request reinstatement on the basis that the loss of coverage was a result of the policyholder's cognitive impairment or functional incapacity. An insurer may request a medical demonstration that the policyholder suffered from cognitive impairment or functional incapacity at the time of cancellation, termination or lapse. The medical demonstration may be at the expense of the policyholder. A policy reinstated pursuant to this subsection must cover any loss or claim occurring from the date of the termination, cancellation or lapse and must be issued without any evidence of insurability. Within 15 days after request from an insurer, a policyholder of a policy reinstated pursuant to this subsection shall pay any unpaid premium from the date of the last premium payment at the rate that would have been in effect had the policy remained in force. If the premium is not paid as required, the policy may not be reinstated and the insurer is not responsible for claims incurred after the initial date of cancellation, termination or lapse of coverage. If an insurer denies a request for reinstatement, the insurer shall notify the policyholder that the policyholder may request a hearing before the superintendent.

[PL 2011, c. 123, §1 (AMD); PL 2011, c. 123, §5 (AFF).]

**3. Rulemaking.**  The bureau may adopt rules to implement the requirements of this section. The rules adopted pursuant to this subsection apply to all life insurance policies and riders delivered or issued for delivery, continued or renewed in this State. Rules adopted pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2‑A.

[PL 2011, c. 123, §1 (AMD); PL 2011, c. 123, §5 (AFF).]

SECTION HISTORY

PL 2007, c. 40, §1 (NEW). PL 2011, c. 123, §1 (AMD). PL 2011, c. 123, §5 (AFF).

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