S T A T E O F N E W Y O R K

4039--A

2011-2012 Regular Sessions

I N S E N A T E

March 15, 2011

Introduced by Sen. SEWARD -- read twice and ordered printed, and when printed to be committed to the Committee on Insurance -- recommitted to the Committee on Insurance in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the insurance law, in relation to life insurance policies that credit additional amounts in accordance with an equity index

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Subparagraph (A) of paragraph 8 of subsection (a) of section 3203 of the insurance law is amended to read as follows:

(A) that the policyholder shall be entitled to a loan at any time the policy is in force in an amount not exceeding the loan value, and under the conditions, specified in section four thousand two hundred twenty-two of this chapter, provided three full years' premiums have been paid or, in the case of policies that provide that the policyholder may vary the amount and frequency of premiums to be paid to the insurer, after three years from the issue of the policy, if the policy is not in default, PROVIDED THAT POLICIES CREDITING ADDITIONAL AMOUNTS IN ACCORDANCE WITH AN EQUITY INDEX SHALL BE ENTITLED TO A LOAN, ELECTED BY THE POLICY OWNER, AT ANY TIME DURING THE EQUITY INDEX PERIOD AND THAT, IN THE EVENT THAT A POLICY LOAN THAT REDUCES THE ACCOUNT VALUE IS ELECTED PRIOR TO THE END OF THE EQUITY INDEX PERIOD, THE ADDITIONAL AMOUNTS DETERMINED AT THE END OF THE EQUITY INDEX PERIOD SHALL REFLECT THE CHANGE IN ACCOUNT VALUES DURING SUCH EQUITY INDEX PERIOD;

S 2. Paragraph 14 of subsection (a) of section 3203 of the insurance law is amended to read as follows:

(14) (A) in any policy under which additional amounts may be credited for any period pursuant to subsection (b) of section four thousand two hundred thirty-two of this chapter, that states that the insurer shall credit any such amount no less frequently than annually during such

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets [ ] is old law to be omitted.

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period; PROVIDED THAT ANY POLICY THAT CREDITS ADDITIONAL AMOUNTS IN ACCORDANCE WITH AN EQUITY INDEX SHALL STATE THAT THE INSURER SHALL CREDIT ANY SUCH AMOUNT NO LESS FREQUENTLY THAN EVERY TWO YEARS, AND

(B) THAT ANY POLICY CREDITING ADDITIONAL AMOUNTS IN ACCORDANCE WITH AN EQUITY INDEX LESS FREQUENTLY THAN ANNUALLY SHALL ALSO OFFER AN OPTION THAT CREDITS ADDITIONAL AMOUNTS NO LESS FREQUENTLY THAN ANNUALLY.

S 3. Subparagraph (I) of paragraph 2 of subsection (b) of section 3209 of the insurance law is relettered subparagraph (J) and a new subparagraph (I) is added to read as follows:

(I) FOR A LIFE INSURANCE POLICY CREDITING ADDITIONAL AMOUNTS IN ACCORDANCE WITH AN EQUITY INDEX LESS FREQUENTLY THAN ANNUALLY, STATEMENTS THAT NO ADDITIONAL AMOUNTS WILL BE CREDITED TO THE EQUITY INDEX ACCOUNT OF THE POLICY IF THE POLICYHOLDER FULLY SURRENDERS THE POLICY PRIOR TO THE EXPIRATION OF THE EQUITY INDEX CREDITING PERIOD, SO THE POLICYHOLDER SHOULD CONSIDER OTHER ALTERNATIVES TO FULL SURRENDER BEFORE THAT PERIOD EXPIRES, SUCH AS A POLICY LOAN OR A PARTIAL SURRENDER FROM THE EQUITY INDEX ACCOUNT; AND

S 4. Subsection (b) of section 3209 of the insurance law is amended by adding a new paragraph 3 to read as follows:

(3) A LIFE INSURANCE POLICY CREDITING ADDITIONAL AMOUNTS IN ACCORDANCE WITH AN EQUITY INDEX LESS FREQUENTLY THAN ANNUALLY SHALL DISCLOSE TO THE POLICYHOLDER AT THE TIME OF A REQUEST FOR FULL SURRENDER OF THE POLICY BY THE POLICYHOLDER PRIOR TO THE EXPIRATION OF THE EQUITY INDEX PERIOD THAT NO ADDITIONAL AMOUNTS WILL BE CREDITED TO THE EQUITY INDEX ACCOUNT OF THE POLICY IF THE POLICYHOLDER FULLY SURRENDERS THE POLICY PRIOR TO THE EXPIRATION OF THE EQUITY INDEX PERIOD SO THE POLICYHOLDER SHOULD CONSIDER OTHER ALTERNATIVES TO FULL SURRENDER BEFORE THAT PERIOD EXPIRES, SUCH AS A POLICY LOAN OR A PARTIAL SURRENDER FROM THE EQUITY INDEX ACCOUNT.

S 5. The opening paragraph of paragraph 3 of subsection (n-1) of section 4221 of the insurance law, as added by chapter 365 of the laws of 1986, is amended to read as follows:

A policy that meets the requirements of this subsection must provide for cash surrender values that meet the requirements of either subparagraph (A) or subparagraph (B) and comply with the provisions of subparagraphs (C) and (D) of this paragraph, PROVIDED THAT, FOR PARTIAL SURRENDERS UNDER POLICIES THAT CREDIT ADDITIONAL AMOUNTS IN ACCORDANCE WITH AN EQUITY INDEX LESS FREQUENTLY THAN ANNUALLY, THE ADDITIONAL AMOUNTS DETERMINED AT THE END OF THE EQUITY INDEX PERIOD SHALL REFLECT THE CHANGE IN ACCOUNT VALUES DURING SUCH EQUITY INDEX PERIOD.

S 6. This act shall take effect immediately.