

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

7708--A

2011-2012 Regular Sessions

I N A S S E M B L Y

May 16, 2011

Introduced by M. of A. MORELLE -- read once and referred to the Committee on Insurance -- recommitted to the Committee on Insurance in accordance with Assembly Rule 3, sec. 2 -- 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:

1 Section 1. Subparagraph (A) of paragraph 8 of subsection (a) of
2 section 3203 of the insurance law is amended to read as follows:
3 (A) that the policyholder shall be entitled to a loan at any time the
4 policy is in force in an amount not exceeding the loan value, and under
5 the conditions, specified in section four thousand two hundred twenty-
6 two of this chapter, provided three full years' premiums have been paid
7 or, in the case of policies that provide that the policyholder may vary
8 the amount and frequency of premiums to be paid to the insurer, after
9 three years from the issue of the policy, if the policy is not in
10 default, PROVIDED THAT POLICIES CREDITING ADDITIONAL AMOUNTS IN ACCORD-
11 ANCE WITH AN EQUITY INDEX SHALL BE ENTITLED TO A LOAN, ELECTED BY THE
12 POLICY OWNER, AT ANY TIME DURING THE EQUITY INDEX PERIOD AND THAT, IN
13 THE EVENT THAT A POLICY LOAN THAT REDUCES THE ACCOUNT VALUE IS ELECTED
14 PRIOR TO THE END OF THE EQUITY INDEX PERIOD, THE ADDITIONAL AMOUNTS
15 DETERMINED AT THE END OF THE EQUITY INDEX PERIOD SHALL REFLECT THE
16 CHANGE IN ACCOUNT VALUES DURING SUCH EQUITY INDEX PERIOD;
17 S 2. Paragraph 14 of subsection (a) of section 3203 of the insurance
18 law is amended to read as follows:
19 (14) (A) in any policy under which additional amounts may be credited
20 for any period pursuant to subsection (b) of section four thousand two
21 hundred thirty-two of this chapter, that states that the insurer shall
22 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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1 period; PROVIDED THAT ANY POLICY THAT CREDITS ADDITIONAL AMOUNTS IN
2 ACCORDANCE WITH AN EQUITY INDEX SHALL STATE THAT THE INSURER SHALL CRED-
3 IT ANY SUCH AMOUNT NO LESS FREQUENTLY THAN EVERY TWO YEARS, AND

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

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

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

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

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

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

33 A policy that meets the requirements of this subsection must provide
34 for cash surrender values that meet the requirements of either subpara-
35 graph (A) or subparagraph (B) and comply with the provisions of subpara-
36 graphs (C) and (D) of this paragraph, PROVIDED THAT, FOR PARTIAL SURREN-
37 DERS UNDER POLICIES THAT CREDIT ADDITIONAL AMOUNTS IN ACCORDANCE WITH AN
38 EQUITY INDEX LESS FREQUENTLY THAN ANNUALLY, THE ADDITIONAL AMOUNTS
39 DETERMINED AT THE END OF THE EQUITY INDEX PERIOD SHALL REFLECT THE
40 CHANGE IN ACCOUNT VALUES DURING SUCH EQUITY INDEX PERIOD.

41 S 6. This act shall take effect immediately.