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

7306--B

2013-2014 Regular Sessions

I N A S S E M B L Y

May 10, 2013

Introduced by M. of A. CAHILL -- read once and referred to the Committee on Insurance -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- again reported from said committee with amendments, 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] THAT, FOR A POLICY NOT IN DEFAULT AND WHERE THREE FULL YEARS' PREMIUMS HAVE BEEN PAID OR, IN THE CASE OF A POLICY WHERE THE POLICYHOLDER MAY VARY THE AMOUNT AND FREQUENCY OF PREMIUMS TO BE PAID TO THE INSURER, AFTER THREE YEARS FROM THE DATE OF ISSUE OF THE POLICY, THE POLICYHOLDER SHALL BE ENTITLED TO A LOAN IN AN AMOUNT NOT EXCEEDING THE LOAN VALUE, UNDER THE CONDITIONS SPECIFIED IN SECTION FOUR THOUSAND TWO HUNDRED TWENTY-TWO OF THIS CHAPTER. HOWEVER, A POLICYHOLDER SHALL BE ENTITLED TO A LOAN FROM AN EQUITY INDEX ACCOUNT THAT CREDITS ADDITIONAL AMOUNTS LESS FREQUENTLY THAN ANNUALLY AT ANY TIME THE EQUITY INDEX POLICY HAS A LOAN VALUE;

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

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

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(14) 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 period.] THAT THE POLICY SHALL STATE THE FREQUENCY AT WHICH ADDITIONAL AMOUNTS ARE CREDITED, WHICH SHALL BE NO LESS FREQUENTLY THAN ANNUALLY, EXCEPT THAT POLICIES THAT CREDIT ADDITIONAL AMOUNTS IN AN EQUITY INDEX ACCOUNT MAY DO SO IN SUCH ACCOUNT NO LESS FREQUENTLY THAN EVERY THREE YEARS;

S 3. Subsection (e) of section 3203 of the insurance law is relettered subsection (f) and a new subsection (e) is added to read as follows:

(E) FOR POLICIES THAT CREDIT ADDITIONAL AMOUNTS IN AN EQUITY INDEX ACCOUNT LESS FREQUENTLY THAN ANNUALLY: (1) IF THE POLICY HOLDER REQUESTS A FULL SURRENDER OF A POLICY PRIOR TO THE EXPIRATION OF THE EQUITY INDEX CREDITING PERIOD, THE INSURER SHALL PROVIDE A STATEMENT TO THE POLICYHOLDER, PRIOR TO PROCESSING THE SURRENDER, TO THE EFFECT THAT: (A) NO ADDITIONAL INTEREST BASED ON THE EQUITY INDEX WILL BE CREDITED, SINCE THE EQUITY INDEX CREDITING PERIOD HAS NOT YET EXPIRED, AND THAT ONLY THE GUARANTEED INTEREST WILL BE CREDITED TO THE ACCOUNT; AND (B) THE POLICYHOLDER IS ADVISED TO CONSIDER ALTERNATIVES TO A FULL SURRENDER OF THE POLICY PRIOR TO THE CREDITING OF ADDITIONAL INTEREST BASED ON THE EQUITY INDEX, SUCH AS A POLICY LOAN OR, IF AVAILABLE, A PARTIAL WITHDRAWAL OF THE POLICY; (2) IN DETERMINING THE ADDITIONAL AMOUNT TO BE CREDITED TO THE POLICY IN ACCORDANCE WITH AN EQUITY INDEX, THE INSURER SHALL INCLUDE, IN THE CALCULATION OF THE CREDIT, ANY AMOUNTS WITHDRAWN, INCLUDING FOR POLICY LOANS, FROM THE EQUITY INDEX ACCOUNT FOR THE PERIOD OF TIME PRIOR TO THEIR WITHDRAWAL; (3) THE POLICY SHALL INCLUDE AN OPTION THAT CREDITS ADDITIONAL AMOUNTS AT LEAST ANNUALLY; AND (4) THE POLICY MAY PROVIDE THAT THE AMOUNTS TO BE PAID UPON THE EXERCISE OF A POLICY LOAN MAY BE SECURED BY THE VALUE OF THE POLICY'S EQUITY INDEX ACCOUNT OR BY THE GENERAL ACCOUNT OF THE INSURER.

S 4. Subparagraph (H) of paragraph 2 of subsection (b) of section 3209 of the insurance law, as added by chapter 170 of the laws of 2008, is amended, subparagraph (I) is relettered subparagraph (J) and a new subparagraph (I) is added to read as follows:

(H) a statement identifying the initial current and the minimum upper limit or cap on the indexed linked interest rate, if any; [and]

(I) FOR A LIFE INSURANCE POLICY CREDITING ADDITIONAL AMOUNTS IN ACCORDANCE WITH AN EQUITY INDEX LESS FREQUENTLY THAN ANNUALLY, A STATEMENT TO THE EFFECT THAT: IF THE POLICYHOLDER REQUESTS A FULL SURRENDER OF A POLICY PRIOR TO THE EXPIRATION OF THE EQUITY INDEX CREDITING PERIOD, NO ADDITIONAL INTEREST BASED ON THE EQUITY INDEX WILL BE CREDITED AND THAT ONLY THE GUARANTEED INTEREST WILL BE CREDITED TO THE ACCOUNT; AND THE POLICYHOLDER IS ADVISED TO CONSIDER ALTERNATIVES TO A FULL SURRENDER OF THE POLICY PRIOR TO THE EXPIRATION OF THE EQUITY INDEX CREDITING PERIOD, SUCH AS A POLICY LOAN OR, IF AVAILABLE, A PARTIAL WITHDRAWAL OF THE POLICY; AND

S 5. This act shall take effect immediately.