§ 3203. Individual life insurance policies; standard provisions as to contractual rights and responsibilities of policyholders and insurers. (a) All life insurance policies, except as otherwise stated herein, delivered or issued for delivery in this state, shall contain in substance the following provisions, or provisions which the superintendent deems to be more favorable to policyholders:

(1) that, for policies in which the amount and frequency of premiums may vary, after payment of the first premium, the policyholder is entitled to a sixty-one day grace period, beginning on the day when the insurer determines that the policy's net cash surrender value is insufficient to pay the total charges necessary to keep the policy in force for one month from that day, within which to pay sufficient premium to keep the policy in force for three months from the date the insufficiency was determined. For all other policies, after payment of the first premium, the policyholder is entitled to a thirty-one day grace period or of one month following any subsequent premium due date within which to make payment of the premium then due. During such grace period, the policy shall continue in full force;

(2) that if the death of the insured occurs within the grace period provided in the policy, the insurer may deduct from the policy proceeds the portion of any unpaid premium applicable to the period ending with the last day of the policy month in which such death occurred, and if the death of the insured occurs during a period for which the premium has been paid, the insurer shall add to the policy proceeds a refund of any premium actually paid for any period beyond the end of the policy month in which such death occurred, provided such premium was not waived under any policy provision for waiver of premiums benefit. This paragraph shall not apply to single premium or paid-up policies;

(3) that the policy shall be incontestable after being in force during the life of the insured for a period of two years from its date of issue, and that, if a policy provides that the death benefit provided by the policy may be increased, or other policy provisions changed, upon the application of the policyholder and the production of evidence of insurability, the policy with respect to each such increase or change shall be incontestable after two years from the effective date of such increase or change, except in each case for nonpayment of premiums or violation of policy conditions relating to service in the armed forces.

At the option of the insurer, provisions relating to benefits for total and permanent disability and additional benefits for accidental death may also be excepted;

(4) that the policy, together with the application therefor if a copy of such application is attached to the policy when issued, shall constitute the entire contract between the parties; but in the case of policies that provide that the death benefit or other policy provisions may be changed by written application or by the written notice of exercise of one or more options provided in the policy, or automatically by the terms of the policy, the policy may also contain a provision that when such written application or notice of exercise of an option is accepted by the insurer or a notice of any change is issued by the insurer and, in each case, a copy of such application or notice is returned by mail or delivered to the policyholder at the policyholder's last post office address known to the insurer, such application or notice shall become part of the entire contract between the parties;

(5) that if the age of the insured 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;

(6) that the insurer shall annually ascertain and apportion any divisible surplus accruing on the policy;

(7) (A) that, in the case of policies which provide for the crediting of additional amounts pursuant to subsection (b) of section four thousand two hundred thirty-two of this chapter or under which cash surrender values are adjusted in accordance with a market-value adjustment formula or 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, specifies the mortality table, interest rate and method used in calculating cash surrender values and any paid-up nonforfeiture benefits available under the policy;

(B) that, in the case of all other policies, specifies the cash surrender values and other options available in the event of default in a premium payment after premiums have been paid for a specified period, together with a table showing, in figures, all options available during each of the policy's first twenty years. Such options shall comply with the requirements of subsection (a) of section four thousand two hundred

twenty or section four thousand two hundred twenty-one of this chapter;

(8) (A) 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;

(B) that the sole security for the loan shall be assignment or pledge of the policy;

(C) that, unless the policy provides for the crediting of additional amounts pursuant to subsection (b) of section four thousand two hundred thirty-two of this chapter or provides for the adjustment of the policy loan value in accordance with a market-value adjustment formula or causes on a basis guaranteed in the policy unscheduled changes in benefits or premiums or provides an option for changes in benefits or premiums other than a change to a new policy, the policy shall contain a table showing the loan values, if any, available during each of the policy's first twenty years;

(D) that, in making a loan, the insurer may reduce the loan value (in addition to the indebtedness deducted in determining such value) by any unpaid premium balance for the current policy year;

(E) that, if the loan is made or repaid on a date other than the anniversary of the policy, the insurer may collect interest for the portion of the current policy year on a pro rata basis;

(F) that, at the option of the insurer, the loan shall bear interest (i) at a maximum rate of not more than seven and four-tenths per centum per annum if payable in advance or the equivalent effective rate of interest if otherwise payable, or (ii) at a rate not in excess of an adjustable maximum rate established from time to time by the insurer as permitted by law. If the policy provides for an adjustable rate, the policy shall specify the regular intervals at which the interest rate is to be determined which shall be at least once every twelve months but not more frequently than once in any three month period;

(G) the policy may further provide: (i) that if the interest on the loan is not paid when due, it shall be added to the existing loan, and shall bear interest at the applicable rate or rates payable on the loan determined in accordance with the provisions of the policy, and (ii) subject to subsection (e) of section three thousand two hundred six of this article that when the total indebtedness on the policy, including interest due or accrued, equals or exceeds the amount of the policy's loan value and if at least thirty days' prior notice shall have been given in the manner provided in section three thousand two hundred eleven of this article, then the policy shall terminate and become void;

(H) any policy which provides for the crediting of additional amounts pursuant to subsection (b) of section four thousand two hundred thirty-two of this chapter may also provide that if any indebtedness is owed to the insurer on any part of the loan value which would otherwise be credited with additional amounts, such additional amounts may be reduced so that the total amounts credited on such part are so credited at a rate that is up to two percent per annum less than the applicable loan interest rate charged or at such other rate as the superintendent, upon the insurer's demonstrating justification therefor, may allow;

(I) this paragraph eight shall not apply to term insurance;

(J) this paragraph eight shall not apply to any policy qualified for special tax treatment under subsection (b) of section four hundred three of the Internal Revenue Code of 1986, as amended, to the extent such application would prevent such qualification;

(9) a table showing the amounts of the applicable installment or annuity payments, if the policy proceeds are payable in installments or as an annuity;

(10) that the policy shall be reinstated at any time within three years from the date of default, unless the cash surrender value has been exhausted or the period of extended insurance has expired, if the policyholder makes application, provides evidence of insurability, including good health, satisfactory to the insurer, pays all overdue premiums with interest at a rate not exceeding six per centum per annum compounded annually, and pays or reinstates any other policy indebtedness with interest at a rate not exceeding the applicable policy loan rate or rates determined in accordance with the policy's provisions. This provision shall be required only if the policy provides

for termination or lapse in the event of a default in making a regularly scheduled premium payment;

(11) that upon surrender of the policy, together with a written request for cancellation, to the insurer during a period of not less than ten days nor more than thirty days from the date the policy was delivered to the policy owner, the insurer shall refund either (i) any premium paid for the policy, including any policy fees or other charges or (ii) if the policy provides for the adjustment of the cash surrender benefit in accordance with a market-value adjustment formula and if the policy or a notice attached to it so provides, the amount of the cash surrender benefit provided under the policy as so adjusted assuming no surrender charge plus the amount of all fees and other charges deducted from any premium paid or from the policy value; provided, however, that a policy sold by mail order must contain a provision permitting the policy owner a thirty day period for such surrender. A provision to this effect shall appear in the policy or in a notice attached to it;

(12) in any policy under which additional amounts may be credited pursuant to subsection (b) of section four thousand two hundred thirty-two of this chapter, that states the guaranteed factors of mortality, expense and interest, and a statement of the method used by the insurer in calculating actual policy values;

(13) in any policy under which additional amounts may be credited pursuant to subsection (b) of section four thousand two hundred thirty-two of this chapter, that such additional amounts shall be nonforfeitable after the effective date of their crediting except for any charges imposed under the policy which are not greater than those allowed under subsection (n-1) or any market value adjustment made pursuant to subsection (n-2) of section four thousand two hundred twenty-one of this chapter; and

(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 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;

(15) that states on the policy data or policy specifications page of a

participating cash value policy that dividends are not guaranteed and the insurer has the right to change the amount of dividend to be credited to the policy which may result in lower dividend cash values than were illustrated, or, if applicable, require more premiums to be paid than were illustrated.

(16) that states on the policy data or policy specifications page of a life insurance policy subject to subsection (b) of section four thousand two hundred thirty-two of this chapter, to the extent applicable, that additional amounts are not guaranteed and the insurer has the right to change the amount of interest credited to the policy and the amount of cost of insurance or other expense charges deducted under the policy which may require more premium to be paid than was illustrated or the cash values may be less than those illustrated.

(17) that states on the policy data or policy specification page the minimum guarantee interest rate used to determine the guaranteed policy values.

(b) (1) A life insurance policy delivered or issued for delivery in this state may exclude or restrict liability in the event of death occurring while the insured is resident in a specified foreign country or countries, but shall not contain any provision excluding or restricting liability in the event of death caused in a certain specified manner, except as a result of:

(A) conditions specified in subsection (c) hereof, subject to the terms of such subsection;

(B) suicide within two years from the date of issue of the policy;

(C) aviation under conditions specified in the policy;

(D) hazardous occupations specified in the policy, provided death occurs within two years from the date of issue of the policy.

(2) The superintendent may approve provisions that vary from subparagraphs (A) through (D) of paragraph one hereof and subsection (c) hereof, whenever he deems such substitute provisions to be substantially the same or more favorable to policyholders.

(3) If a death occurs that is subject to an exclusion or restriction pursuant to this subsection or subsection (c) hereof, the insurer shall pay the reserve on the face amount of the policy, computed according to the mortality table and interest rate specified in the policy, together with the reserve for any paid-up additions thereto, and any dividends

standing to the credit of the policy, less any indebtedness to the insurer on the policy, including interest due or accrued; provided that if the policy shall have been in force for not more than two years, the insurer shall pay the amount of the gross premiums charged on the policy less dividends paid in cash or used in the payment of premiums thereon and less any indebtedness to the insurer on the policy, including interest due or accrued.

(c) (1) A life insurance policy delivered or issued for delivery in this state may contain provisions excluding or restricting liability in the event of death as a result of:

(A) war or an act of war, if the cause of death occurs while the insured is serving in any armed forces or attached civilian unit and death occurs no later than six months after the termination of such service;

(B) the special hazards incident to service in any armed forces or attached civilian unit, if the cause of death occurs during the period of such service while the insured is outside the home area, and if death occurs outside the home area or within six months after the insured's return to the home area while in such service or within six months after the termination of such service, whichever is earlier;

(C) war or an act of war, within two years from the date of issue of the policy, if the cause of death occurs while the insured is outside the home area but is not serving in any armed forces or attached civilian unit, and death occurs outside the home area or within six months after the insured's return to the home area.

(2) The superintendent may, by regulation, prescribe reasonable conditions relating to the use of provisions permitted by paragraph one hereof. The provisions of subsection (b) hereof shall apply to any policy containing any provision permitted by this subsection.

(3) As used in this subsection, the term:

(A) "armed forces" means the military, naval, or air forces of any country, international organization, or combination of countries;

(B) "attached civilian unit" means a civilian non-combatant unit serving with any armed forces;

(C) "home area" means the fifty states of the United States, the District of Columbia, and Canada;

(D) "war" includes any war declared or undeclared, and armed

aggression resisted by any armed forces;

(E) "act of war" means any act peculiar to military, naval, or air operations in time of war; and

(F) "special hazards incident to service", includes those hazards resulting in the insured's death being presumed by reason of being missing, in action, or otherwise, or the insured's death from disease or injury, accidental or otherwise, to which a person serving in, or with, any armed forces or attached civilian units is exposed in the line of duty.

(4) In permitting war exclusions, it is the legislative intent that such exclusions are not to be construed or interpreted as exclusions because of the status of the insured as a member of any armed forces or attached civilian units, or because of the presence of the insured as a civilian in a combat area or area adjacent thereto. Such permissible exclusions shall be construed and interpreted according to the fair import of their terms so as not to exclude deaths due to diseases or accidents which are common to the civilian population and are not attributable to special hazards to which a person serving in such forces or units is exposed in the line of duty.

(5) Any such war exclusion shall terminate six months after the end of the war in which the insured was engaged or the war which the insured was likely to engage in at the time of application for this policy, after the discharge, release or separation of the insured from active military service, after the demobilization of the insured, or after the insured permanently leaves the war area, whichever occurs first. The end of war shall be determined by an order of the president of the United States or by federal law or shall be deemed to occur on the effective date of an agreement or declaration to end all hostilities which has been adopted or accepted by all armed forces involved therein, or in the absence of such an agreement or declaration at the end of ninety continuous days from the end of all hostilities.

(d) (1) Subsections (b) and (c) hereof shall not apply to any provision in a life insurance policy for additional benefits in the event of accidental death.

(2) If a policy provides that the death benefit may be increased or other policy provisions changed upon the application of the policyholder and the production of evidence of insurability, the policy may also

provide that the two-year exclusions permitted under subparagraph (B) or (D) of paragraph one of subsection (b) hereof or subparagraph (C) of paragraph one of subsection (c) hereof shall run from the date of issue of the policy except that it shall run from the effective date of each subsequent increase or change with respect to each such increase or change.

(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.

(f) Any of the provisions of this section, or portions thereof, exclusive of paragraph eleven of subsection (a) of this section, that do not apply to a single premium, nonparticipating, or term policy, shall to that extent not be incorporated in such policy. This section shall not apply to group life insurance.