§ 4510. Life insurance certificates; required and prohibited provisions. (a) No certificate or other evidence of a life insurance contract shall be delivered or issued for delivery in this state by any authorized society unless it contains in substance the following provisions, or provisions which in the opinion of the superintendent are more favorable to the insured members, except that such provisions as are not applicable to single premium or term life insurance shall to that extent not be incorporated in such certificate or contract:

(1) For certificates in which the amount and frequency of premiums may vary, a provision that, after payment of the first premium, the insured is entitled to a grace period of not less than sixty-one days, beginning on the day when the fraternal benefit society determines that the certificate's net cash surrender value is insufficient to pay the total charges necessary to keep the certificate 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. During such grace period the certificate shall continue in full force, but in case the certificate becomes a claim, on account of death, maturity or other benefit accrued during such grace period before an amount of premium sufficient to keep the certificate in force is paid, an amount of premium sufficient to keep the policy in force until the day the certificate became a claim may be deducted from any amount payable in any settlement under the certificate. For all other certificates, a provision that the insured is entitled to a grace period of not less than one month or thirty days within which the payment of any premium after the first may be made, and that during such grace period the certificate shall continue in full force, but in case the certificate becomes a claim, on account of death, maturity or other benefit accrued during such grace period before the overdue premiums are paid, the amount of such premium or premiums may be deducted from any amount payable in any settlement under the certificate.

(2) A provision that the certificate shall be incontestable after it has been in force during the lifetime of the insured member for a period of two years from its date of issue, and, if a certificate provides that the death benefit provided by the certificate may be increased, or other certificate provisions changed, upon the application of the certificate holder and the production of evidence of insurability, a provision that

the certificate 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 (i) non-payment of premiums, and (ii) violation of the provisions of the certificate relating to military or naval service, and, at the option of the society, (iii) provisions relating to benefits in the event of total and permanent disability, and (iv) provisions which grant additional insurance against death by accident or accidental means.

(3) A provision that if it shall be found at any time before final settlement under the certificate that the age of the insured (or the age of the beneficiary, if considered in determining the premium) has been misstated, and the discrepancy and the premium payment involved have not been adjusted, the amount payable under the certificate shall be such as the premium would have purchased at the correct age, except that if the correct age was not an insurable age under the society's charter, constitution or by-laws, and such charter, constitution or by-laws so provide, only the net mortuary payments made thereunder shall be returned or, at the option of the society, the amount payable under the certificate shall be such as the premium would have purchased at the correct age according to the society's promulgated rates and any extension thereof based on actuarial principles.

(4) A provision that the holder of a certificate shall be entitled to have the certificate reinstated at any time within three years from the due date of the premium in default, unless the cash value has been duly paid or the period of extended insurance has expired, upon the production of evidence of insurability and good health satisfactory to the society and the payment of all overdue premiums and any other indebtedness to the society upon such certificate together with interest on such premiums, at a rate not exceeding six percent per annum payable annually and interest on such indebtedness at a rate or rates not exceeding the applicable loan rate or rates determined in accordance with the certificate's provisions. Such provision shall be required only if the certificate provides for termination or lapse in the event of a default in making a regularly scheduled premium. Such provision may give the society the right to contest the reinstated certificate, as to statements made to procure reinstatement, within a period after date of reinstatement not exceeding the period of contestability prescribed in

the original certificate with the same exceptions permitted by paragraph two hereof.

(5) In the case of certificates which cause on a basis guaranteed in the certificate unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new certificate, a provision specifying the mortality table, interest rate and method used in calculating cash surrender values and the paid-up nonforfeiture benefits available under the certificate. In the case of all other certificates, a provision specifying the nonforfeiture options available under the certificate 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, the options so available, and also the loan values, if any, available during each of the first twenty years after the issuance of the certificate. Such options shall conform with the requirements of section four thousand five hundred eleven of this article.

(6) A provision for certificates issued on and after January first, nineteen hundred seventy-five, that after three full years' premiums have been paid or, in the case of certificates that provide that the certificate holder may vary the amount and frequency of premiums to be paid to the society, after three years from the issue of the certificate, if the certificate is in force and not in default, the society will, at any time while the certificate is in force, advance, on proper assignment or pledge of the certificate and on the sole security thereof, a sum equal to, or at the option of the person entitled thereto, less than, the amount of the cash surrender value calculated in accordance with the provisions of section four thousand five hundred eleven of this article; and that the society may deduct from such loan value (in addition to the indebtedness deducted in determining such value) any unpaid balance of the premium for the current certificate year; and that if the loan is made or repaid on a date other than the anniversary of the certificate the society may collect interest for the portion of the current certificate year on a pro rata basis. The certificate shall provide, at the option of the society, either that (i) any such loan shall bear interest 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) any

such loan shall bear interest at a rate not in excess of an adjustable maximum rate established from time to time by the society as permitted by law. If the certificate provides for an adjustable rate, the certificate 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. The certificate may further provide 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 certificate; and subject to subsection (e) of section three thousand two hundred six of this chapter may further provide that if and when the total indebtedness on the certificate, including interest due or accrued, equals or exceeds the amount of the loan value thereof at such time, 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 chapter, then the certificate shall terminate and become void. This provision shall not apply to term insurance.

Any certificate which provides for the crediting of additional amounts pursuant to section four thousand five hundred eighteen of this article may also provide that if any indebtedness is owed to the society 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 society's demonstrating justification therefor, may allow.

(7) If in the judgment of the superintendent, the charter, constitution or by-laws of the society provide that the violation of any section or sections thereof shall result in the reduction or termination of any benefit payable under the certificate, then a provision which either:

(A) recites fully all such sections,

(B) sets forth the substance of all such sections, or

(C) states in substance that no section of the charter, constitution or by-laws shall be relied upon or be used to reduce or terminate any

benefit payable under the certificate unless such section is specifically set forth or referred to in the certificate.

(8) The provision in the constitution or by-laws required by subsection (g) of section four thousand five hundred four of this article.

(9) A provision that in case the by-laws of the society provide for expulsion or suspension of a member, any member so expelled or suspended except for non-payment of a premium or contribution, or within the contestable period for material misrepresentations in his application for membership, shall have the privilege of maintaining his insurance in force by continuing payment of the required premium or contribution payable under the certificates and of such other assessments as may be required of members holding certificates of the same class.

(10) If issued for delivery in this state by any authorized foreign or alien society, a provision that the rights or obligations of the insured member under such certificate or other evidence of such life insurance contract or of any person rightfully claiming thereunder shall be governed by the laws of this state.

(11) A provision that the society shall annually ascertain and apportion any divisible surplus accruing on the certificate.

(12) In any certificate under which additional amounts may be credited pursuant to section four thousand five hundred eighteen of this article, provisions stating

(A) the guaranteed factors of mortality, expense and interest, and the method used by the society in calculating actual certificate values;

(B) that such additional amount shall be nonforfeitable after the effective date of their crediting except for any charges imposed under the certificate 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

(C) that the society shall credit any such amounts no less frequently than annually during such period.

(13) Operative on January first, nineteen hundred eighty-five or with respect to certificates issued by any particular society operative on such earlier date as the society may have specified in a written notice filed with the superintendent as the date the society elects to begin

compliance with the provisions of this paragraph, a provision that (i) if the death of the insured shall occur within a period for which the premium has been paid, the society shall add to the certificate proceeds a refund of the pro rata portion of premium paid for any period beyond the end of the certificate month in which death occurred, provided such premium was not waived under any waiver of premiums benefit included in the certificate or attached thereto, and (ii) if the death of the insured shall occur within a period for which the premium has not been paid, but within the grace period provided in the certificate, the society may deduct from the certificate proceeds that portion of overdue premium as applies to the period ending with the last day of the certificate month in which death occurred; provided however, that the provisions of this paragraph shall not be applicable to single premium certificates and paid-up certificates.

(b) (1) No such certificate or other evidence of a life insurance contract delivered or issued for delivery in this state shall contain any exclusory or restrictive provisions relating to liability in the event of death caused in a certain specified manner except the following provisions, or provisions which in the opinion of the superintendent are substantially the same or more favorable to holders of such certificate or contracts, excluding or restricting coverage in the event of death:

(A) as a result of war or an act of war, if the cause of death occurs while the insured is serving in the military, naval or air forces of any country, international organization or combination of countries or in any civilian noncombatant unit serving with such forces, provided such death occurs while in such forces or units or within six months after termination of service in such forces or units;

(B) as a result of the special hazards incident to service in the military, naval or air forces of any country, international organization or combination of countries or in any civilian non-combatant unit serving with such forces, if the cause of death occurs while the insured is serving in such forces or units and is outside the home area, provided such death occurs outside the home area or within six months after the insured's return to the home area while in such forces or units or within six months after the termination of service in such forces or units, whichever is earlier;

(C) as the result of war or an act of war, within two years from the

date of issue of the certificate, while the insured is not in such forces or units, if the cause of death occurs while the insured is outside the home area; provided such death occurs outside the home area or within six months after the insured's return to the home area;

(D) as a result of suicide within two years from the date of issue of the certificate;

(E) as a result of aviation under conditions specified in the certificate; or

(F) within two years from the date of issue of the certificate as a result of specified hazardous occupations, or while the insured is a resident of a specified foreign country or countries.

(2) The provisions of this paragraph shall apply only to subparagraphs (A), (B) and (C) of paragraph one hereof.

(A) As used in such subparagraphs, "home area" means the states of the United States, the District of Columbia and Canada; "war" includes, but is not limited to, any war declared or undeclared, and armed aggression resisted by the military, naval or air forces of any country, international organization or combination of countries; "act of war" means any act peculiar to military, naval, or air operations in time of war; and "special hazards incident to service" includes, but is not limited to, those hazards resulting in the insured's death being presumed by reason of being missing or missing in action, and those hazards resulting in death from disease or injury, accidental or otherwise, to which a person serving in, or with, such forces or units is exposed in the line of duty.

(B) In permitting such 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 such forces or 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.

(C) The superintendent may, by regulation, prescribe reasonable conditions relative to the use of such war exclusion provisions.

(3) In the event of death as to which there is such an exclusion or restriction, the society shall pay the reserve on the face amount of the certificate, computed according to the mortality table and interest rate specified in the certificate, together with the reserve for any paid-up additions thereto, and any dividends standing to the credit of the certificate, less any indebtedness to the society on the certificate, including interest due or accrued; provided that if the certificate shall have been in force for not more than two years the society shall pay the amount of the gross premiums charged on the certificate less dividends paid in cash or used in the payment of premiums thereon and less any indebtedness to the society on the certificate; including interest due or accrued.

(4) Nothing contained in this subsection shall apply to any provision in a life insurance certificate for additional benefits in the event of death by accident or by accidental means.

(5) If a certificate provides that the death benefit may be increased, or other certificate provisions changed, upon the application of the certificate holder and the production of evidence of insurability, the certificate may also provide that the two year exclusions permitted under subparagraph (C), (D) or (F) of paragraph one of this subsection shall run from the date of issue of the certificate except that it shall run from the effective date of each subsequent increase or change with respect to each such increase or change.

(c) No such certificate or other evidence of a life insurance contract shall be issued or delivered in this state by any society if, in substance, any of the following provisions are in any way made a part of the contract:

(1) any provision limiting the time within which any action at law or in equity may be commenced to less than eighteen months after the cause of action shall accrue;

(2) any provision for forfeiture, lapse or termination of any certificate because of failure to repay any loan on the certificate or to pay interest on such loan, while the total unpaid amount of any loan or loans under such certificate, including interest, is less than the loan value thereof; or

(3) any provision whereby the suspension or expulsion of the insured member, or change of occupation, or any other violation of the terms and

conditions of the insurance contract shall result in the loss or reduction of the cash surrender value or other withdrawal equity, if any, available by the terms of such certificate.