Regular Session, 2010

HOUSE BILL NO. 466

BY REPRESENTATIVE KLECKLEY

INSURANCE/LIFE: Provides for technical recodification of certain provisions of the La. Insurance Code relative to life insurance and annuities

AN ACT

To amend and reenact R.S. 22:901(A), (B), (C)(1) and (3), and (D)(1)(introductory paragraph) and (a) and (2), 902, 904, 905, 906, 907, 910, 912(A), (B)(1), (C), (D)(1)(b), (E), and (F), 913, 914, 915(B), 931, 932 (B)(introductory paragraph) and (1), (D)(introductory paragraph) and (2), and (E), 934, 935, 936(A)(1)(introductory paragraph) and (2), (B), (D)(1), (2), and (4), (E), (F)(1), (G)(1), (4), and (8)(introductory paragraph) and (b) and (d) through (g), (I)(1), (J)(1), (2), (3), and (5), (K)(1)(g) and (h), 941(B)(6), 942(introductory paragraph) and (1), (10)(b), and (11), 943(D)(2), 944(A), 951(A), 952(A)(2), (B)(introductory paragraph) and (4), and (J), and 961, all relative to technical recodification of certain provisions of the Louisiana Insurance Code relative to life insurance and annuities, including correction of citations, updates of terms and language, reorganization of provisions, elimination of obsolete or ineffective provisions, and harmonizing of inconsistent provisions; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 22:901(A), (B), (C)(1) and (3), and (D)(1)(introductory paragraph) and (a) and (2), 902, 904, 905, 906, 907, 910, 912(A), (B)(1), (C), (D)(1)(b), (E), and (F), 913, 914, 915(B), 931, 932 (B)(introductory paragraph) and (1), (D)(introductory paragraph) and (2), and (E), 934, 935, 936(A)(1)(introductory paragraph) and (2), (B), (D)(1), (2), and (4), (E), (F)(1), (G)(1), (4), and (8)(introductory paragraph) and (b) and (d) through (g), (I)(1), (J)(1), (2), (3), and (5), (K)(1)(g) and (h), 941(B)(6), 942(introductory paragraph) and (1), (10)(b), and (11), 943(D)(2), 944(A), 951(A), 952(A)(2), (B)(introductory paragraph) and (4), and (J), and 961 are hereby amended and reenacted to read as follows:

§901. Insurable interest required; personal insurance; intentional acts exclusion

A. Any individual of competent legal capacity may procure or effect an insurance contract upon his own life or body for the benefit of any person; ~~But~~ however, no person shall procure or cause to be procured any insurance contract upon the life or body of another individual unless the benefits under such contract are payable to the individual insured or his personal representatives, or to a person having, at the time when such contract was made, an insurable interest in the individual insured.

B. If the beneficiary, assignee, or other payee under any contract made in violation of this Section receives from the insurer any benefits ~~thereunder~~ under the contract accruing upon the death, disablement, or injury of the individual insured, the individual insured or his executor or administrator, as the case may be, may maintain an action to recover such benefits from the person ~~so~~ receiving them.

C. "Insurable interest" as used in this Section and in R.S. 22:856 includes only interest as follows:

(1) In the case of individuals related closely by blood or by law, a substantial interest engendered by love and affection~~; and~~.

* * *

(3) ~~An individual,~~ A person~~, or entity heretofore or hereafter~~ party to an agreement, contract, or option for the purchase or sale of a business or a firm or immovable property owned by a business or firm, or an interest therein or of shares of stock of a closed corporation or of an interest in such shares, has an insurable interest in the life of each individual party to such agreement, contract, or option, each individual shareholder of such closed corporation or each individual shareholder of a corporation, individual partner of a partnership, or individual member of a limited liability company owning such property, business, firm, or shares of stock for the purposes of such agreement, contract, or option, only, in addition to any insurable interest which may otherwise exist as to the life of such individual party or individual shareholder.

D.(1) No beneficiary, assignee, or other payee under any personal insurance contract shall receive from the insurer any benefits ~~thereunder~~ under the contract accruing upon the death, disablement, or injury of the individual insured when said beneficiary, assignee, or other payee is~~:~~ either:

(a) Held by a final judgment of a court of competent jurisdiction to be criminally responsible for the death, disablement, or injury of the individual insured~~;~~ ~~or~~.

* * *

(2) Where such a disqualification exists, the policy proceeds shall be payable to the secondary or contingent beneficiary, unless similarly disqualified, or, if no secondary or contingent beneficiary exists, to the estate of the insured. ~~Provided, that nothing~~ Nothing contained ~~herein~~ in this Section shall prohibit payment pursuant to an assignment of the policy proceeds where such payment defrays the cost and expenses of the insured's funeral or expense incurred in connection with medical treatment of the insured. ~~Provided, also, that nothing~~ Nothing contained ~~herein~~ in this Section shall prohibit payment of insurance proceeds pursuant to a facility of payment clause, so long as such payment is not made to a beneficiary, assignee, or other payee disqualified by this Section.

* * *

§902. Statutory life insurance beneficiaries

Notwithstanding any other law or regulation to the contrary, any religious, educational, eleemosynary, charitable, or benevolent institution or undertaking may be named beneficiary in or owner of any policy of life insurance issued by any life insurance company upon the life of any individual. The beneficiaries or owners ~~aforenamed~~ named shall have an insurable interest for the full face of the policy and shall be entitled to collect same. On all policies of life insurance issued before August 21, 1992, by insurers in which any of the ~~aforenamed~~ named beneficiaries or owners shall have been designated beneficiaries in the policies, ~~said~~ the beneficiaries shall have an insurable interest to the full extent of the face of the policy and be entitled to collect same, without penalty or deduction.

* * *

§904. Ante-dating of life insurance policies prohibited

No insurer shall knowingly deliver or issue for delivery in this state any policy or contract of life insurance which purports to be issued or to take effect as of a date more than six months before the application ~~therefor~~ was made, if ~~thereby~~ the premium on such policy or contract is reduced below the premium which would be payable thereon as determined by the nearest birthday of the insured at the time when such application was made. No ~~agent~~ producer or other representative of an insurer shall in this state prepare, submit, or accept any application for life insurance which bears a date earlier than the date when such application was made by the insured or applicant, if thereby the premium on such policy is reduced as ~~above~~ stated~~.~~ in this Section. Nothing contained in this Section shall invalidate any contract made in violation of this Section. This Section shall not be construed to prohibit the exchange, alteration, or conversion of policies of life insurance as of the original date of such policies if the amount of insurance provided under the new policy does not exceed the amount of insurance under the original policy or the amount of insurance which the premium paid for the original policy would have purchased if the new policy had been originally applied for, whichever is greater~~;~~, nor to prohibit the exercise of any conversion privilege contained in any policy or contract.

§905. Written notice required before lapsing life policies

A. No life insurer shall within one year after default in payment of any premium, installment, loan, or interest, declare forfeited or lapsed any policy issued or renewed, and not issued upon the payment of monthly or weekly premiums or for a term of one year or less, for ~~non-payment~~ nonpayment when due of any premium, installment, loan, or interest, or any portion thereof required by the terms of the policy to be paid, unless a written or printed notice ~~stating:~~

~~(1) The amount of such premium, installment, loan or interest, or portion thereof due on such policy; and~~

~~(2) The place where it shall be paid and the person to whom the same is payable,~~ shall have been duly addressed and mailed to the person whose life is insured or the assignee of the policy if notice of the assignment has been given to the insurer, at the last known post office address of such insured or assignee, postage prepaid by the insurer or any person appointed by it to collect such payment, at least fifteen and not more than forty-five days prior to the date when the same is payable. Such notice shall state both of the following:

(1) The amount of such premium, installment, loan, or interest, or portion thereof due on such policy.

(2) The place where it shall be paid and the person to whom the same is payable.

B. No policy shall ~~in any case~~ be forfeited or declared forfeited or lapsed until the expiration of thirty days after the mailing of such notice. Any payment demanded by ~~such~~ the notice and made within the time limit shall be ~~taken to be full compliance~~ fully compliant with the requirements of the policy in respect to the time of ~~such~~ the payment.

C. The affidavit of any officer, clerk, or ~~agent~~ representative of the insurer or of anyone authorized to mail such notice that the notice required by this ~~section~~ Section has been duly addressed and mailed by the insurer issuing such policy, shall be presumptive evidence that such notice has been duly given. No action shall be maintained to recover under a forfeited policy, unless the same is instituted within two years from the day upon which default was made in paying the premium, installment, interest or portion thereof for which it is claimed that forfeiture ensued.

D. This Section shall not apply to group life insurance policies.

§906. Mortality endowments prohibited

A. No life insurer, ~~(~~including industrial, service, ~~non-profit~~ nonprofit funeral associations, and fraternal benefit societies~~)~~, shall be permitted to issue policies, certificates, or contracts to policyholders or members stipulating for the establishment of its policyholders or members into divisions and classes for the purpose of providing for the payment of benefits from special funds created for such purpose to the oldest member of the division and class or to the member of the division and class whose policy has been in force the longest period of time upon the death of the member in such division and class, except as provided in Subsection B of this Section.

B. Any life insurer specified in Subsection A of this Section ~~heretofore~~ operating on the plan specified in Subsection A of this Section in this state since before October 1, 1948, may continue ~~so~~ to ~~do~~ operate upon condition that such life insurer shall not after that date establish its policyholders or members into divisions or classes other than the divisions or classes actually containing subsisting policies or certificates as of July ~~28th,~~ 28, 1936.

§907. Benefits required by domiciliary state; ~~--~~ Louisiana residents entitled to

Every policy of life insurance and every benefit contract issued by any alien or foreign insurer to an insured or beneficiary who is a citizen or resident of this state at the time the policy was issued, shall as to all rights, privileges, or duties of the insurer, the insured, or the beneficiary therein, be ~~so~~ interpreted, performed, and enforced as to give accord and extend to such insured or beneficiary named therein and all parties legally represented or claiming through such original parties, the benefit of all legislative or legal enactments of any sort within the state, territory, or country where the insurer issuing such policy or contract is domiciled.

* * *

§910. Life insurance and annuities; replacement

Rules and regulations concerning replacement of life insurance and annuities as provided in R.S. 22:47(1) and (17) shall be promulgated by the commissioner. ~~by July 1, 2000.~~

* * *

§912. Exemption of proceeds; life, endowment, annuity

A.(1) The lawful beneficiary, assignee, or payee, including the insured's estate, of a life insurance policy or endowment policy, ~~heretofore or hereafter effected~~ shall be entitled to the proceeds and avails of the policy against the creditors and representatives of the insured and of the person effecting the policy or the estate of either, and against the heirs and legatees of either ~~such~~ person, and such proceeds and avails shall also be exempt from all liability for any debt of ~~such~~ the beneficiary, payee, or assignee or estate, existing at the time the proceeds or avails are made available for his own use. For purposes of this Subsection, the proceeds and avails of the policy include the cash surrender value of the policy.

(2) The exemption authorized in ~~Subsection (A)~~ Paragraph (1) of this Subsection from seizure under any writ, mandate, or process issued by any court of competent jurisdiction, including any bankruptcy proceedings, shall not apply to that portion of the cash surrender value, or loan value of any life insurance policy, endowment policy, or annuity contract payable upon surrender during the lifetime of the insured or annuitant which exceeds the sum of thirty-five thousand dollars if such policy or contract was issued within nine months of issuance of such writ, mandate, or process or the filing of a voluntary or involuntary bankruptcy proceeding under the United States Code. However, an insurer shall be liable only for such amounts that exceed the thirty-five thousand dollar exemption which are in the insurer's possession at the time the insurer receives, at its home office, written notice by or on behalf of a creditor of claims being made against such value or interest with specification of the amount claimed. The insurer shall have no obligation to determine the validity or the accuracy of the amount of the claim and shall be relieved of further liability of any kind with respect to the monies paid upon ~~such~~ request of a creditor. An insurer shall be entitled to be paid by preference and priority over the claim of any ~~such~~ seizing creditor the balance of any bona fide loan to ~~such~~ the insured or owner which is secured by such interest or value in ~~such~~ the policy or contract.

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B.(1) The lawful beneficiary, assignee, or payee, including the annuitant's estate, of an annuity contract~~, heretofore or hereafter effected,~~ shall be entitled to the proceeds and avails of the contract against the creditors and representatives of the annuitant or the person effecting the contract, or the estate of either, and against the heirs and legatees of either ~~such~~ person, saving the rights of forced heirs, and ~~such~~ the proceeds and avails shall also be exempt from all liability for any debt of ~~such~~ the beneficiary, payee, or assignee or estate, existing at the time the proceeds or avails are made available for his own use.

* * *

C. The lawful beneficiary designated in an Education Assistance Account depositor's agreement to receive account funds in the event of the account owner's death, including the account owner's estate, of the funds contained in an Education Assistance Account established pursuant to R.S. 17:3095~~, heretofore or hereafter effected,~~ shall be entitled to the proceeds and avails of the Education Assistance Account against the creditors and representatives of the account owner or the person effecting the account, or the estate of either, and against the heirs and legatees of either ~~such~~ person, saving the rights of forced heirs, and ~~such~~ the proceeds and avails shall also be exempt from all liability for any debt of ~~such~~ the beneficiary or estate existing at the time the proceeds and avails are made available for his own use.

D.(1) The provisions of Subsections A, B, and C of this Section shall apply:

* * *

(b) Whether or not the policy, contract, or Education Assistance Account depositor's agreement is made payable to the person whose life is insured, to his estate, or to the estate of an annuitant or to the estate of an Education Assistance Account owner if the beneficiary, assignee or payee shall predecease ~~such~~ the person.

* * *

E. No person shall be compelled to exercise any rights, powers, options, or privileges under any ~~such~~ policy, contract, or Education Assistance Account depositor's agreement.

F. There shall be excepted from the provisions of this Section a debt secured by a pledge of a policy, any rights under ~~such~~ the policy that may have been assigned, and any advance payments made on or against ~~such~~ the policy.

§913. Policies payable to estate; effect of renunciation

In all policies of life or endowment insurance and in all annuity contracts where the estate of the insured or annuitant is a beneficiary or payee, the widow, or heir, or heirs of the insured or annuitant decedent shall be entitled to the proceeds of ~~such~~ the policies or contracts according to the laws of distribution affecting the succession of the decedent even though they have renounced his succession with the same effect as if ~~said~~ the renunciation had not taken place.

§914. Requirements of variable life and variable annuities

Except for R.S. 22:951(A)(1), (6), and (7) in the case of a variable annuity contract and R.S. 22:931(A)(1), (7), and (9), R.S. 22:933, 934, 935, and 936 in the case of an individual variable life insurance contract, and R.S. 22:942(3) in the case of a group variable life insurance contract and except as otherwise provided in Subpart C of Part IV of Chapter 2 of this Title, all pertinent provisions of the insurance laws of this state shall apply to separate accounts and contracts relating thereto. Any individual variable life insurance contract, delivered or issued for delivery in this state shall contain grace, reinstatement and nonforfeiture provisions appropriate to ~~such a~~ the contract; any ~~such~~ group variable life insurance contract shall contain a grace provision appropriate to ~~such a~~ the contract and any such variable annuity contract shall contain grace, reinstatement, and nonforfeiture provisions appropriate to ~~such a~~ that contract.

§915. Donations inter vivos of life insurance policies; laws respecting form inapplicable

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B. This ~~section~~ Section is remedial and retrospective. All donations inter vivos of life insurance policies made on or before July 31, 1968, are valid and effective, whether or not such donations were made in the form prescribed by the Civil Code or by any other laws of this state.

* * *

§931. Life insurance policies; standard provisions

A. No policy of life insurance, except as stated in Subsection C~~,~~ of this Section, shall be delivered or issued for delivery in this state unless it contains in substance the following provision or provisions which, in the opinion of the commissioner of insurance, are more favorable to the policyholder:

(1) Grace period. A provision that the insured is entitled to a grace period either of thirty days or, at the option of the insurer, of one month within which the payment of any premium after the first may be made, during which period of grace the policy shall continue in full force, but if a claim arises under the policy during ~~such~~ the period of grace before the overdue premiums or the deferred premiums of the current policy year, if any, are paid, the amount of such premiums, together with interest, not in excess of six ~~per cent~~ percent per annum, on any overdue premium, may be deducted from any amount payable under the policy in settlement.

(2) Incontestability. A provision that the policy shall be incontestable after it has been in force during the lifetime of the insured for a period of two years from its date of issue, except for ~~non-payment~~ nonpayment of premiums and except for the conditions of the policy relating to military or naval service, or services auxiliary thereto; and at the option of the insurer, provisions relating to benefits in the event of disability, as defined in the policy, and provisions which grant additional insurance specifically against death by accident or accidental means, may also be excepted.

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(3) Entire contract. A provision that the policy shall constitute the entire contract between the parties, or if a copy of the application is endorsed upon or attached to the policy when issued, a provision that the policy and the application therefor shall constitute the entire contract between the parties.

(4) Misstatement of age. A provision that if the age of the person insured or the age of any other person whose age is considered in determining the premiums 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, or ages.

(5) ~~A~~ Participating policy. If the policy is a participating policy, a provision that the insurer shall annually ascertain and apportion any divisible surplus accruing on the policy.

(6) Nonforfeiture options. A provision in accordance with R.S. 22:934 through 936 specifying the options, if any, available under the policy in the event of default in a premium payment~~.~~; ~~Provided, however,~~ however, the mortality table and rate of interest used as a basis for the calculation of ~~such~~ the options shall be designated by the policy.

(7) Policy loan. A provision that when the policy has a loan value, the insurer issuing it shall advance at the option of the person entitled thereto, a sum equal to or less than the cash surrender value of the policy at the end of the current policy year computed in accordance with the provisions of this Subpart, at any time while the policy is in force, on proper assignment or pledge of the policy or with the policy as security at a specified rate of interest not exceeding eight ~~per centum~~ percent per annum on policy contracts in effect prior to September 10, 1982, or in accordance with the provisions of R.S. 22:932 on policy contracts in effect on or after September 10, 1982. The interest shall be compounded annually payable in advance. The policy shall also contain a provision that the insurer may deduct from ~~such~~ the loan value, in addition to the indebtedness deducted in determining such value, any unpaid balance of the premium for the current policy year. The policy shall also contain a provision 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 at the rate of interest specified in the policy. The policy may further provide that interest on the loan may be compounded annually and, if not paid when due, it shall be added to the existing loan and shall bear interest at the same rate. The policy may further provide that, if and when the total indebtedness on the policy, 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 has been given in the manner provided in R.S. 22:905, then the policy shall terminate and become void. The insurer may provide in the policy that the making of any such loan, except when made to pay premiums, may be deferred for a period not to exceed six months after the application therefor has been received by it. The provision shall not apply to term policies of twenty years or less.

(8) Nonforfeiture benefits. A provision specifying the basis used in determining ~~non-forfeiture~~ nonforfeiture benefits. In case the proceeds of the policy are payable in installments or as an annuity, a table showing the amounts of the installments or annuity payments.

(9) Reinstatement. A provision that the policy will be reinstated at any time within three years from the date of default, unless the cash surrender value has been exhausted by payment or unless the period of extended insurance has expired, upon the application of the insured and the production of evidence of insurability, including good health, satisfactory to the insurer and the payment of all overdue premiums and the payment or reinstatement of any other indebtedness to the insurer upon said policy with the interest at a rate not exceeding six ~~per centum~~ percent per annum compounded annually.

(10) Free look period. (a) A provision, prominently printed on the life insurance policy or attached thereto, notifying the insured that ten days are allowed, from the date of his receipt of the policy, to examine its provisions. If the policy is not as explained by the company, its representative, or as understood by the insured, the policy may be surrendered within ~~said~~ the ten-day period, and any premium

advanced by the insured, upon the surrender, shall be immediately returned to him. The insurer shall have the option of printing, attaching, or endorsing the notice ~~above~~ required in this Subparagraph or a notice of equal prominence which, in the opinion of the commissioner of insurance, is not less favorable to the policyholder. This ~~Paragraph~~ Subparagraph shall not apply to ~~trip-~~travel insurance policies which by their terms are not renewable.

(b) If the policy is delivered by ~~an agent or broker,~~ a producer, a receipt shall be signed by the policyholder acknowledging delivery of the policy. The receipt shall contain the policy number and the date the delivery was completed. All delivery receipts required by this Subparagraph shall be retained by the insurer or its ~~agent or the broker~~ producer for two consecutive years. The requirement of this Subparagraph shall not apply to any insurer that markets policies under a home service marketing distribution method and that issues a majority of its policies on a weekly or monthly basis.

(c) If the policy is delivered by mail, it shall be sent by certified mail, return receipt requested, or a certificate of mailing shall be obtained showing the date the policy was mailed to the policyowner. For policy issuances verified by a certificate of mailing, it is presumed that the policy is received by the policyowner ten days from the date of mailing. The receipts and the certificate of mailing described in this Section shall be retained by the insurer or ~~agent~~ producer for ~~three~~ two years.

(11) Lump sum payment. A provision which allows election by the beneficiary of an option to receive benefits in the form of a lump sum payment. This Paragraph shall not apply to policies of industrial life insurance or service insurance.

B. Exclusions and restrictions. No policy of life insurance delivered or issued for delivery in this state shall contain any provision which excludes or restricts liability for death caused in a certain specified manner or occurring while the insured has a specified status, except the following provisions, or provisions which in the opinion of the commissioner of insurance are substantially the same or more favorable to policyholders:

(1) Provisions excluding or restricting coverage in the event of death occurring:

~~(1)~~ (a) As a result of war declared or undeclared under conditions specified in the policy.

~~(2)~~ (b) While either in:

~~(a)~~ (i) ~~the~~ The military, naval, or air forces of any country at war, declared or undeclared~~, or~~.

~~(b)~~ (ii) ~~any~~ Any ambulance, medical, hospital, or civilian noncombatant unit serving with such forces, either while serving with or within six months after termination of service in such forces or units.

~~(3)~~ (c) As a result of self-destruction while sane or insane within two years from the date of issue of the policy.

~~(4)~~ (d) As a result of aviation under conditions specified in the policy.

~~(5)~~ (e) Within two years from the date of issue of the policy as a result of a specified hazardous occupation or occupations, or while the insured is residing in a specified foreign country or countries.

(2) In the event of death as to which there is an exclusion or restriction pursuant to ~~Paragraphs (1), (3), (4), or (5)~~ Subparagraph (1)(a), (c), (d), or (e) of this Subsection, the insurer shall pay an amount not less than the reserve on the face amount of 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 insurer on the policy, including interest due or accrued.

(3) In the event of death as to which there is an exclusion or restriction pursuant to ~~Paragraph (2)~~ Subparagraph (1)(b) of this Subsection, the insurer shall pay the greater of:

~~(a) the~~ (i) The amount specified in ~~the preceding paragraph; or~~ Paragraph (2) of this Subsection.

~~(b) the~~ (ii) 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.

(4) A clause in any policy of life insurance, issued under this Code, providing that such policy shall be incontestable after a specified period shall preclude only a contest of the validity of the policy, and shall not preclude the assertion at any time of defenses based upon provisions which exclude or restrict coverage as provided in this Subsection, whether or not such restrictions or exclusions are excepted in such clause; nor upon a provision regarding misstatement of age as provided in Paragraph (4) of Subsection A of this Section, whether or not such provision is excepted in such clause.

(5) Nothing contained ~~herein~~ in this Subsection shall apply to any provision in a life insurance policy for additional benefits in the event of death by accident or accidental means.

C. Any of the ~~foregoing~~ provisions or portions thereof of this Section not applicable to single premium or ~~non-participating~~ nonparticipating or term policies~~,~~ shall to that extent not be incorporated therein. The provisions of this Section shall not apply to policies of industrial life insurance, service insurance, or to policies of group life insurance.

~~D. Every life insurance policy delivered or issued for delivery in this state, other than policies of industrial life insurance or service insurance, shall allow election by the beneficiary of an option to receive benefits in the form of a lump sum payment.~~

§932. Maximum rate of interest on policy loans

* * *

B. The rate of interest charged on a policy loan made under Paragraph (2) of Subsection A of this Section shall not exceed the higher of: ~~the following:~~

(1) The published monthly average for the calendar month ending two months prior to the date on which the rate is determined~~; or~~.

* * *

D. The maximum rate for each policy referred to in Paragraph (2) of Subsection A of this Section shall be determined at regular intervals at least once every twelve months, but not more frequently than once in any ~~three month~~ three-month period. At the intervals specified in the policy:

* * *

(2) The rate being charged shall be reduced whenever such reduction, as determined under Subsection B of this Section, would decrease that rate by one-half of one percent ~~of~~ or more per annum.

E. The insurer shall, at the time a cash loan is made, notify the policyholder of the initial rate of interest on the loan, and shall notify the policyholder of the initial rate of interest on the premium loan as soon as it is reasonably practical to do so after making the initial loan. Such notice need not be given to the policyholder when a further premium loan is added except as otherwise provided ~~below.~~ in this Subsection. The insurer shall send reasonable advance notice of any increase in the rate to policyholders with loans, and include in the notices required ~~above,~~ in this Subsection, the substance of the pertinent provisions of Subsections A and C of this Section.

* * *

§934. Policies to contain ~~non-forfeiture~~ nonforfeiture benefits

Every ~~contract or policy of~~ life or endowment insurance policy, ~~(~~other than a term life policy for twenty years or less and ~~policies~~ an industrial life insurance policy with coverage of one thousand two hundred fifty dollars or less ~~issued as industrial policies under the provisions of~~ pursuant to R.S. 22:146~~)~~, issued on the life of a resident of this state or delivered within this state by any insurer, on or after January 1, 1937, unless the company ~~elects to take advantage of the~~ exercises its option provided in R.S. 22:936(H), shall ~~contain a stipulation~~ require that after three

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full annual premiums have been paid, ~~thereon it shall not lapse or become void or be forfeited for non-payment of any premium thereafter, or of any note therefor, or of any loan on such policy, or of any interest on such note or loan,~~ the policy shall not be forfeited without value for the nonpayment of any subsequent premiums or for policy loan indebtedness or the interest thereon except as provided in R.S. 22:935.

§935. Paid-up, extended insurance and cash value

~~No such policy of~~ Every life or endowment insurance policy, ~~(~~other than a term life policy for twenty years or less and an ~~policies of~~ industrial life insurance policy with coverage of one thousand two hundred fifty dollars or less, pursuant to the provisions of R.S. 22:146~~)~~, issued ~~by any legal reserve life insurer~~ on or after January 1, 1907, by a legal reserve life insurance company, after being in force for three full years, shall not be forfeited without value for the nonpayment of any subsequent premiums or for policy loan indebtedness or the interest thereon, unless the company ~~elects to take advantage of the~~ exercises its option provided in R.S. 22:936(H)~~,~~. ~~after being in force three full years shall by its terms lapse or become forfeited by the nonpayment of any premium, or any note therefor, or of any loan on such policy, or of any interest on such note or loan. The reserve on such policy computed according to the standard adopted by said insurer, together with the value of any dividend additions upon said policy after deducting any indebtedness to the company and after deducting one-fifth of the said entire reserve or the sum of two and fifty-one hundredths dollars for each one hundred dollars of the face of said policy if said sum shall be more than the said one-fifth, shall upon demand, with surrender of the policy, be applied as a surrender value as agreed upon in the policy; provided that, if no other option expressed in the policy be availed of by the owner thereof, the policy shall provide for said value to be applied to the automatic option shown in the policy which automatic option shall be one of the following, either to purchase upon the same life, at the attained age, paid-up insurance, payable at the same time, and under the same conditions, except as to the payment of premiums, as the original policy, or to continue the insurance in force at its full amount,~~

~~including any outstanding dividend additions, less any outstanding indebtedness on the policy, so long as such surrender value will purchase nonparticipating temporary insurance at net single premium rates by the standard adopted by the insurer, at the age of the insured at the time of lapse or forfeiture, provided that in case of any endowment policy, if the sum applicable to the purchase of temporary insurance be more than sufficient to continue the insurance to the end of the endowment term named in the policy, the excess shall be used to purchase, in the same manner, pure endowment insurance payable at the end of the endowment term named in the policy on the conditions on which the original policy was issued; and provided further that, in calculating the~~ <u>The nonforfeiture value per hundred dollars of coverage under said policy is determined as the sum of the legal reserve and accumulated dividends, less any policy loan indebtedness and a surrender charge equal to the greater of one-fifth of the legal reserve or two dollars and fifty cents. Unless the policy owner elects one of the other nonforfeiture options within the policy, the nonforfeiture value as determined herein shall be applied towards the policy's automatic nonforfeiture option. The automatic nonforfeiture option shall be the purchase of paid up life or endowment insurance on the same life at the age at the time of forfeiture and under the same terms, except as to the payment of premiums, as the original policy, or to continue the insurance in force at its full amount, including the amount of accumulated dividends, less any existing policy loan indebtedness; however, such surrender value will purchase nonparticipating temporary insurance at net single premium rates using the standard as prescribed by the insurer, at the age at the time of forfeiture, provided that in the case of an endowment policy, if the sum needed to purchase temporary insurance is more than that needed to continue the insurance to the end of the policy's endowment term, the excess shall be used to purchase pure endowment insurance payable at the end of the policy's endowment term using the purchase rates as prescribed by the insurer. When determining the</u> net single premium <u>rates</u> for ~~any~~ temporary insurance, the insurer may use one hundred thirty percent of the ~~rate of~~ <u>reserve</u> mortality <u>assumption</u> ~~adopted as a basis for~~

~~reserve for the policy~~ as the mortality rate. This further provision shall not apply to any mortality table constructed on the basis of insurance ~~companies~~ company experience prior to 1900. ~~Provided, further, that any~~ Any attempted waiver of the provisions of this ~~paragraph~~ Paragraph in any application, policy, or otherwise shall be void, and ~~that~~ any value allowed in lieu thereof shall be at least equal to the net value of the temporary ~~and~~ or pure endowment insurance as provided herein. ~~provided for~~. The term of temporary insurance ~~herein~~ provided herein ~~for~~ shall include the period of grace, if any.

§936. Standard nonforfeiture law for life insurance

A.(1) This Section shall be known as the "Standard Nonforfeiture Law for Life Insurance". In the case of policies issued on and after the effective date of this Section, as defined in Subsection L ~~hereof,~~ of this Section, no policy of life insurance, except as stated in Subsection K of this Section shall be delivered or issued for delivery in this state unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the defaulting or surrendering policyholder as are the minimum requirements hereinafter specified ~~and are essentially in compliance with~~ in Subsection J of this Section:

* * *

(2)(a) Any of the ~~foregoing~~ provisions~~, or portions thereof,~~ of Paragraph (1) of this Subsection not applicable ~~by reason of~~ because of the structure of the plan of insurance may, to the extent inapplicable, be omitted from the policy.

(b) Notwithstanding any other provisions to the contrary, the insurer shall reserve the right to defer the payment of any cash surrender value for a period not to exceed six months after demand therefor with surrender of the policy. Notwithstanding ~~the above~~ this provision, if payment is not made within thirty days after demand therefor with surrender of the policy, the insurer shall pay, in addition to the cash surrender value, interest on the cash surrender value at the judicial interest rate set by ~~Louisiana Civil Code Article 2924~~ R.S. 9:3500 commencing from

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the date of surrender until the cash surrender value is paid in full within the six-month period.

B.(1) Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, whether or not required by Subsection A~~,~~ of this Section, shall be an amount not less than the excess, if any, of the present value on such anniversary of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions, if there had been no default, over the sum of the then present value of the adjusted premiums as defined in Subsections D, E, F, and G of this Section corresponding to premiums which would have fallen due on and after such anniversary, and the amount of any indebtedness to the insurer on the policy.

(2) ~~Provided, however, that~~ However, for any policy issued on or after the effective date of Subsection G of this Section as defined therein, which provides supplemental life insurance or annuity benefits at the option of the insured and for an identifiable additional premium by rider or supplemental policy provision, the cash surrender value referred to in ~~the first paragraph~~ Paragraph (1) of this Subsection shall be an amount not less than the sum of the cash surrender value as defined in such ~~paragraph~~ Paragraph for an otherwise similar policy issued at the same age without such rider or supplemental policy provision and the cash surrender value as defined in such ~~paragraph~~ Paragraph for a policy which provides only the benefits otherwise provided by such rider or supplemental policy provision.

(3) ~~Provided, further, that~~ However, for any family policy issued on or after the effective date of Subsection G of this Section as defined therein, which defines a primary insured and provides term insurance on the life of the spouse of the primary~~,~~ insured expiring before the spouse's age of seventy-one~~,~~ years, the cash surrender value referred to in ~~the first paragraph~~ Paragraph (1) of this Subsection shall be an amount not less than the sum of the cash surrender value as defined in such ~~paragraph~~ Paragraph for an otherwise similar policy issued at the same age without such term insurance on the life of the spouse and the cash surrender value

as defined in such ~~paragraph~~ Paragraph for a policy which provides only the benefits otherwise provided by such term insurance on the life of the spouse.

(4) Any cash surrender value available within thirty days after any policy anniversary under any policy paid-up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefit, whether or not required by Subsection A~~,~~ of this Section, shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the insurer on the policy.

* * *

D.(1)(a) This Subsection shall not apply to policies issued on or after the effective date of Subsection G as defined therein. Except as provided in ~~the third paragraph~~ Paragraph (3) of this Subsection, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding extra premiums on substandard policies, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of~~:~~ all of the following:

~~(a) the~~ (i) The then present value of the future guaranteed benefits provided for by the policy~~;~~.

~~(b) two~~ (ii) Two percent of the amount of insurance, if the insurance be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy~~;~~.

~~(c) forty~~ (iii) Forty percent of the adjusted premium for the first policy year~~; and~~.

~~(d) twenty-five~~ (iv) Twenty-five percent of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less.

(b) In applying the percentages specified in ~~(c)~~ Items (a)(iii) and ~~(d) above,~~ (iv) of this Paragraph, no adjusted premium shall be deemed to exceed four percent of the amount of insurance or uniform amount equivalent thereto. The date of issue of a policy for the purpose of this Subsection shall be the date from which the first policy anniversary is computed.

(2) In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of this Subsection shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy~~.~~; ~~Provided, however, that~~ however, in the case of a policy providing a varying amount of insurance issued on the life of a child under age ten, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten were the amount provided by such policy at age ten.

* * *

(4) Except as otherwise provided in Subsections E, ~~and~~ F, and G of this Section, all adjusted premiums and present values referred to in this Section shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1941 Standard Ordinary Mortality Table; provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than three years younger than the actual age of the insured and such calculations for all policies of industrial insurance, as defined in R.S. 22:141, shall be made on the basis of the 1941 Standard Industrial Mortality Table. All calculations shall be made on the basis of the rate of interest, not exceeding three and one-half percent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits~~.~~; ~~Provided, however, that~~ however, in calculating the present value of any paid-up term

insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than one hundred ~~and~~ thirty percent of the rates of mortality according to such applicable table~~.~~; ~~Provided, further, that~~ however, for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the commissioner.

E.(1) This Subsection shall not apply to ordinary policies issued on or after the effective date of Subsection G of this Section as defined therein. In the case of ordinary policies issued on or after the effective date of this Subsection as defined herein and in Subsection L~~,~~ of this Section, all adjusted premiums and present values referred to in this Section shall be calculated on the basis of the Commissioner's 1958 Standard Ordinary Mortality Table and the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits provided that such rate of interest shall not exceed four percent per annum for policies issued prior to September 7, 1979, and such rate of interest shall not exceed five and one-half percent per annum for policies issued on or after September 7, 1979~~,~~. ~~and provided that~~ However, for any category of ordinary insurance issued on female risks, adjusted premiums, and present values may be calculated according to an age not more than six years younger than the actual age of the insured~~.~~; ~~Provided, however, that~~ however, in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioner's 1958 Extended Term Insurance Table. ~~Provided, further, that~~ However, for insurance issued on a substandard basis, the calculation of any such adjusted premiums, and present values may be based on such other table of mortality as may be specified by the insurer and approved by the commissioner.

(2) ~~Any~~ After July 27, 1960, any insurer may file with the commissioner a written notice of its election to comply with the provisions of this Subsection after a specified date with respect to the policies specified in the notice. After the filing

of such notice, then upon such specified date which shall be the effective date of this Subsection for such insurer with respect to such policies, this Subsection shall become effective with respect to such policies specified in such notice and thereafter issued by such insurer.

F.(1) This Subsection shall not apply to industrial policies issued on or after the effective date of Subsection G <u>of this Section</u> as defined therein. In the case of industrial policies issued on or after the effective date of <u>this</u> Subsection ~~F~~ as defined herein and in Subsection L <u>of this Section</u>, all adjusted premiums and present values referred to in this Section shall be calculated on the basis of the Commissioner's 1961 Standard Industrial Mortality Table and the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, but such rate of interest shall not exceed four percent per annum for policies issued prior to September 7, 1979, and such a rate of interest shall not exceed five and one-half percent per annum for policies issued on or after September 7, 1979. In addition, in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioner's 1961 Industrial Extended Term Insurance Table~~.~~<u>;</u> ~~Further,~~ <u>however,</u> for insurance issued on a substandard basis, the calculations of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the commissioner.

* * *

G.(1)<u>(a)</u> This Subsection shall apply to all policies issued on or after the effective date of this Subsection as defined herein. Except as provided in Paragraph (7) of this Subsection, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments or special hazards and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the date of issue of the policy, of all adjusted premiums shall be equal to the sum of the following three factors:

~~(a) the~~ (i) The then present value of the future guaranteed benefits provided for by the policy~~;~~.

~~(b) one~~ (ii) One percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years~~;~~.

~~(c) one~~ (iii) One hundred twenty-five percent of the nonforfeiture net level premium as hereinafter defined.

~~Provided, however, that~~ (b) However, in applying the percentage specified in ~~(c) above~~ Item (a)(iii) of this Paragraph, no nonforfeiture net level premium shall be deemed to exceed four percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years. The date of issue of a policy for the purpose of this Subsection shall be the date as of which the rated age of the insured is determined.

* * *

(4) Except as otherwise provided in Paragraph ~~7~~ (7) of this Subsection, the recalculated future adjusted premiums for any such policy shall be such uniform percentage of the respective future premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments and special hazards, and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the time of change to the newly defined benefits or premiums of all such future adjusted premiums shall be equal to the excess of (A) the sum of (a) the then present value of the then future guaranteed benefits provided for by the policy and (b) the additional

expense allowance, if any, over (B) the then cash surrender value, if any, or present value of any paid-up nonforfeiture benefit under the policy.

* * *

(8) All adjusted premiums and present values referred to in this Section shall be calculated for all policies of ordinary insurance on the basis of the Commissioner's 1980 Standard Ordinary Mortality Table or at the election of the insurer for any one or more specified plans of life insurance, the Commissioner's 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors; shall be calculated for all policies of industrial insurance on the basis of the Commissioner's 1961 Standard Industrial Mortality Table; and shall be calculated for all policies issued in a particular calendar year on the basis of a rate of interest not exceeding the nonforfeiture interest rate as defined in this Subsection for policies issued in that calendar year~~.~~; ~~Provided, however, that:~~ however,

* * *

(b) Under any paid-up nonforfeiture benefit including any paid-up dividend additions, any cash surrender value available, whether or not required by Subsection A~~,~~ of this Section shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of such paid-up nonforfeiture benefit and paid-up dividend additions, if any.

* * *

(d) In calculating the present value of any paid-up term life insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioner's 1980 Extended Term Insurance Table for policies of ordinary insurance and not more than the Commissioner's 1961 Industrial Extended Term Insurance Table for policies of industrial life insurance.

(e) For life insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on appropriate modifications of the aforementioned tables.

(f) Any ordinary <u>life</u> mortality tables, adopted after 1980, by the National Association of Insurance Commissioners that are approved by the commissioner for use in determining the minimum nonforfeiture standard may be substituted for the Commissioner's 1980 Standard Ordinary Mortality Table with or without Ten-Year Select Mortality Factors or for the Commissioner's 1980 Extended Term Insurance Table.

(g) Any industrial <u>life</u> mortality tables adopted after 1980, by the National Association of Insurance Commissioners that are approved by the commissioner for use in determining the minimum nonforfeiture standard may be substituted for the Commissioner's 1961 Standard Industrial Mortality Table or the Commissioner's 1961 Industrial Extended Term Insurance Table.

* * *

I.(1) Any cash surrender value and any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in Subsections B~~, C, D, E, F, and~~ <u>through</u> G of this Section may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall not be less than the amounts used to provide such additions. Notwithstanding the provisions of Subsection B of this Section, additional benefits payable in any of the following shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this Section:

(a) In the event of death or dismemberment by accident or accidental means~~;~~<u>.</u>

(b) In the event of total and permanent disability~~;~~<u>.</u>

(c) As reversionary annuity or deferred reversionary annuity benefits~~;~~<u>.</u>

(d) As term insurance benefits, whether or not provided by a rider or supplemental policy provision to which, if issued as a separate policy, this Section shall not apply~~;~~.

(e) As term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if such term insurance expires before the child's age is twenty-six, is uniform in amount after the child's age is one, and has not become paid-up by reason of the death of a parent of the child~~; and~~.

(f) As other policy benefits additional to life insurance and endowment benefits and premiums for all such additional benefits.

* * *

J.(1) ~~This Subsection in addition to all other~~ All applicable Subsections of this Section shall apply to all policies issued on or after January 1, 1986. Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary shall be in an amount which does not differ by more than two-tenths of one percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years, from the sum of: (a) the greater of zero and the basic cash value hereinafter specified and (b) the present value of any existing paid-up additions less the amount of any indebtedness to the insurer under the policy.

(2) The basic cash value shall be equal to the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the policy, excluding any existing paid-up additions and before deduction of any indebtedness to the insurer, if there had been no default, less the then present value of the nonforfeiture factors, as hereinafter defined, corresponding to premiums which would have fallen due on and after such anniversary~~.~~; ~~Provided, however, that~~ however, the effects on the basic cash value of supplemental life insurance or annuity benefits or of family coverage, as described in Subsection B or Subsection D~~,~~ of this Section, whichever is applicable, shall be the same as are the effects specified in such

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Subsection B or Subsection D <u>of this Section</u>, whichever is applicable on the cash surrender values defined in that Subsection.

(3)<u>(a)</u> The nonforfeiture factor for each policy year shall be an amount equal to a percentage of the adjusted premium for the policy year, as defined in Subsection D or Subsection G~~,~~ <u>of this Section,</u> whichever is applicable. Except as is required by ~~the next succeeding sentence~~ <u>Subparagraph (b)</u> of this Paragraph, such percentage shall be the same percentage for each policy year between the second policy anniversary and the later of the fifth policy anniversary and that of the first policy anniversary at which there is available under the policy a cash surrender value in an amount, before including any paid-up additions and before deducting any indebtedness, of at least two tenths of one percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years.

<u>(b)</u> No percentage after the later of the two policy anniversaries specified in ~~the preceding sentence~~ <u>Subparagraph (a) of this Paragraph</u> shall apply to fewer than five consecutive policy years~~.~~<u>;</u> ~~Provided, that~~ <u>however,</u> no basic cash value may be less than the value which would be obtained if the adjusted premiums for the policy, as defined in ~~Subsections~~ <u>Subsection</u> D or G~~,~~ <u>of this Section,</u> whichever is applicable, were substituted for the nonforfeiture factors in the calculation of the basic cash value.

* * *

(5) Any cash surrender value available other than in the event of default in a premium payment due on a policy anniversary, and the amount of any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment shall be determined in manners consistent with the manners specified for determining the analogous minimum amounts in Subsections A, B, C, G, and I of this Section. The amounts of any cash surrender values and of any paid-up nonforfeiture benefits granted in connection with additional benefits such as those

listed as ~~items~~ Subparagraphs (a) through (f) ~~in~~ of Subsection I of this Section shall conform with the principles of this Subsection.

* * *

K.(1) This Section shall not apply to any of the following:

* * *

(g) Policy, which provides no guaranteed nonforfeiture or endowment benefits, for which no cash surrender value, if any, or present value of any paid-up nonforfeiture benefit, at the beginning of any policy year, calculated as specified in Subsections B~~, C, D, E, F, and~~ through G of this Section, exceeds two and one-half percent of the amount of insurance at the beginning of the same policy year.

(h) Policy which shall be delivered outside this state through ~~an agent~~ a producer or other representative of the insurer issuing the policy.

* * *

§941. Group life insurance defined; eligibility; payment of premiums; limits and coverage

* * *

B. Each policy of group life insurance may cover one or more employees or members at date of issue~~.~~as follows:

* * *

(6) Any policy issued under this ~~section~~ Section may provide for the readjustment of the rate of premium based on the experience ~~thereunder~~ at the end of the first year or of any subsequent year of insurance ~~thereunder~~ and such readjustment may be made retroactive only for such policy year. Any refund on any plan for readjustment of the rate of premium based on the experience of the group policies hereafter issued, and any dividend paid under such policies may be used to reduce the employer's share of the cost of coverage, except that if the aggregate refunds or dividends under such group policy and in any other group policy or contract issued to the policyholder exceed the aggregate contributions of the

employer toward the cost of the coverages, such excess shall be applied by the policyholder for the sole benefit of insured employees.

* * *

§942. Standard provisions for group life policies

Each policy of group life insurance as defined in R.S. 22:941 shall contain in substance the following provisions or, at the option of the insurer, provisions which in the opinion of the commissioner of insurance are not less favorable to the policyholder~~.~~<u>;</u> However, Paragraphs (6) through (12) of this Section shall not apply to policies described in ~~Paragraph (3) of Subsection A of R.S. 22:941~~ <u>R.S. 22:941(A)(3)</u>, except that, where policies are issued pursuant to ~~said~~ <u>that</u> Paragraph, the insurer shall issue to the policyholder for delivery to the person whose life is insured an individual certificate setting forth the insurance protection afforded, to whom it is payable, information relating to notice and proof of loss, and that the standard provisions required for individual life insurance policies shall not apply to group life insurance policies~~.~~<u>:</u>

(1) The contract: A provision that a copy of the application, if any, of the policyholder shall be attached to the policy when issued, that all statements made by the policyholder or by the persons insured shall be deemed representations and not warranties, and that no statement made by any person insured shall be used in any contest unless a copy of the instrument containing the statement is or has been ~~furnished~~ <u>provided</u> to such person or to his beneficiary.

* * *

(10) Conversion on termination of eligibility: A provision that if the insurance, or any portion of it, on an individual covered under the policy ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such individual shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, provided application

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for the individual policy shall be made and the first premium paid to the insurer within thirty-one days after such termination. It is further provided that:

* * *

(b) The individual policy shall be in an amount not in any event in excess of the amount of life insurance which ceases because of such termination nor less than one thousand dollars unless a smaller amount of coverage was provided for such individual under the group policy, provided that any amount of insurance which matures on the date of such termination or has matured prior ~~thereto~~ under the group policy as an endowment payable to the individual insured, whether in one sum or installments or in the form of an annuity, shall not, for the purposes of this provision, be included in the amount which is considered to cease because of such termination.

* * *

(11) Conversion on termination of policy: A provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured individuals, every individual insured ~~thereunder~~ at the date of such termination whose insurance terminates and who has been so insured for at least five years prior to such termination date shall be entitled to have issued to him by the insurer an individual policy of life insurance, subject to the same conditions and limitations as are provided by Paragraph (10) of this Section, except that the group policy may provide that the amount of such individual policy shall not exceed the smaller of (a) the amount of the individual's life insurance protection ceasing because of the termination or amendment of the group policy, less the amount of life insurance for which he is or becomes eligible under any group policy issued or reinstated by the same or another insurer within thirty-one days of such termination and (b) two thousand dollars.

* * *

§943. Group life insurance; exclusions; restrictions; contestability

* * *

D. In the event of death as to which there is an exclusion or restriction not prohibited by Paragraph (A)(2) of this Section or is allowed by the commissioner, the insurer shall pay the greater of:

* * *

(2) 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.

* * *

§944. Exemption of proceeds; group life

A. A policy of group life insurance or the proceeds ~~thereof~~ payable to the individual insured or to <u>the</u> beneficiary<u>,</u> ~~thereunder,~~ shall not be liable, either before or after payment, to be applied to any legal or equitable process to pay any liability of any person having a right under the policy. The proceeds, ~~thereof,~~ when not made payable to a named beneficiary or to a third person pursuant to a facility-of-payment clause, shall not constitute a part of the estate of the individual insured for the payment of his debts.

* * *

§951. Annuities and pure endowment contracts; standard provisions

A. No annuity or pure endowment contract except a reversionary annuity otherwise called a survivorship annuity and except a group annuity contract shall be delivered or issued for delivery in this state unless it contains in substance the following provision or provisions which in the opinion of the commissioner of insurance are more favorable to the holders of such contracts:

(1) <u>Grace period:</u> A provision that there shall be a period of grace, either of thirty days or of one month, within which any stipulated payment to the insurer falling due after the first may be made, during which period of grace the contract shall continue in full force; but if a claim arises under the contract on account of

death during the said period of grace before the overdue payment to the insurer or the deferred payments of the current contract year, if any, are made, the amount of such payments, with interest, not in excess of six ~~per cent~~ percent per annum, on any overdue payments, may be deducted from any amount payable under the contract in settlement.

(2) Incontestability: If any statements, other than those relating to age, sex, and identity, are required as a condition of issuing the contract, a provision that the contract shall be incontestable after it has been in force during the lifetime of the person or each of the persons as to whom such statements are required, for a period of two years from its date of issue, except where stipulated payments to the insurer have not been made, and except for violation of the conditions, if any, of the contract relating to military or naval service; and at the option of the insurer issuing the same, such contract may also except provisions relative to benefits in the event of total and permanent disability and provisions which grant insurance specifically against death by accident or accidental means.

(3) Entire contract: A provision that the contract shall constitute the entire contract between the parties, or if a copy of the application is endorsed upon or attached to the contract when issued, a provision that the contract and the application therefor shall constitute the entire contract between the parties.

(4) Misstatement of age or sex: A provision that if the age or sex of the person or persons upon whose life or lives the contract is made, or of any of them, has been misstated, the amount payable or benefit accruing under the contract, shall be such as the stipulated payments to the insurer would have purchased according to the correct age or sex; and that if the insurer shall make any overpayments on account of any such misstatement, the amount thereof, with interest at a rate to be specified in the contract but not exceeding six ~~per centum~~ percent per annum, shall be charged against the current or next succeeding payment or payments to be made by the insurer under the contract.

(5) ~~A~~ Participating policy: If the policy is a participating policy, a provision that the insurer shall annually ascertain and apportion any divisible surplus accruing on the contract.

(6) Nonforfeiture options: A provision specifying the options available in the event of default in a stipulated payment after three full years stipulated payments have been made, together with a table showing, in figures, the options so available during each of the first twenty years after the issuance of the contract or for the term of the stipulated payments, if that be less than twenty years.

(7) Reinstatement: A provision that at any time within one year from the date of default in making stipulated payments to the insurer, during the life of the annuitant and unless the cash surrender value, if any, has been paid, the contract will be reinstated, on the application of the person entitled thereto pursuant to the provisions of the contract, upon payment to the insurer of all overdue stipulated payments and of all indebtedness to the insurer on the contract with interest on both at a rate to be specified in the contract but not to exceed six ~~per cent~~ percent per annum, compounded annually; and in cases where applicable the contract may also contain a provision requiring, as a condition of reinstatement, evidence of insurability, including good health, satisfactory to the insurer.

(8)(a) Free look period: A provision, prominently printed on the contract or attached thereto, notifying the insured that ten days are allowed, from the date of actual receipt of the contract, to examine its provisions. If the contract is not as explained by the company, its representative, or as understood by the insured, the contract may be surrendered within said ten-day period, and any premium advanced by the insured, upon the surrender, shall be immediately returned to him. The insurer shall have the option of printing, attaching, or endorsing the notice above required or a notice of equal prominence which, in the opinion of the commissioner of insurance, is not less favorable to the contract holder.

(b) If the policy is delivered by ~~an agent or broker,~~ a producer, a receipt shall be signed by the policyholder acknowledging delivery of the policy. The receipt shall contain the policy number and the date the delivery was completed. The delivery receipts required by this Subparagraph shall be retained by the insurer~~, its agent, or the broker~~ or its producer for two consecutive years. The requirement of this Subparagraph shall not apply to any insurer that markets policies under a home service marketing distribution method and that issues a majority of its policies on a weekly or monthly basis.

(c) If the policy is delivered by mail, it shall be sent by certified mail, return receipt requested, or a certificate of mailing shall be obtained showing the date the policy was mailed to the policyowner. For policy issuances verified by a certificate of mailing, it is presumed that the policy is received by the policyowner ten days from the date of mailing. The receipts and the certificate of mailing described in this Section shall be retained by the ~~insurer or agent~~ producer for ~~three~~ two years.

* * *

§952. Standard nonforfeiture law for individual deferred annuities

A.

* * *

(2) This Section shall not apply to any charitable gift annuity entered into on behalf of an organization qualified with the United States Internal Revenue Service for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code, reinsurance, group annuity purchases under a retirement plan or plan of deferred compensation established or maintained by an employer, ~~(~~including a partnership or sole proprietorship~~)~~, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code, as now or hereafter amended, premium deposit fund, variable annuity, investment annuity, immediate annuity, any deferred annuity contract after annuity payments have commenced, or reversionary annuity, nor to any contract which shall be delivered outside this state

through ~~an agent~~ a producer or other representative of the company issuing the contract.

* * *

B. In the case of contracts issued on or after the operative date of this Section as defined in Subsection K~~,~~ of this Section, no contract of annuity, except as stated in Subsection A~~,~~ of this Section, shall be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the contract-holder, upon cessation of payment of considerations under the contract~~.~~:

* * *

(4)(a) A statement that any paid-up annuity, cash surrender or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which such benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract, or any prior withdrawals from or partial surrenders of the contract.

(b) Notwithstanding the requirements of this Subsection, any deferred annuity contract may provide that if no considerations have been received under a contract for a period of two full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from considerations paid prior to such period would be less than twenty dollars monthly, the company may at its option terminate such contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by such payment shall be relieved of any further obligation under such contract.

* * *

J. For any contract which provides, within the same contract by rider or supplemental contract provision, both annuity benefits and life insurance benefits that are in excess of the greater of cash surrender benefits or a return of the gross considerations with interest, the minimum nonforfeiture benefits shall be equal to the sum of the minimum nonforfeiture benefits for the annuity portion and the minimum nonforfeiture benefits, if any, for the life insurance portion computed as if each portion were a separate contract. Notwithstanding the provisions of Subsections D, E, F, G, and H, additional benefits payable: (i) in the event of total and permanent disability~~,~~; (ii) as reversionary annuity or deferred reversionary annuity benefits~~,~~; or (iii) as other policy benefits additional to life insurance, endowment and annuity benefits, and considerations for all such additional benefits, shall be disregarded in ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash surrender, and death benefits that may be required by this Section. The inclusion of such additional benefits shall not be required in any paid-up benefits, unless such additional benefits separately would require minimum nonforfeiture amounts, paid-up annuity, cash surrender, and death benefits.

* * *

§961. Group annuity contracts; definition; standard provisions

A. Any policy or contract, except a joint, reversionary or survivorship annuity contract, whereby annuities are payable dependent upon the continuation of the lives of more than one person, shall be deemed a group annuity contract. The person, firm, or corporation to whom such contract is issued shall be deemed the "holder" of such contract. The term "annuitant," as used herein, refers to any person upon whose continued life such annuity is dependent.

B. No group annuity contract shall be delivered or issued for delivery in this state and no certificate shall be used in connection therewith unless it contains in substance the following provisions to the extent that such provisions are applicable to such contract or to such certificate, as the case may be, or provisions which in the opinion of the commissioner of insurance are more favorable to annuitants, or not less favorable to annuitants and more favorable to the holders:

(1) Grace period: A provision in such contract that there shall be a period of grace, either of thirty days or of one month, within which any stipulated payment to be remitted by the holder to the insurer, falling due after one year from date of issue, may be made, subject, at the option of the insurer, to an interest charge thereon at a rate, to be specified in the contract, which shall not exceed six ~~per cent~~ percent per annum for the number of days of grace elapsing before such payment.

(2) Entire contract: A provision in such contract specifying the document or documents which shall constitute the entire contract between the parties; the document or documents so specified shall be only: (a) the contract~~,~~; (b) the contract together with the application of the holder of which a copy is attached thereto~~,~~; or (c) the contract together with the application of the holder of which a copy is attached thereto and the individual applications of annuitants on file with the insurer and referred to therein.

(3) Misstatement of age or sex: A provision in such contract, with an appropriate reference thereto in the certificate, for the equitable adjustment of the benefits payable under the contract or of the stipulated payments thereunder, if it befound that the sex, age, service, salary, or any other fact determining the amount of any stipulated payment or the amount or date or dates of payment of any benefit with respect to any annuitant covered thereby, has been misstated.

(4) Ascertainment of the benefit: A provision or provisions in such contract, with an appropriate reference thereto in the certificate, specifying the nature and basis of ascertainment of the benefits which will be available to an annuitant who contributes to the cost of the annuity and the conditions of payment thereof in the event of either the termination of employment of the annuitant, except by death, or the discontinuance of stipulated payments under the contract. Such provision or provisions shall, in either of such events, make available to an annuitant who contributes to the cost of the annuity a paid-up annuity payable commencing at a

fixed date in an amount at least equal to that purchased by the contributions of the annuitant, determinable as of the respective dates of payment of the several contributions, as shown by a schedule included in the contract for that purpose, based upon the same mortality table, rate of interest, and loading formula used in computing the stipulated payments under such contract. Such provision or provisions may, by way of exception to the foregoing, provide that if the amount of the annuity determined as aforesaid from such fixed commencement date would be less than sixty dollars annually, the insurer may at its option, in lieu of granting such paid-up annuity, pay a cash surrender value at least equal to that hereinafter provided. If a cash surrender value, in lieu of such paid-up annuity, is allowed to the annuitant by the terms of such contract, it may be either in a single sum or in equal installments over a period of not more than twelve months and it shall be at least equal to either (a) or (b), whichever is less: (a) the amount of reserve attributable to the annuitant's contributions less a surrender charge not exceeding thirty-five per centum of the average annual contribution made by the annuitant; or (b) the amount which would be payable as a death benefit at the date of surrender. Such contract shall also provide that in case of the death of the annuitant, before the commencement date of the annuity, the insurer shall pay a death benefit at least equal to the aggregate amount of the annuitant's contributions, without interest. If any benefits are available to the holder in either of such events the contract shall contain a provision or provisions specifying the nature and basis of ascertainment of such benefits.

(5) <u>Certificates:</u> A provision in such contract that the insurer will issue to the holder of the contract for delivery to each annuitant who contributes thereunder an individual certificate setting forth a statement in substance of the benefits to which he is entitled under such contract.

Section 2. The Louisiana State Law Institute is hereby directed to redesignate R.S. 22:937 as R.S. 22:917.

Section 3. This Act shall become effective on January 1, 2011.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Kleckley HB No. 466

Abstract: Provides for technical recodification of certain provisions of the La. Insurance Code relative to life insurance and annuities.

Proposed law makes numerous technical changes to present law, specifically certain provisions of the La. Insurance Code relative to life insurance and annuities. Such changes include correction of citations, updates of terms and language, reorganization of provisions, elimination of obsolete or ineffective provisions, such as transition provisions and past effective dates, and harmonizing of inconsistent provisions.

Proposed law further directs the LSLI to redesignate R.S. 22:937 as R.S. 22:917.

Effective Jan. 1, 2011.

(Amends R.S. 22:901(A), (B), (C)(1) and (3), and (D)(1)(intro. para.) and (a) and (2), 902, 904, 905, 906, 907, 910, 912(A), (B)(1), (C), (D)(1)(b), (E), and (F), 913, 914, 915(B), 931, 932(B)(intro. para.) and (1), (D)(intro. para.) and (2), and (E), 934, 935, 936(A)(1)(intro. para.) and (2), (B), (D)(1), (2), and (4), (E), (F)(1), (G)(1), (4), and (8)(intro. para.) and (b) and (d) through (g), (I)(1), (J)(1), (2), (3), and (5), (K)(1)(g) and (h), 941(B)(6), 942 (intro. para.) and (1), (10)(b), and (11), 943(D)(2), 944(A), 951(A), 952(A)(2), (B)(intro. para.) and (4), and (J), and 961)