

FIRST READING

MISSING

Reported back from Committee without recommendation,

Senate BILL NO. 290
INTRODUCED BY *Madame Chesser Murphy*

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A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION 40-3809, R.C.M. 1947, TO PROVIDE FOR AN EIGHT PERCENT (8%) PER ANNUM RATE OF INTEREST ON ADVANCES MADE ON LIFE INSURANCE POLICIES ISSUED ON JULY 1, 1975, AND THEREAFTER."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 40-3809, R.C.M. 1947, is amended to read as follows:

"40-3809. Policy loan. There shall be a provision that after three (3) full years' premiums have been paid and after the policy has a cash surrender value and while no premium is in default beyond the grace period for payment, the insurer will advance, on proper assignment or pledge of the policy and on the sole security thereof, ~~at a specified rate of interest not exceeding six per cent (6%) per annum~~ an amount equal to or, at the option of the party entitled thereto, less than the loan value of the policy. The rate of interest that may be charged on such advances for policies issued prior to July 1, 1975, shall not exceed six percent (6%) per annum and the rate of interest that may be charged on such advances for policies issued on July 1, 1975, and thereafter, shall not exceed eight percent (8%)

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per annum. The loan value of the policy shall be at least equal to the cash surrender value at the end of the then current policy year, provided that the insurer may deduct, either from such loan value or from the proceeds of the loan, any existing indebtedness not already deducted in determining such cash surrender value including any interest then accrued but not due, any unpaid balance of the premium for the current policy year, and interest on the loan to the end of the current policy year. The policy may also provide that if interest on any indebtedness is not paid when due it shall then be added to the existing indebtedness and shall bear interest at the same rate, and 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, then the policy shall terminate and become void. The policy shall reserve to the insurer the right to defer the granting of a loan, other than for the payment of any premium to the insurer, for six (6) months after application therefor. The policy, at the insurer's option, may provide for automatic premium loan, subject to an election of the party entitled to elect.

This section shall not apply to term policies nor to term insurance benefits provided by rider or supplemental policy provisions, or to industrial life insurance policies."

-End-
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