

1 *Senate* BILL NO. *196*  
 2 INTRODUCED BY *James E. Murphy, Martin Haeltzer*  
 3 *Therian*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION *Robie*  
 5 40-3809, R.C.M. 1947, TO PROVIDE FOR AN 8% A YEAR RATE OF  
 6 INTEREST ON ADVANCES MADE ON LIFE INSURANCE POLICIES ISSUED  
 7 AFTER JUNE 30, 1977."

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

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

12 "40-3809. Policy loan. There shall be a provision that  
 13 after ~~three--(3)~~ full years' premiums have been paid and  
 14 after the policy has a cash surrender value and while no  
 15 premium is in default beyond the grace period for payment,  
 16 the insurer will advance, on proper assignment or pledge of  
 17 the policy and on the sole security thereof, ~~at a specified~~  
 18 ~~rate-of-interest-not-exceeding-six-per-cent-(6%) per--annum~~  
 19 an amount equal to or, at the option of the party entitled  
 20 thereto, less than the loan value of the policy. The rate of  
 21 interest that may be charged on advances for policies issued  
 22 prior to July 1, 1977, may not exceed 6% a year. The rate of  
 23 interest that may be charged on advances for policies issued  
 24 after June 30, 1977, may not exceed 8% a year. The loan  
 25 value of the policy shall be at least equal to the cash

1 surrender value at the end of the then current policy year,  
 2 provided that the insurer may deduct, either from such loan  
 3 value or from the proceeds of the loan, any existing  
 4 indebtedness not already deducted in determining such cash  
 5 surrender value including any interest then accrued but not  
 6 due, any unpaid balance of the premium for the current  
 7 policy year, and interest on the loan to the end of the  
 8 current policy year. The policy may also provide that if  
 9 interest on any indebtedness is not paid when due it shall  
 10 then be added to the existing indebtedness and shall bear  
 11 interest at the same rate existing at the time the  
 12 indebtedness was created, and that if and when the total  
 13 indebtedness on the policy, including interest due or  
 14 accrued, equals or exceeds the amount of the loan value  
 15 thereof, then the policy shall terminate and become void.  
 16 The policy shall reserve to the insurer the right to defer  
 17 the granting of a loan, other than for the payment of any  
 18 premium to the insurer, for ~~six-(6)~~ months after application  
 19 therefor. The policy, at the insurer's option, may provide  
 20 for automatic premium loan, subject to an election of the  
 21 party entitled to elect.

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

*SB196*