

SENATE BILL NO. 209

INTRODUCED BY S. BROWN, THOMAS, MEHRENS, HAZELBAKER,
ROSKIE, TURNAGE, FASBENDER, RYAN, HAGER

IN THE SENATE

January 23, 1979	Introduced and referred to Committee on Business and Industry.
February 10, 1979	Committee recommend bill do pass as amended. Report adopted.
February 13, 1979	Printed and placed on members' desks.
February 14, 1979	Second reading, do pass as amended.
February 15, 1979	Correctly engrossed.
February 16, 1979	Third reading, passed. Transmitted to second house.

IN THE HOUSE

February 17, 1979	Introduced and referred to Committee on Business and Industry.
March 2, 1979	Committee recommend bill be concurred in as amended. Report adopted.
March 3, 1979	Motion pass consideration.
March 5, 1979	Second reading, concurred in as amended.
March 7, 1979	Third reading, concurred in as amended.

IN THE SENATE

March 8, 1979

Returned from second house.
Concurred in as amended.

March 9, 1979

Second reading, amendments
adopted.

March 10, 1979

Third reading, amendments
adopted. Sent to enrolling.

Reported correctly enrolled.

1 *Track* BILL NO. *209*
 2 INTRODUCED BY *J. Brent Thomas, Melvin Hultin*
Rockie Turmange, Garbender, Ryan Hager

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION
 5 33-20-109, MCA, RELATING TO LIFE INSURANCE POLICY LOANS TO
 6 PROVIDE FOR A MAXIMUM RATE OF INTEREST OF 8% A YEAR ON SUCH
 7 LOANS UNDER CERTAIN CONDITIONS."

8
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 Section 1. Section 33-20-109, MCA, is amended to read:

11 "33-20-109. Policy loan. (1) There shall be a
 12 provision that after ~~three~~ 3 full years' premiums have been
 13 paid and after the policy has a cash surrender value and
 14 while no premium is in default beyond the grace period for
 15 payment, the insurer will advance, on proper assignment or
 16 pledge of the policy and on the sole security thereof, at a
 17 specified rate of interest not exceeding 6% per annum a
 18 year, an amount equal to or, at the option of the party
 19 entitled thereto, less than the loan value of the policy.
 20 The commissioner may authorize a rate of interest in excess
 21 of 6%, but not in excess of 8% a year, for policies issued
 22 on or after July 1, 1979, if the insurer provides adequate
 23 assurances that the holders of such policies will benefit
 24 through higher dividends or lower premiums, or both. The
 25 loan 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, and that if and when the total
 12 indebtedness on the policy, including interest due or
 13 accrued, equals or exceeds the amount of the loan value
 14 thereof, then the policy shall terminate and become void.
 15 The policy shall reserve to the insurer the right to defer
 16 the granting of a loan, other than for the payment of any
 17 premium to the insurer, for 6 months after application
 18 therefor. The policy, at the insurer's option, may provide
 19 for automatic premium loan, subject to an election of the
 20 party entitled to elect.

21 (2) This section shall not apply to term policies or
 22 to term insurance benefits provided by rider or supplemental
 23 policy provisions or to industrial life insurance policies."

-End-

-2- *SB 209*
 INTRODUCED BILL

Approved by Committee
on Business and Industry

1 SENATE BILL NO. 209

2 INTRODUCED BY S. BROWN, THOMAS, MEHPRENS, HAZELBAKER,

3 RDSKIE, TURNAGE, FASBENDER, RYAN, HAGER

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION
6 33-20-109, MCA, RELATING TO LIFE INSURANCE POLICY LOANS TO
7 PROVIDE FOR A MAXIMUM RATE OF INTEREST OF 8% A YEAR ON SUCH
8 LOANS UNDER CERTAIN CONDITIONS."
9

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

11 Section 1. Section 33-20-109, MCA, is amended to read:

12 "33-20-109. Policy loan. (1) There shall be a
13 provision that after three (3) full years' premiums have been
14 paid and after the policy has a cash surrender value and
15 while no premium is in default beyond the grace period for
16 payment, the insurer will advance, on proper assignment or
17 pledge of the policy and on the sole security thereof, at a
18 specified rate of interest not exceeding 6% per annum a
19 year, an amount equal to or, at the option of the party
20 entitled thereto, less than the loan value of the policy.
21 The commissioner may authorize a rate of interest in excess
22 of 6%, but not in excess of 8% a year 1987, 7.4% IF PAYABLE
23 ANNUALLY IN ADVANCE), for policies issued on or after date
24 12-1-1979 JANUARY 1, 1980, if the insurer provides adequate
25 assurances that the holders of such policies will benefit

1 through higher dividends or lower premiums, or both. The
2 loan value of the policy shall be at least equal to the cash
3 surrender value at the end of the then current policy year,
4 provided that the insurer may deduct, either from such loan
5 value or from the proceeds of the loan, any existing
6 indebtedness not already deducted in determining such cash
7 surrender value including any interest then accrued but not
8 due, any unpaid balance of the premium for the current
9 policy year, and interest on the loan to the end of the
10 current policy year UNLESS THE POLICYOWNER BY WRITTEN NOTICE
11 TO THE INSURER ELECTS TO DEFER PAYMENT OF INTEREST UNTIL IT
12 HAS ACCRUED. The policy may also provide that if interest on
13 any indebtedness is not paid when due it shall then be added
14 to the existing indebtedness and shall bear interest at the
15 same rate, and that if and when the total indebtedness on
16 the policy, including interest due or accrued, equals or
17 exceeds the amount of the loan value thereof, then the
18 policy shall terminate and become void. The policy shall
19 reserve to the insurer the right to defer the granting of a
20 loan, other than for the payment of any premium to the
21 insurer, for 6 months after application therefor. The
22 policy, at the insurer's option, may provide for automatic
23 premium loan, subject to an election of the party entitled
24 to elect.

25 (2) This section shall not apply to term policies or

SB 0209/02

1 to term insurance benefits provided by rider or supplemental
2 policy provisions or to industrial life insurance policies."

-End-

SENATE BILL NO. 209

INTRODUCED BY S. BROWN, THOMAS, MEHRENS, HAZELBAKER,
ROSKIE, TURNAGE, FASBENDER, RYAN, HAGER

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION
33-20-109, MCA, RELATING TO LIFE INSURANCE POLICY LOANS TO
PROVIDE FOR A MAXIMUM RATE OF INTEREST OF 8% A YEAR ON SUCH
LOANS UNDER CERTAIN CONDITIONS."

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

Section 1. Section 33-20-109, MCA, is amended to read:

"33-20-109. Policy loan. (1) There shall be a
provision that after three ~~2~~ 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 6% per-annum a
year, an amount equal to or, at the option of the party
entitled thereto, less than the loan value of the policy.
~~The commissioner may authorize a rate of interest in excess~~
~~of 6%, but not in excess of 8% a year (OR 7.4% IF PAYABLE~~
~~ANNUALLY IN ADVANCE), for policies issued on or after July~~
~~17--1979 JANUARY 1, 1980, if the insurer provides adequate~~
~~assurance--that--the--holders--of--such--policies--will--benefit~~

~~through--higher--dividends--or--lower--premiums--or--both~~ WRITTEN
CERTIFICATION THAT THE HOLDERS OF SUCH POLICIES WILL BENEFIT
FULLY FROM THE INCREASED EARNINGS OF THE INSURER RESULTING
FROM THE USE OF AN INTEREST RATE IN EXCESS OF THE 6% PER
ANNUM, SUCH AS FROM HIGHER INTEREST INCOME TO THE COMPANY ON
POLICY LOANS, HIGHER INVESTMENT YIELD RESULTING FROM A
REDUCTION IN POLICY LOANS BECAUSE OF THE HIGHER POLICY LOAN
INTEREST RATE, AND ANY ADDITIONAL INCOME TO THE COMPANY
RESULTING FROM THE USE OF SUCH HIGHER INTEREST RATE IN ANY
MANNER WHATSOEVER. THESE BENEFITS TO THE POLICYHOLDER SHALL
BE REFLECTED THROUGH THE USE OF HIGHER DIVIDENDS OR LOWER
PREMIUMS, OR BOTH. 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 UNLESS THE POLICYOWNER BY
WRITTEN NOTICE TO THE INSURER ELECTS TO DEFER PAYMENT OF
INTEREST UNTIL IT HAS ACCRUED. 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

1 total indebtedness on the policy, including interest due or
2 accrued, equals or exceeds the amount of the loan value
3 thereof, then the policy shall terminate and become void.
4 The policy shall reserve to the insurer the right to defer
5 the granting of a loan, other than for the payment of any
6 premium to the insurer, for 6 months after application
7 therefor. The policy, at the insurer's option, may provide
8 for automatic premium loan, subject to an election of the
9 party entitled to elect.

10 (2) This section shall not apply to term policies or
11 to term insurance benefits provided by rider or supplemental
12 policy provisions or to industrial life insurance policies."

-End-

SENATE BILL NO. 209

INTRODUCED BY S. BROWN, THOMAS, MEHRENS, HAZELBAKER,
ROSKIE, TURNAGE, FASBENDER, RYAN, HAGER

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION
33-20-109, MCA, RELATING TO LIFE INSURANCE POLICY LOANS TO
PROVIDE FOR A MAXIMUM RATE OF INTEREST OF 8% A YEAR ON SUCH
LOANS UNDER CERTAIN CONDITIONS."

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

Section 1. Section 33-20-109, MCA, is amended to read:

"33-20-109. Policy loan. (1) 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 6% per-annum a
year, an amount equal to or, at the option of the party
entitled thereto, less than the loan value of the policy.
~~The commissioner may authorize a rate of interest in excess
of 6%, but not in excess of 8% a year (OR 7.4% IF PAYABLE
ANNUALLY IN ADVANCE), for policies issued on or after July
1, 1979 JANUARY 1, 1980, if the insurer provides adequate
assurances that the holders of such policies will benefit~~

~~through higher dividends or lower premiums, or both WRITTEN
CERTIFICATION THAT THE HOLDERS OF SUCH POLICIES WILL BENEFIT
FULLY FROM THE INCREASED EARNINGS OF THE INSURER RESULTING
FROM THE USE OF AN INTEREST RATE IN EXCESS OF THE 6% PER
ANNUM, SUCH AS FROM HIGHER INTEREST INCOME TO THE COMPANY ON
POLICY LOANS, HIGHER INVESTMENT YIELD RESULTING FROM A
REDUCTION IN POLICY LOANS BECAUSE OF THE HIGHER POLICY LOAN
INTEREST RATE, AND ANY ADDITIONAL INCOME TO THE COMPANY
RESULTING FROM THE USE OF SUCH HIGHER INTEREST RATE IN ANY
MANNER WHATSOEVER. THESE BENEFITS TO THE POLICYHOLDER SHALL
BE REFLECTED THROUGH THE USE GRANTING OF HIGHER DIVIDENDS OR
LOWER PREMIUMS, OR BOTH. 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 UNLESS THE POLICYOWNER BY
WRITTEN NOTICE TO THE INSURER ELECTS TO DEFER PAYMENT OF
INTEREST UNTIL IT HAS ACCRUED. 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~~

SB 0209/04

1 total indebtedness on the policy, including interest due or
2 accrued, equals or exceeds the amount of the loan value
3 thereof, then the policy shall terminate and become void.
4 The policy shall reserve to the insurer the right to defer
5 the granting of a loan, other than for the payment of any
6 premium to the insurer, for 6 months after application
7 therefor. The policy, at the insurer's option, may provide
8 for automatic premium loan, subject to an election of the
9 party entitled to elect.

10 (2) This section shall not apply to term policies or
11 to term insurance benefits provided by rider or supplemental
12 policy provisions or to industrial life insurance policies."

-End-

HOUSE OF REPRESENTATIVES
MARCH 2, 1979

BUSINESS & INDUSTRY COMMITTEE, AMENDMENTS TO SENATE
BILL NUMBER 209, THIRD READING COPY, AS FOLLOWS:

1. Page 2, line 11.
Following: "the"
Strike: "use"
Insert: "granting"

AND AS AMENDED, BE CONCURRED IN.

HOUSE OF REPRESENTATIVES
March 5, 1979

Committee of the Whole Amendments to Senate Bill No. 209, third reading copy, as follows:

1. Page 2, line 11.
Following: "THROUGH"
Strike: "THE GRANTING OF"

AND AS AMENDED, BE CONCURRED IN.