

Introduced: 2/6/79
Referred: Commerce

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 SENATE BILL NO. 111 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to life insurance policy loans."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 21.45.080(a) is amended to read:

9 (a) There shall be a provision that after three full years' pre-
10 miams have been paid and after the policy has a cash surrender value and
11 while no premium is in default beyond the grace period for payment, the
12 insurer will advance, on proper assignment or pledge of the policy and
13 on the sole security of the policy, at a specified rate of interest not
14 exceeding eight [SIX] per cent a year, an amount equal to or, at the
15 option of the party entitled to it, less than the loan value of the
16 policy. Before approving any policy provisions providing for a rate
17 of interest in excess of six per cent, the Director shall require
18 assurances by the insurer that the holders of such policies will benefit
19 from the increased earnings of the insurer resulting from the use of
20 such higher rates, through the use of higher dividends or lower pre-
21 miums, or both. The loan value of the policy shall be at least equal to
22 the cash surrender value at the end of the then current policy year,
23 except that the insurer may deduct, either from the loan value or from
24 the proceeds of the loan, an existing indebtedness not already deducted
25 in determining the cash surrender value including interest then accrued
26 but not due, the unpaid balance of the premium for the current policy
27 year, and interest on the loan to the end of the current policy year.
28 The policy may also provide that if interest on an indebtedness is not
29 paid when due it shall then be added to the existing indebtedness and

1 shall bear interest at the same rate, and that if and when the total
2 indebtedness on the policy, including interest due or accrued, equals or
3 exceeds the amount of the loan value of the policy, the policy shall
4 terminate and become void. The policy shall reserve to the insurer the
5 right to defer the granting of a loan, other than for the payment of a
6 premium to the insurer, for six months after the date of the loan appli-
7 cation. The policy at the insurer's option, may provide for automatic
8 premium loan, subject to an election of the party entitled to elect.

9 * Sec. 2. This Act shall not impair the terms and conditions of any
10 policy of life insurance issued before the effective date of this Act.
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