

# Title 31 MARYLAND INSURANCE ADMINISTRATION

## Subtitle 09 LIFE INSURANCE AND ANNUITIES

### Chapter 02 Variable Life Insurance

Authority: Insurance Article, §§2-109 and 16-601—16-603, Annotated Code of Maryland

#### **.02 Definitions.**

A. (text unchanged)

B. Terms Defined.

(1) – (6) (text unchanged)

(7) *“Flexible premium policy” means any variable life insurance policy other than a scheduled premium policy as specified under §B(15) of this regulation.*

[(7)] (8) – [(12)] (13) (text unchanged)

(14) *“Policy processing day” means the day on which charges authorized in the policy are deducted from the cash value of the policy.*

(15) *“Scheduled premium policy” means a variable life insurance policy under which both the amount and timing of premium payments are fixed by the insurer.*

[(13)] (16) – [(16)] (19) (text unchanged)

#### **.03 Qualification of Insurer to Issue Variable Life Insurance.**

A. – B. (text unchanged)

C. Filing for Approval to Do Business in This State. Before an insurer shall deliver or issue for delivery a variable life insurance policy in this State, it shall file with the Commissioner the following information for the consideration of the Commissioner in making the determination required by §B of this regulation:

(1) – (6) (text unchanged)

(7) *A statement of an actuary appointed by the insurer describing the mortality and expense risks which the insurer will bear under the policy.*

D. – H. (text unchanged)

#### **.04 Insurance Policy Requirements—Policy Qualification.**

A. – B. (text unchanged)

C. Mandatory Policy Benefit and Design Requirements. Variable life insurance policies delivered or issued for delivery in this State shall comply with the following minimum requirements:

(1) Coverage shall be provided for the lifetime of the insured with the mortality and expense risk borne by the insurer. *The mortality and expense charges shall be subject to the maximums stated in the policy.*

(2) (text unchanged)

(3) A minimum death benefit *for scheduled premium policies* shall be provided in an amount at least equal to the initial face amount of the policy as long as premiums are duly paid, subject to the provisions of § E(2)(d) of this regulation.

(4) – (12) (text unchanged)

D. Mandatory Policy Provisions. Every variable life insurance policy filed for approval in this State shall be plainly printed in a type size not less than 10 point with a lower case unspaced alphabet length not less than 120 point, and shall contain at least the following:

(1) (text unchanged)

(2) *A provision regarding the policy grace period.*

[(2)] (a) *For scheduled premium policies, [A provision for] the [a] grace period shall be [of] not less than 31 days from the premium due date [which shall provide that] and when the premium is paid within the grace period, policy values will be the same, except for the deduction of any overdue premium, as if the premium were paid on or before the due date;*

(b) *For flexible premium policies, the grace period shall:*

(1) *Begin on the policy processing day when the total charges authorized by the policy that are necessary to keep the policy in force until the next policy processing day exceed the amounts available under the policy to pay such charges in accordance with the terms of the policy; and*

(2) *End on a date not less than 61 days after the mailing date of the report to Policyholders required by Regulation .09C of this Chapter.*

(c) *The death benefit payable during the grace period shall equal the death benefit in effect immediately prior to such period less any overdue charges. If the policy processing day occurs monthly, the insurer may require the payment of not more than three times the charges that were due on the policy processing day on which the amounts*

available under the policy were insufficient to pay all charges authorized by the policy that are necessary to keep the policy in force until the next policy processing day;

(3) For scheduled premium policies, a provision that , the policy will be reinstated at any time within 2 years from the date of default upon the written application of the insured and evidence of insurability, including good health, satisfactory to the insurer, unless the cash surrender value has been paid or the period of extended insurance has expired, upon the payment of any outstanding indebtedness arising after the end of the grace period following the date of default together with accrued interest thereon to the date of reinstatement and payment of an amount not exceeding the greater of:

(a) – (b) (text unchanged)

(4) – (12) (text unchanged)

(13) A provision that the policy shall be incontestable by the insurer after it has been in force for 2 years during the lifetime of the insured[;], *notwithstanding that any increase in the amount of the policy's death benefits subsequent to the policy issue date, which occurred upon a new application or request of the owner and was subject to satisfactory proof of the insured's insurability, shall be incontestable after the increase has been in force, during the lifetime of the insured, for two years from the date of issue of increase;*

(14) – (20) (text unchanged)

E. Nonforfeiture, Partial Withdrawal, Policy Loan, and Partial Surrender Provisions. A variable life insurance policy delivered or issued for delivery in this State shall contain provisions which are not less favorable to the policyholder than the following:

(1) (text unchanged)

(2) A provision for policy loans after 3 full years' premiums have been paid (which may at the option of the insurer be entitled and referred to as a partial withdrawal provision) not less favorable to the policyholder than the following:

(a) – (e) (text unchanged)

(f) If the indebtedness exceeds the cash value *for scheduled premium policies*, the insurer shall give notice of intent to cancel the policy if the excess indebtedness is not repaid within 31 days after the date of mailing of the notice;

(g) – (l) (text unchanged)

F. Other Policy Provisions. The following provisions may in substance be included in a variable life insurance policy or related form delivered or issued for delivery in this State:

(1) An exclusion for suicide within 2 years of the policy issue date[;], *and an exclusion, to the extent of the increased death benefits only, for suicide within 2 years of any increase in death benefits which result from an application of the owner subsequent to the policy issue date;*

(2) – (4) (text unchanged)

#### **.09 Reports to Policyholders.**

An insurer delivering or issuing for delivery in this State a variable life insurance policy shall mail to each variable life insurance policyholder at his or her last known address the following reports:

A. Within 30 days after each anniversary of the policy, a statement or statements of the cash surrender value, death benefit, any partial withdrawal or policy loan, any interest charge, and any optional payments allowed pursuant to Regulation .04E of this chapter under the policy computed as of the policy anniversary date. This statement may be furnished within 30 days after a specified date in each policy year as long as the information contained in it is computed as of a date not more than 45 days before the mailing of the notice. This statement shall state in contrasting color or distinctive type that, in accordance with the investment experience of the separate account, the cash values and the variable death benefit may increase or decrease, and shall prominently identify any value described which may be recomputed before the next statement required by this section. If the policy guarantees that the variable death benefit on the next policy anniversary date will not be less than the variable death benefit specified in the statement, the statement shall be modified to indicate this. *For flexible premium policies, the report required by this paragraph shall:*

(1) *Contain a reconciliation of the change since the previous report in cash value and cash surrender value, if different, because of payments made (less deductions for expense charges), withdrawals, investment experience, insurance charges, and any other changes made against the cash value; and*

(2) *Show the projected cash value and cash surrender value, if different, as of 1 year from the end of the period covered by the report assuming that:*

(a) *Planned periodic premiums, if any, are paid as scheduled;*

(b) *Guaranteed costs of insurance are deducted; and*

(c) *The net return is equal to the guaranteed rate or, in the absence of a guaranteed rate, is not greater than zero. If the projected value is less than zero, a warning message shall be included that states that the policy may be in danger of terminating without value in the next 12 months unless additional premium is paid.*

B. (text unchanged)

C. *For flexible premium policies, if the amounts available under the policy on any processing day to pay the charges authorized by the policy are less than the amount necessary to keep the policy in force, until the next processing day, a report indicating the minimum payment required under the terms of the policy to keep it in force and the length of the grace period for payment of the amount.*