

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1246 Session of  
1980

INTRODUCED BY ZEMPRELLI, HAGER, HANKINS, COPPERSMITH, LYNCH,  
ROSS, ROMANELLI, O'PAKE, HOLL, MOORE, LOEPER AND LLOYD,  
FEBRUARY 12, 1980

AS REPORTED FROM COMMITTEE ON INSURANCE, HOUSE OF  
REPRESENTATIVES, AS AMENDED, MAY 28, 1980

AN ACT

1 Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An  
2 act relating to insurance; amending, revising, and  
3 consolidating the law providing for the incorporation of  
4 insurance companies, and the regulation, supervision, and  
5 protection of home and foreign insurance companies, Lloyds  
6 associations, reciprocal and inter-insurance exchanges, and  
7 fire insurance rating bureaus, and the regulation and  
8 supervision of insurance carried by such companies,  
9 associations, and exchanges, including insurance carried by  
10 the State Workmen's Insurance Fund; providing penalties; and  
11 repealing existing laws," further regulating insurance  
12 companies, associations and exchanges and their policy  
13 provisions AND FURTHER PROVIDING FOR THE CLASSIFICATION OF  
14 RISKS. <—

15 The General Assembly of the Commonwealth of Pennsylvania  
16 hereby enacts as follows:

17 Section 1. Clause (2) of subsection (h) and subsection (k)  
18 of section 410, act of May 17, 1921 (P.L.682, No.284), known as  
19 "The Insurance Company Law of 1921," amended July 19, 1951  
20 (P.L.1100, No.245), are amended to read:

21 Section 410. Uniform Policy Provisions.--No policy of life  
22 or endowment insurance, except policies of industrial insurance

1 where the premiums are payable monthly or oftener, shall  
2 hereafter be delivered in this Commonwealth unless it contains,  
3 in substance, the following provisions or provisions which, in  
4 the opinion of the Insurance Commissioner, are more favorable to  
5 the policyholder:--

6 \* \* \*

7 (h) A provision for a loan value at any time after three  
8 full years' premiums have been paid and while no premium is in  
9 default beyond the grace period of payment.

10 \* \* \*

11 (2) In the case of any policy issued on or after the  
12 operative date of section four hundred and ten A of this act  
13 (the Standard Non-forfeiture Law), the loan provision shall  
14 provide that the company will advance, on proper assignment or  
15 pledge of the policy, and on the sole security thereof, at a  
16 specified rate of interest not exceeding eight per centum per  
17 annum, a sum equal to, or, at the option of the party entitled  
18 thereto, less than, the cash surrender value at the end of the  
19 current policy year as required by section four hundred and ten  
20 A of this act; and that the company may deduct from such loan  
21 value (in addition to any indebtedness deducted in determining  
22 such value) any unpaid balance of the premium for the current  
23 policy year, and may collect interest in advance on the loan to  
24 the end of the current policy year. The company shall reserve  
25 the right to defer such loan, except any made to pay premiums to  
26 the company, for six months after application therefor is made.  
27 This subsection (h) shall not apply to term insurance.

28 \* \* \*

29 (k) A provision that the holder of a policy shall be  
30 entitled to have the policy reinstated, upon written application

1 therefor, at any time within three years from the date of  
2 default in premium payments, unless the policy has been duly  
3 surrendered or the extension period expired, upon the production  
4 of evidence of insurability satisfactory to the company, and the  
5 payment of all overdue premiums and any other indebtedness to  
6 the company upon said policy, with interest at the rate of not  
7 exceeding [six] eight per centum per annum, compounded annually.

8 \* \* \*

9 Section 2. Subsection (a) of section 410B of the act, added  
10 July 17, 1935 (P.L.1116, No.358), is amended to read:

11 Section 410B. Uniform Provisions for Contracts of Annuities  
12 and Pure Endowment Contracts.--No annuity or pure endowment  
13 contract shall be delivered in this Commonwealth, except  
14 policies of industrial insurance where the premiums are payable  
15 monthly or oftener, and except in the case of a reversionary  
16 annuity, otherwise called a survivorship annuity, or an annuity  
17 contracted by an employer in behalf of his employees, unless it  
18 contains in substance the following provisions:

19 (a) A provision that there shall be a period of grace,  
20 either of thirty days or of one month, within which any  
21 stipulated payment to the company, falling due after the first  
22 year, may be made, subject, at the option of the company, to an  
23 interest charge thereon at a rate to be specified in the  
24 contract, but not exceeding [six] eight per centum per annum,  
25 for the number of days of grace elapsing before such payment,  
26 during which period of grace the contract shall continue in full  
27 force, but in case a claim arises under the contract on account  
28 of death during the said period of grace before the overdue  
29 payment to the company or the deferred payments of the current  
30 year, if any, are made, the amount of such payments, with

1 interest on any overdue payments, may be deducted from any  
2 amount payable under the contract in settlement; if the contract  
3 contains a loan provision, the rate of interest may not exceed  
4 eight per centum per annum;

5 \* \* \*

6 SECTION 3. THE SECOND PARAGRAPH OF SECTION 654 OF THE ACT, <—  
7 AMENDED JULY 2, 1953 (P.L.342, NO.79), IS AMENDED AND A NEW  
8 THIRD PARAGRAPH IS ADDED TO READ:

9 SECTION 654. CLASSIFICATION OF RISKS; UNDERWRITING RULES;  
10 PREMIUM RATES; AND SCHEDULE AND MERIT RATING PLANS.--\* \* \*

11 THE SYSTEM OF CLASSIFICATION OF RISKS, UNDERWRITING RULES,  
12 PREMIUM RATES AND SCHEDULE OR MERIT RATING PLANS FOR INSURANCE  
13 OF EMPLOYERS AND EMPLOYEES UNDER SUCH ACTS, SHALL BE FILED WITH,  
14 AND SHALL BE SUBJECT TO REVIEW BY THE INSURANCE COMMISSIONER,  
15 AND THE INSURANCE COMMISSIONER SHALL BY ORDER MODIFY, AMEND OR  
16 APPROVE THE SAME. ANY PERSON, CORPORATE OR OTHERWISE, AGGRIEVED  
17 BY SUCH ORDER, CLASSIFICATION, RULE, RATE OR SCHEDULE ISSUED BY  
18 THE INSURANCE COMMISSIONER MAY OBTAIN A REVIEW THEREOF BEFORE  
19 THE INSURANCE COMMISSIONER.

20 THE ASSIGNMENT BY AN APPROVED RATING BUREAU OF ANY INDIVIDUAL  
21 RISK TO A PARTICULAR CLASSIFICATION IN ACCORDANCE WITH THE  
22 SYSTEM OF CLASSIFICATION OF RISKS AND UNDERWRITING RULES  
23 APPROVED BY THE INSURANCE COMMISSIONER MAY BE APPEALED BY ANY  
24 PERSON, CORPORATE OR OTHERWISE, AGGRIEVED BY SUCH ASSIGNMENT  
25 BEFORE THE ASSIGNING BUREAU IN ACCORDANCE WITH PROCEDURES OF THE  
26 BUREAU APPROVED BY THE INSURANCE COMMISSIONER AND, IF STILL  
27 AGGRIEVED BY SUCH REVIEWED ASSIGNMENT, SUCH PERSON MAY OBTAIN A  
28 FURTHER REVIEW THEREOF BY FILING AN APPEAL WITH THE INSURANCE  
29 COMMISSIONER WITHIN THIRTY DAYS OF THE MAILING DATE OF THE FINAL  
30 DECISION OF THE BUREAU. THE INSURANCE COMMISSIONER SHALL HOLD A

1 HEARING UPON NOT LESS THAN TEN DAYS WRITTEN NOTICE TO THE  
2 APPLICANT AND TO THE RATING BUREAU WHICH MADE SUCH  
3 CLASSIFICATION, AND SHALL ISSUE AN ORDER MODIFYING, AMENDING OR  
4 APPROVING THE PLACEMENT OF THE INDIVIDUAL RISK WITHIN THE  
5 PARTICULAR CLASSIFICATION AS THE RESULT OF THAT HEARING. ANY  
6 ORDER MADE BY THE INSURANCE COMMISSIONER IN ACCORDANCE WITH THIS  
7 PARAGRAPH SHALL BE APPEALABLE TO THE COMMONWEALTH COURT IN  
8 ACCORDANCE WITH TITLE 42 OF THE PENNSYLVANIA CONSOLIDATED  
9 STATUTES (RELATING TO JUDICIARY AND JUDICIAL PROCEDURE).

10 \* \* \*

11 Section 3 4. It is the intent of the Legislature that the <—  
12 life insurance industry make available to the people of the  
13 Commonwealth of Pennsylvania who purchase new life insurance  
14 policies or annuities with loan provisions after the effective  
15 date of this act the benefits of higher dividends or lower  
16 premiums, or both, resulting from the increased earnings through  
17 the use of higher loan interest rates.

18 ~~Section 4. This act shall take effect July 1, 1980. This act~~ <—  
19 ~~shall not impair the terms and conditions of any life insurance~~  
20 ~~policy or certificate or annuity contract issued prior to its~~  
21 ~~effective date.~~

22 SECTION 5. THE AMENDMENTS TO SECTIONS 410 AND 410B SHALL <—  
23 TAKE EFFECT JULY 1, 1980 AND THE AMENDMENTS TO SECTION 654 SHALL  
24 TAKE EFFECT JULY 1, 1981.