



Ohio Revised Code Section 3915.051 Policy loan interest rates.

Effective: June 22, 1984

Legislation: House Bill 37 - 115th General Assembly

(A) As used in this section:

(1) "Published monthly average" means:

(a) "Moody's corporate bond yield average -- monthly average corporates" as published by Moody's investors service, inc., or any successor thereto; or

(b) In the event that "Moody's corporate bond yield average -- monthly average corporates" is no longer published, a substantially similar average, established by rule promulgated by the superintendent of insurance.

(2) "Policy loan" includes any loan made under a policy including any premium loan made to pay one or more premiums that were not paid to the life insurer as they fell due.

(3) "Policyholder" includes the owner of the policy or the person designated to pay premiums as shown on the records of the life insurer.

(4) "Policy" includes life insurance policies, certificates issued by a fraternal benefit society, and annuity contracts which provide for policy loans.

(5) The restrictions on the rate of interest which apply to policy loans pursuant to this section shall also apply to the reinstatement of policy loans for the period during and after any lapse of a policy.

(B) Notwithstanding any other provisions of the Revised Code, policies issued or delivered in this state on or after April 1, 1982, shall provide for policy loan interest rates as follows:

(1) A provision permitting a maximum interest rate of not more than eight per cent per annum; or



(2) A provision permitting an adjustable maximum interest rate established from time to time by the life insurer as permitted by law if corresponding adjustments are made in premiums, dividends, or other benefits under the policy.

(C) The rate of interest charged on a policy loan made under division (B)(2) of this section shall not exceed the higher of the following:

(1) The published monthly average for the calendar month ending two months before the date on which the rate is determined;

(2) The rate used to compute the cash surrender values under the policy during the applicable period plus one per cent per annum.

(D) If the maximum rate of interest is determined pursuant to division (B)(2) of this section, the policy shall contain a provision setting forth the frequency at which the rate is to be determined for that policy.

(E) The maximum rate for each policy must be determined at regular intervals at least once every twelve months, but not more frequently than once in any three-month period. At the intervals specified in the policy:

(1) The rate being charged may be increased whenever such increase as determined under division (C) of this section would increase that rate by one-half per cent or more per annum;

(2) The rate being charged must be reduced whenever such reduction as determined under division (C) of this section would decrease that rate by one-half per cent or more per annum.

(F) The life insurer shall:

(1) Notify the policyholder at the time a cash loan is made of the initial rate of interest on the loan;

(2) Notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan. Notice need not be given to



the policyholder when a further premium loan is added, except as provided in division (F)(3) of this section.

(3) Send to policyholders with loans reasonable advance notice of any increase in the rate;

(4) Include in the notices the substance of the pertinent provisions of divisions (B) and (D) of this section.

(G) No policy shall terminate in a policy year as the sole result of a change in the interest rate during that policy year, and the life insurer shall maintain coverage during that policy year until the time at which it would otherwise have terminated if there had been no change during that policy year.

(H) The substance of the pertinent provisions of divisions (B) and (D) of this section shall be set forth in the policies to which they apply.

(I) A policy issued or delivered in this state prior to April 1, 1982, may not be amended to provide for fixed interest rates on policy loans in excess of eight per cent. Such a policy may not be amended to provide for adjustable interest rates on policy loans under this section unless all of the following apply:

(1) The form of amendment has been filed with the superintendent of insurance. Such form shall be subject to the provisions of section 3915.14 of the Revised Code and within thirty days after such form has been filed the superintendent may disapprove such form unless it provides for corresponding adjustments to be made in premiums, dividends, or other benefits under the policy.

(2) Disclosure of the provisions of the existing policy which would be changed by the amendment including premiums, dividends, cash surrender values, or other benefits, and disclosure of those applicable provisions as if the amendment were effective, shall be made to the policyholder prior to obtaining such written agreement. No other rights of the policyholder under the policy shall be affected.

(3) The policyholder agrees to the amendment in writing.



Unless a policy amendment providing for a variable interest rate complies with divisions (I)(1) to (3) of this section, the policyholder shall not be charged any rate of interest on a policy loan in excess of that provided in the policy prior to the amendment.