

Introduced: 4/21/75  
Referred: Commerce and  
Judiciary

1 IN THE HOUSE

BY DUNCAN

2 HOUSE BILL NO. 444

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to minimum reserve valuation standards  
7 and nonforfeiture benefits for policies and contracts  
8 issued by life insurance companies; and providing for  
9 an effective date."

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

11 \* Section 1. AS 21.18.110(b) is amended to read:

12 (b) This subsection applies to only those policies and contracts  
13 issued on or after the operative date of AS 21.45.300 except as  
14 otherwise provided in (6) of this subsection for group annuity and  
15 pure endowment contracts issued before that operative date:

16 (1) Except as otherwise provided in (6) of this sub-  
17 section, the [THE] minimum standard for the valuation of all these  
18 policies and contracts shall be the Commissioner's Reserve Valuation  
19 Method defined in (b)(2) of this section, three and one-half [3 1/2]  
20 per cent interest, or in the case of policies and contracts, other  
21 than annuity and pure endowment contracts, issued on or after the  
22 effective date of this Act, four per cent interest, and the following  
23 tables:

24 (A) for all ordinary policies of life insurance issued  
25 on the standard basis, excluding disability and accidental death  
26 benefits in the policies - the Commissioner's 1958 Standard  
27 Ordinary Mortality Table, except that for a category of policies  
28 issued on female risks, modified net premiums and present values,  
29 referred to in (b)(2) of this section may be calculated [ - ]

1 according to an age not more than three years younger than the  
2 actual age of the insured;

3 (B) for all industrial life insurance policies issued  
4 on the standard basis, excluding disability and accidental death  
5 benefits in the policies - the 1941 Standard Industrial Mortality  
6 Table for the policies issued before the operative [EFFECTIVE]  
7 date of AS 21.45.300(j), of the Standard Nonforfeiture Law, and  
8 the Commissioner's 1961 Standard Industrial Mortality Table for  
9 the policies issued on or after the operative date;

10 (C) for individual annuity and pure endowment contracts,  
11 excluding disability and accidental death benefits in the  
12 policies - the 1937 Standard Annuity Mortality Table, or, at the  
13 option of the insurer, the Annuity Mortality Table for 1949,  
14 ultimate, or any modification of either of these tables approved  
15 by the director;

16 (D) for group annuity and pure endowment contracts,  
17 excluding disability and accidental death benefits in the  
18 policies - the group annuity mortality table for 1951, any modi-  
19 fication of the table approved by the director, or, at the option  
20 of the insurer, any of the tables or modifications of tables  
21 specified for individual annuity and pure endowment contracts;

22 (E) for total and permanent disability benefits in  
23 or supplementary to ordinary policies or contracts - the tables  
24 of period 2 disablement rates and the 1930 to 1950 termination  
25 rates of the 1952 disability study of the Society of Actuaries,  
26 with due regard to the type of benefit; the table shall, for  
27 active lives, be combined with a mortality table permitted for  
calculating the reserves for life insurance policies;

29 (F) for accidental death benefits in or supplementary

1 to policies — the 1959 Accidental Death Benefits Table [ - ]  
2 combined with a mortality table permitted for calculating the  
3 reserves for life insurance policies;

4 (G) for group life insurance, life insurance issued  
5 on the substandard basis and other special benefits - tables  
6 approved by the director.

7 (2) Reserves according to the Commissioner's Reserve Valua-  
8 tion Method, for the life insurance and endowment benefits of policies  
9 providing for a uniform amount of insurance and requiring the payment  
10 of uniform premiums shall be the excess, if any, of the present value,  
11 at the date of valuation, of the future guaranteed benefits provided  
12 for by the policies, over the then present value of any future modi-  
13 fied net premiums; the modified net premiums for the policy shall be  
14 the uniform percentage of the respective contract premiums for the  
15 benefits that the present value, at the date of issue of the policy,  
16 of all the modified net premiums shall be equal to the sum of then  
17 present value of the benefits provided for by the policy and the  
18 excess of (A) over (B), as follows:

19 (A) a net level annual premium equal to the present  
20 value, at the date of issue, of the benefits provided for after  
21 the first policy year, divided by the present value, at the date  
22 of issue of an annuity of one per cent per annum payable on the  
23 first and each subsequent anniversary of the policy on which a  
24 premium falls due; provided, that the net level annual premium  
25 shall not exceed the net level annual premium on the 19 year  
26 premium whole life plan for insurance of the same amount at an  
27 age one year higher than the age at issue of the policy;

28 (B) a net one-year term premium for the benefits  
29 provided for in the first policy year;

1 (C) reserves according to the Commissioner's Reserve  
2 Valuation Method for

3 (i) life insurance policies providing for a  
4 varying amount of insurance or requiring the payment of  
5 varying premiums,

6 (ii) annuity and pure endowment contracts,

7 (iii) disability and accidental death benefits in  
8 all policies and contracts,

9 (iv) all other benefits, except life insurance  
10 and endowment benefits in life insurance policies, shall be  
11 calculated by a method consistent with the principles of  
12 (b)(2) of this section, except that any extra premiums  
13 charged because of impairments or special hazards shall be  
14 disregarded in the determination of modified net premiums.

15 (3) In no event may an insurer's aggregate reserves for all  
16 life insurance policies, excluding disability and accidental death  
17 benefits, be less than the aggregate reserves calculated in accordance  
18 with the method set out in (b)(2) of this section, and the mortality  
19 table or tables and rate or rates of interest used in calculating  
20 nonforfeiture benefits for such policies.

21 (4) Reserves for any category of policies, contracts or  
22 benefits as established by the director, may be calculated at the  
23 option of the insurer according to standards which produce greater  
24 aggregate reserves for the category than those calculated according  
25 to the minimum standard provided in this section, but the rate or  
26 rates of interest used may not be higher than the corresponding rate  
27 or rates of interest used in calculating nonforfeiture benefits pro-  
28 vided for therein; provided that reserves for participating life  
29 insurance policies may, with the consent of the director, be calcu-

1           lated according to a rate of interest lower than the rate of interest  
2           used in calculating the nonforfeiture benefits in the policies, with  
3           the further proviso that if the lower rate differs from the rate used  
4           in the calculation of the nonforfeiture benefits by more than 1/2 per  
5           cent the insurer issuing the policies shall file with the director a  
6           plan providing for the equitable increases, if any, in the cash  
7           surrender values and nonforfeiture benefits in the policies as the  
8           director approves.

9                   (5) Deficiency reserves: if the gross premium charged by  
10           a life insurer on a policy or contract is less than the net premium  
11           for the policy or contract according to the mortality table, rate of  
12           interest and method used in calculating the reserve, there shall be  
13           maintained on the policy or contract a deficiency reserve in addi-  
14           tion to all other reserves required by law; for each policy or  
15           contract the deficiency reserve shall be the present value, according  
16           to the standard, of an annuity of the difference between the net  
17           premium and the premium charged for the policy or contract, running  
18           for the remainder of the premium-paying period.

19                   (6) The minimum standard for the valuation of all individual  
20           annuity and pure endowment contracts issued on or after the operative  
21           date of this paragraph as set out in (7) of this subsection and for  
22           all annuities and pure endowments purchased on or after that date  
23           under group annuity and pure endowment contracts, shall be the Commis-  
24           sioner's Reserve Valuation Method defined in (b)(2) of this section  
25           and the following tables and interest rates:

26                   (A) for individual annuity and pure endowment contracts,  
27           excluding disability and accidental death benefits in the con-  
28           tracts - the 1971 Individual Annuity Mortality Table, or any  
29           modification of this table approved by the director, and six per

1 cent interest for single premium immediate annuity contracts,  
2 and four per cent interest for all other individual annuity and  
3 pure endowment contracts;

4 (B) for group annuity and pure endowment contracts,  
5 excluding any disability and accidental death benefits purchased  
6 under such contracts - the 1971 Group Annuity Mortality Table,  
7 or any modification of this table approved by the director, and  
8 six per cent interest.

9 (7) After the effective date of this Act, an insurer may  
10 file with the director a written notice of its election to comply with  
11 the provisions of (6) of this subsection after a specified date before  
12 January 1, 1979, which shall be the operative date of that requirement  
13 for the insurer; however, an insurer may elect a different operative  
14 date for individual annuity and pure endowment contracts from that  
15 elected for group annuity and pure endowment contracts. If an insurer  
16 makes no election, the operative date of (6) of this subsection for  
17 the insurer is January 1, 1979.

18 \* Sec. 2. AS 21.45.300(1) is amended to read:

19 (i) All adjusted premiums and present values referred to in this  
20 section shall for all policies of ordinary insurance be calculated on  
21 the basis of the Commissioners 1958 Standard Ordinary Mortality Table,  
22 except that for any category of ordinary insurance issued on female  
23 risks, adjusted premiums and present values may be calculated according  
24 to an age not more than three years younger than the actual age of  
25 the insured. Except as provided in (j) of this section, the calcula-  
26 tions for all policies of industrial insurance shall be made on the  
27 basis of the 1941 Standard Industrial Mortality Table. All calcula-  
28 tions shall be made on the basis of the rate of interest [, NOT EXCEED-  
29 ING THREE AND ONE-HALF PER CENT A YEAR,] specified in the policy for

1 calculating cash surrender values and paid-up nonforfeiture benefits;  
2 however, the rate of interest may not exceed three and one-half per  
3 cent a year except that a rate of interest not exceeding four per cent  
4 a year may be used for policies issued on or after the effective date  
5 of this Act and [,] except that in calculating the present value of  
6 paid-up term insurance with accompanying pure endowment, if any,  
7 offered as a nonforfeiture benefit, the rates of mortality assumed  
8 in the case of policies of ordinary insurance, may be not more than  
9 those shown in the Commissioners 1958 Extended Term Insurance Table,  
10 and in the case of policies of industrial insurance, may be not more  
11 than 130 per cent of the rates of mortality according to the 1941  
12 Standard Industrial Mortality Table, and [(2)] for insurance issued  
13 on a substandard basis, the calculation of the adjusted premiums and  
14 present values may be based on such other table of mortality as may  
15 be specified by the insurer and approved by the director.

16 \* Sec. 3. AS 21.45.300(j) is amended to read:

17 (j) In case of industrial policies issued on or after the  
18 operative date of this subsection as defined in (k) of this section,  
19 all adjusted premiums and present values referred to in this section  
20 shall be calculated on the basis of the Commissioners 1961 Standard  
21 Industrial Mortality Table and the rate of interest [, NOT EXCEEDING  
22 THREE AND ONE-HALF PER CENT A YEAR,] specified in the policy for  
23 calculating cash surrender values and paid-up nonforfeiture benefits;  
24 however, the rate of interest may not exceed three and one-half per  
25 cent a year except that a rate of interest not exceeding four per cent  
26 a year may be used for policies issued on or after the effective date  
27 of this Act and [,] except that in [AS OTHERWISE PROVIDED IN THIS  
28 SUBSECTION. IN] calculating the present value of [A] paid-up term  
29 insurance with accompanying pure endowment, if any, offered as a non-

1 forfeiture benefit, the rates of mortality assumed may be not more  
2 than those shown in the Commissioners 1961 Industrial Extended Term  
3 Insurance Table. The calculation of the adjusted premiums and present  
4 values [VALUE] for insurance issued on a substandard basis may be  
5 based on a table of mortality specified by the insurer and approved by  
6 the director.

7 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-  
8 070(c).