

Original sponsor: Commerce Committee

Offered: 4/14/78  
Referred: Rules

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 872

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to interest rates used in calculating  
7 reserves for life insurance policies; and providing for  
8 an effective date."

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

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

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

15 (1) Except as otherwise provided in (6) of this subsection,  
16 the [THE] minimum standard for the valuation of all these policies and  
17 contracts shall be the Commissioner's Reserve Valuation Methods [METHOD]  
18 defined in (b)(2), (5) and (8) of this section, three and one-half [3  
19 1/2] per cent interest, or in the case of policies and contracts, other  
20 than annuity and pure endowment contracts, issued on or after July 1,  
21 1978, five and one-half per cent interest for single premium life in-  
22 surance policies and four and one-half per cent interest for all other  
23 policies, and the following 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 Standardordi-  
27 nary Mortality Table, except that for a category of policies issued  
28 on female risks, modified net premiums and present values, referred  
29 to in (b)(2) of this section may be calculated [--] according to an

1 age not more than six [THREE] years younger than the actual age of the  
2 insured;

3 (B) for all industrial life insurance policies issued on  
4 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] date  
7 of AS 21.45.300(j), of the Standard Nonforfeiture Law, and the  
8 Commissioner's 1961 Standard Industrial Mortality Table for the  
9 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 poli-  
12 cies -- the 1937 Standard Annuity Mortality Table, or, at the  
13 option of the insurer, the Annuity Mortality Table for 1949, ulti-  
14 mate, or any modification of either of these tables approved by the  
15 director;

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

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

29 (F) for accidental death benefits in or supplementary to

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

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

7 (2) Except as otherwise provided in (5) and (8) of this sub-  
8 section, reserves [RESERVES] according to the Commissioner's Reserve  
9 Valuation Method, for the life insurance and endowment benefits of po-  
10 licies providing for a uniform amount of insurance and requiring the  
11 payment of uniform premiums shall be the excess, if any, of the present  
12 value, at the date of valuation, of the future guaranteed benefits pro-  
13 vided for by the policies, over the then present value of any future  
14 modified net premiums; the modified net premiums for the policy shall be  
15 the uniform percentage of the respective contract premiums for the bene-  
16 fits that the present value, at the date of issue of the policy, of all  
17 the modified net premiums shall be equal to the sum of then present  
18 value of the benefits provided for by the policy and the excess of (A)  
19 over (B), as follows:

20 (A) a net level annual premium equal to the present  
21 value, at the date of issue, of the benefits provided for after the  
22 first policy year, divided by the present value, at the date of  
23 issue of an annuity of one a year [PER CENT PER ANNUM] payable on  
24 the first and each subsequent anniversary of the policy on which a  
25 premium falls due; however, [PROVIDED, THAT] the net level annual  
26 premium may [SHALL] not exceed the net level annual premium on the  
27 19 year premium whole life plan for insurance of the same amount at  
28 an age one year higher than the age at issue of the policy;

29 (B) a net one-year term premium for the benefits pro-

1 vided for in the first policy year;

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

4 (i) life insurance policies providing for a varying  
5 amount of insurance or requiring the payment of varying pre-  
6 miums,

7 (ii) group annuity and pure endowment contracts pur-  
8 chased under a retirement plan or plan of deferred compensa-  
9 tion, established or maintained by an employer (including a  
10 partnership or sole proprietorship) or by an employee organi-  
11 zation, or by both, other than a plan providing individual re-  
12 retirement accounts or individual retirement annuities under  
13 sec. 408 of the Internal Revenue Code, as amended,

14 (iii) disability and accidental death benefits in all  
15 policies and contracts,

16 (iv) all other benefits, except life insurance and  
17 endowment benefits in life insurance policies and benefits  
18 provided by all other annuity and pure endowment contracts,  
19 shall be calculated by a method consistent with the principles  
20 of (b)(2) of this section, except that any extra premiums  
21 charged because of impairments or special hazards shall be  
22 disregarded in the determination of modified net premiums.

23 (3) In no event may an insurer's aggregate reserves for all  
24 life insurance policies, excluding disability and accidental death bene-  
25 fits, be less than the aggregate reserves calculated in accordance with  
26 the methods [METHOD] set out in (b)(2), (5) and (8) of this section, and  
27 the mortality table or tables and rate or rates of interest used in  
28 calculating nonforfeiture benefits for such policies.

29 (4) Reserves for any category of policies, contracts or

1 benefits as established by the director, may be calculated at the option  
2 of the insurer according to standards which produce greater aggregate  
3 reserves for the category than those calculated according to the minimum  
4 standard provided in this section, but the rate or rates of interest  
5 used for policies and contracts, other than annuity and pure endowment  
6 contracts, may not be higher than the corresponding rate or rates of  
7 interest used in calculating nonforfeiture [NONFEITURE] benefits pro-  
8 vided for in the policy or contract [THEREIN; PROVIDED THAT RESERVES FOR  
9 PARTICIPATING LIFE INSURANCE POLICIES MAY, WITH THE CONSENT OF THE DI-  
10 RECTOR, BE CALCULATED ACCORDING TO A RATE OF INTEREST LOWER THAN THE  
11 RATE OF INTEREST USED IN CALCULATING THE NONFORFEITURE BENEFITS IN THE  
12 POLICIES, WITH THE FURTHER PROVISIO THAT IF THE LOWER RATE DIFFERS FROM  
13 THE RATE USED IN THE CALCULATION OF THE NONFORFEITURE BENEFITS BY MORE  
14 THAN 1/2 PER CENT THE INSURER ISSUING THE POLICIES SHALL FILE WITH THE  
15 DIRECTOR A PLAN PROVIDING FOR THE EQUITABLE INCREASES, IF ANY, IN THE  
16 CASH SURRENDER VALUES AND NONFORFEITURE BENEFITS IN THE POLICIES AS THE  
17 DIRECTOR APPROVES].

18 (5) If in any contract year [DEFICIENCY RESERVES: IF] the  
19 gross premium charged by a life insurer on a policy or contract is less  
20 than the valuation net premium for the policy or contract calculated by  
21 the [ACCORDING TO THE MORTALITY TABLE, RATE OF INTEREST AND] method used  
22 in calculating the reserve on the policy or contract but using the mini-  
23 imum valuation standards of mortality and rate of interest, the minimum  
24 reserve required for that policy or contract shall be the greater of  
25 either the reserve calculated according to the mortality table, rate of  
26 interest, and method actually used for the policy or contract, or the  
27 reserve calculated by the method actually used for the policy or con-  
28 tract but using the minimum standards of mortality and rate of interest  
29 and replacing the valuation net premium by the actual gross premium in

1 each contract year for which the valuation net premium exceeds the  
2 actual gross premium [ , THERE SHALL BE MAINTAINED ON THE POLICY OR  
3 CONTRACT A DEFICIENCY RESERVE IN ADDITION TO ALL OTHER RESERVES REQUIRED  
4 BY LAW; FOR EACH POLICY OR CONTRACT THE DEFICIENCY RESERVE SHALL BE THE  
5 PRESENT VALUE, ACCORDING TO THE STANDARD, OF AN ANNUITY OF THE DIF-  
6 ERENCE BETWEEN THE NET PREMIUM AND THE PREMIUM CHARGED FOR THE POLICY  
7 OR CONTRACT, RUNNING FOR THE REMAINDER OF THE PREMIUM-PAYING PERIOD].

8 (6) The minimum standard for the valuation of all individual  
9 annuity and pure endowment contracts issued on or after the operative  
10 date of this paragraph as set out in (7) of this subsection and for all  
11 annuities and pure endowments purchased on or after that date under  
12 group annuity and pure endowment contracts, shall be the Commissioner's  
13 Reserve Valuation Methods defined in (2) and (8) of this subsection and  
14 the following tables and interest rates:

15 (A) for individual single premium immediate annuity con-  
16 tracts, excluding any disability and accidental death benefits in  
17 such contracts -- the 1971 individual annuity mortality table, or  
18 any modification of this table approved by the commissioner, and  
19 seven and one-half per cent interest;

20 (B) for individual annuity and pure endowment contracts,  
21 other than single premium immediate annuity contracts, excluding  
22 any disability and accidental death benefits in such contracts  
23 -- the 1971 individual annuity mortality table, or any modification  
24 of this table approved by the commissioner, and five and one-half  
25 per cent interest for single premium deferred annuity and pure  
26 endowment contracts and four and one-half per cent interest for all  
27 other such individual annuity and pure endowment contracts;

28 (C) for all annuities and pure endowments purchased  
29 under group annuity and pure endowment contracts, excluding any

1           disability and accidental death benefits purchased under such con-  
2           tracts -- the 1971 group annuity mortality table, or any modifica-  
3           tion of this table approved by the commissioner, and seven and  
4           one-half per cent interest.

5           (7) After July 1, 1978, and insurer may file with the direc-  
6           tor a written notice of its election to comply with the provisions of  
7           (6) of this subsection after a specified date before January 1, 1979,  
8           which shall be the operative date of that requirement for the insurer;  
9           however, an insurer may elect a different operative date for individual  
10           annuity and pure endowment contracts from that elected for group annuity  
11           and pure endowment contracts. If an insurer makes no election, the  
12           operative date of (6) of this subsection for the insurer is January 1,  
13           1979.

14           (8) This section applies to all annuity and pure endowment  
15           contracts other than group annuity and pure endowment contracts pur-  
16           chased under a retirement plan or plan of deferred compensation, estab-  
17           lished or maintained by an employer (including a partnership or sole  
18           proprietorship) or by an employee organization, or by both, other than a  
19           plan providing individual retirement accounts or individual retirement  
20           annuities under sec. 408 of the Internal Revenue Code, as amended.  
21           Reserves according to the Commissioner's Annuity Reserve Method for  
22           benefits under annuity or pure endowment contracts, excluding any dis-  
23           ability and accidental death benefits in those contracts, shall be the  
24           greatest of the respective excesses of the present values, at the date  
25           of valuation, of the future guaranteed benefits, including guaranteed  
26           nonforfeiture benefits, provided for by those contracts at the end of  
27           each respective contract year, over the present value, at the date of  
28           valuation, of any future valuation considerations derived from future  
29           gross considerations, required by the terms of such contract, that

1 become payable before the end of that respective contract year. The  
2 future guaranteed benefits shall be determined by using the mortality  
3 table, if any, and the interest rate, or rates, specified in such con-  
4 tracts for determining guaranteed benefits. The valuation considera-  
5 tions are the portions of the respective gross considerations applied  
6 under the terms of those contracts to determine nonforfeiture values.

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

8 (i) All adjusted premiums and present values referred to in this  
9 section shall for all policies of ordinary insurance be calculated on  
10 the basis of the Commissioner's 1958 Standard Ordinary Mortality Table,  
11 except that for any category of ordinary insurance issued on female  
12 risks, adjusted premiums and present values may be calculated according  
13 to an age not more than six [THREE] years younger than the actual age of  
14 the insured. Except as provided in (j) of this section, the calcula-  
15 tions for all policies of industrial insurance shall be made on the  
16 basis of the 1941 Standard Industrial Mortality Table. All calculations  
17 shall be made on the basis of the rate of interest [, NOT EXCEEDING  
18 THREE AND ONE-HALF PER CENT A YEAR,] specified in the policy for cal-  
19 culating cash surrender values and paid-up nonforfeiture benefits;  
20 however, that specified rate of interest may not exceed three and one-  
21 half per cent a year except that a rate of interest not exceeding five  
22 and one-half per cent a year may be used for policies issued on or after  
23 July 1, 1978, except that for any single premium whole life or endowment  
24 insurance policy a rate of interest not exceeding six and one-half per  
25 cent a year may be used and [,] except that in calculating the present  
26 value of paid-up term insurance with accompanying pure endowment, if  
27 any, offered as a nonforfeiture benefit, the rates of mortality assumed  
28 in the case of policies of ordinary insurance, may be not more than  
29 those shown in the Commissioner's 1958 Extended Term Insurance Table,

1 and in the case of policies of industrial insurance, may be not more  
2 than 130 per cent of the rates of mortality according to the 1941 Stan-  
3 dard Industrial Mortality Table, and [(2)] for insurance issued on a  
4 substandard basis, the calculation of the adjusted premiums and present  
5 values may be based on such other table of mortality as may be specified  
6 by the insurer and approved by the director.

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

8 (j) In case of industrial policies issued on or after the opera-  
9 tive date of this subsection as defined in (k) of this section, all  
10 adjusted premiums and present values referred to in this section shall  
11 be calculated on the basis of the Commissioners 1961 Standard Industrial  
12 Mortality Table and the rate of interest [, NOT EXCEEDING THREE AND  
13 ONE-HALF PER CENT A YEAR,] specified in the policy for calculating cash  
14 surrender values and paid-up nonforfeiture benefits; however, that spe-  
15 specified rate of interest may not exceed three and one-half per cent a  
16 year except that a rate of interest not exceeding five and one-half per  
17 cent a year may be used for policies issued on or after July 1, 1978,  
18 except that for any single premium whole life or endowment insurance  
19 policy a rate of interest not exceeding six and one-half per cent a year  
20 may be used and [,] except that in [AS OTHERWISE PROVIDED IN THIS SUB-  
21 SECTION. IN] calculating the present value of [A] paid-up term in-  
22 insurance with accompanying pure endowment, if any, offered as a nonfor-  
23 feiture benefit, the rates of mortality assumed may be not more than  
24 those shown in the Commissioners 1961 Industrial Extended Term Insurance  
25 Table. The calculation of the adjusted premiums and present values  
26 [VALUE] for insurance issued on a substandard basis may be based on a  
27 table of mortality specified by the insurer and approved by the direc-  
28 tor.

29 \* Sec. 4. AS 21.45 is amended by adding a new section to read:

1           Sec. 21.45.305. STANDARD NONFORFEITURE LAW FOR INDIVIDUAL DEFERRED  
2 ANNUITIES. (a) This section does not apply to any reinsurance, group  
3 annuity purchased under a retirement plan or plan of deferred compensa-  
4 tion established or maintained by an employer (including a partnership  
5 or sole proprietorship) or by an employee organization, or by both,  
6 other than a plan providing individual retirement accounts or individual  
7 retirement annuities under sec. 408 of the Internal Revenue Code, as  
8 amended, premium deposit fund, variable annuity, investment annuity,  
9 immediate annuity, any deferred annuity contract after annuity payments  
10 have commenced, or reversionary annuity, nor to any contract which shall  
11 be delivered outside this state through an agent or other representative  
12 of the company issuing the contract.

13           (b) In the case of contracts issued on or after the operative date  
14 of this section as defined in (k) of this section, no contract of an-  
15 nuity, except as stated in (a) of this section, may be delivered or  
16 issued for delivery in this state unless it contains in substance the  
17 following provisions, or corresponding provisions which in the opinion  
18 of the director are at least as favorable to the contract holder, upon  
19 cessation of payment of considerations under the contract: (1) that upon  
20 cessation of payment of considerations under a contract, the company  
21 will grant a paid-up annuity benefit on a plan stipulated in the con-  
22 tract of such value as is specified in (d) - (g) and (i) of this sec-  
23 tion; (2) if a contract provides for a lump sum settlement at maturity,  
24 or at any other time, that upon surrender of the contract at or before  
25 the commencement of any annuity payments, the company will pay in lieu  
26 of any paid-up annuity benefit a cash surrender benefit of such amount  
27 as is specified in (d), (e), (g) and (i) of this section; the company  
28 shall reserve the right to defer the payment of that cash surrender  
29 benefit for a period of six months after demand for the payment with

1 surrender of the contract; (3) a statement of the mortality table, if  
2 any, and interest rates used in calculating any minimum paid-up annuity,  
3 cash surrender or death benefits that are guaranteed under the contract,  
4 together with sufficient information to determine the amounts of those  
5 benefits; (4) a statement that any paid-up annuity, cash surrender or  
6 death benefits that may be available under the contract are not less  
7 than the minimum benefits required by any statute of the state in which  
8 the contract is delivered and an explanation of the manner in which  
9 those benefits are altered by the existence of any additional amounts  
10 credited by the company to the contract, any indebtedness to the company  
11 on the contract or any prior withdrawals from or partial surrenders of  
12 the contract. Notwithstanding the requirements of this subsection, any  
13 deferred annuity contract may provide that if no considerations have  
14 been received under a contract for a period of two full years and the  
15 portion of the paid-up annuity benefit at maturity on the plan sti-  
16 pulated in the contract arising from considerations paid before that  
17 period would be less than \$20 monthly, the company may at its option  
18 terminate the contract by payment in cash of the then present value of  
19 such portion of the paid-up annuity benefit, calculated on the basis of  
20 the mortality table, if any, and interest rate specified in the contract  
21 for determining the paid-up annuity benefit, and by that payment shall  
22 be relieved of any further obligation under the contract.

23 (c) The minimum values as specified in (d) - (g) and (i) of this  
24 section of any paid-up annuity, cash surrender or death benefits avail-  
25 able under an annuity contract shall be based upon minimum nonforfeiture  
26 amounts as defined in this section:

27 (1) with respect to contracts providing for flexible consid-  
28 erations, the minimum nonforfeiture amount at any time at or before the  
29 commencement of any annuity payments shall be equal to an accumulation

1 up to that time at a rate of interest of three per cent a year of per-  
2 centages of the net considerations as defined in this paragraph paid  
3 before that time, decreased by the sum of (A) any prior withdrawals from  
4 or partial surrenders of the contract accumulated at a rate of interest  
5 of three per cent a year; and (B) the amount of any indebtedness to the  
6 company on the contract, including interest due and accrued, and in-  
7 creased by any existing additional amounts credited by the company to  
8 the contract. The net considerations for a given contract year used to  
9 define the minimum nonforfeiture amount shall be an amount not less than  
10 zero and shall be equal to the corresponding gross considerations cre-  
11 dited to the contract during that contract year less an annual contract  
12 charge of \$30 and less a collection charge of \$1.25 per consideration  
13 credited to the contract during that contract year. The percentages of  
14 net considerations shall be 65 per cent of the net consideration for the  
15 first contract year and 87-1/2 per cent of the net considerations for  
16 the second and later contract years. Notwithstanding the provisions of  
17 the preceding sentence, the percentage shall be 65 per cent of the por-  
18 tion of the total net consideration for any renewal contract year which  
19 exceeds by not more than two times the sum of those portions of the net  
20 considerations in all prior contract years for which the percentage was  
21 65 per cent.

22 (2) With respect to contracts providing for fixed scheduled  
23 considerations, minimum nonforfeiture amounts shall be calculated on the  
24 assumption that considerations are paid annually in advance and shall be  
25 defined as for contracts with flexible considerations which are paid  
26 annually with two exceptions:

27 (A) The portion of the net consideration for the first  
28 contract year to be accumulated shall be the sum of 65 per cent of  
29 the net consideration for the first contract year plus 22-1/2 per

1 cent of the excess of the net consideration for the first contract  
2 year over the lesser of the net considerations for the second and  
3 third contract years.

4 (B) The annual contract charge shall be the lesser of  
5 (i) \$30 or (ii) 10 per cent of the gross annual consideration.

6 (3) With respect to contracts providing for a single con-  
7 sideration, minimum nonforfeiture amounts shall be defined as for con-  
8 tracts with flexible considerations except that the percentage of net  
9 consideration used to determine the minimum nonforfeiture amount shall  
10 be equal to 90 per cent and the net consideration shall be the gross  
11 consideration less a contract charge of \$75.

12 (d) Any paid-up annuity benefit available under a contract shall  
13 be such that its present value on the date annuity payments are to com-  
14 mence is at least equal to the minimum nonforfeiture amount on that  
15 date. Such present value shall be computed using the mortality table,  
16 if any, and the interest rate specified in the contract for determining  
17 the minimum paid-up annuity benefits guaranteed in the contract.

18 (e) For contracts which provide cash surrender benefits, such cash  
19 surrender benefits available before maturity may not be less than the  
20 present value as of the date of surrender of that portion of the  
21 maturity value of the paid-up annuity benefit which would be provided  
22 under the contract at maturity arising from considerations paid before  
23 the time of cash surrender reduced by the amount appropriate to reflect  
24 any prior withdrawals from or partial surrenders of the contract. The  
25 present value shall be calculated on the basis of an interest rate not  
26 more than one per cent higher than the interest rate specified in the  
27 contract for accumulating the net considerations to determine the ma-  
28 turity value, decreased by the amount of any indebtedness to the company  
29 on the contract, including interest due and accrued, and increased by

1 any existing additional amounts credited by the company to the contract.  
2 In no event may any cash surrender benefit be less than the minimum  
3 nonforfeiture amount at that time. The death benefit under such con-  
4 tracts shall be at least equal to the cash surrender benefit.

5 (f) For contracts which do not provide cash surrender benefits,  
6 the present value of any paid-up annuity benefit available as a nonfor-  
7 feiture option at any time before maturity may not be less than the  
8 present value of that portion of the maturity value of the paid-up  
9 annuity benefit provided under the contract arising from considerations  
10 paid before the time the contract is surrendered in exchange for, or  
11 changed to, a deferred paid-up annuity. The present value shall be  
12 calculated for the period before the maturity date on the basis of the  
13 interest rate specified in the contract for accumulating the net con-  
14 siderations to determine the maturity value, and increased by any  
15 existing additional amounts credited by the company to the contract. For  
16 contracts which do not provide any death benefits before the commence-  
17 ment of any annuity payments, the present values shall be calculated on  
18 the basis of the interest rate and the mortality table specified in the  
19 contract for determining the maturity value of the paid-up annuity  
20 benefit. However, in no event may the present value of a paid-up annu-  
21 ity benefit be less than the minimum nonforfeiture amount at that time.

22 (g) For the purpose of determining the benefits calculated under  
23 (e) and (f) of this section, in the case of annuity contracts under  
24 which an election may be made to have annuity payments commence at  
25 optional maturity dates, the maturity date shall be considered to be the  
26 latest date for which election shall be permitted by the contract, but  
27 is not considered to be later than the anniversary of the contract next  
28 following the annuitant's 70th birthday or the 10th anniversary of the  
29 contract, whichever is later.

1 (h) Any contract which does not provide cash surrender benefits or  
2 does not provide death benefits at least equal to the minimum nonfor-  
3 feiture amount before the commencement of any annuity payments shall  
4 include a statement in a prominent place in the contract that such  
5 benefits are not provided.

6 (i) Any paid-up annuity, cash surrender or death benefits avail-  
7 able at any time, other than on the contract anniversary under any  
8 contract with fixed scheduled considerations, shall be calculated with  
9 allowance for the lapse of time and the payment of any scheduled con-  
10 siderations beyond the beginning of the contract year in which cessation  
11 of payment of considerations under the contract occurs.

12 (j) For any contract which provides, within the same contract by  
13 rider or supplemental contract provision, both annuity benefits and life  
14 insurance benefits that are in excess of the greater of cash surrender  
15 benefits or a return of the gross considerations with interest, the  
16 minimum nonforfeiture benefits shall be equal to the sum of the minimum  
17 nonforfeiture benefits for the annuity portion and the minimum nonfor-  
18 feiture benefits, if any, for the life insurance portion computed as if  
19 each portion were a separate contract. Notwithstanding the provisions  
20 of (d) - (g) and (i) of this section, additional benefits payable (1) in  
21 the event of total and permanent disability, (2) as reversionary annuity  
22 or deferred reversionary annuity benefits, or (3) as other policy bene-  
23 fits additional to life insurance, endowment and annuity benefits, and  
24 considerations for all such additional benefits, shall be disregarded in  
25 ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash  
26 surrender and death benefits that may be required by this section. The  
27 inclusion of such additional benefits is not required in any paid-up  
28 benefits, unless those additional benefits separately would require  
29 minimum nonforfeiture amounts, paid-up annuity, cash surrender and death

1 benefits.

2 (k) After the effective date of this section, any company may file  
3 with the director a written notice of its election to comply with the  
4 provisions of this section after a specified date before the second  
5 anniversary of the effective date of this section. After the filing of  
6 the notice, then upon the specified date, which shall be the operative  
7 date of this section for the company, this section shall become opera-  
8 tive with respect to annuity contracts thereafter issued by the company.  
9 If a company makes no such election, the operative date of this section  
10 for the company shall be the second anniversary of the effective date of  
11 this section.

12 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-  
13 070(c).