

Introduced: 4/20/83
Referred: Labor & Commerce

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

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HOUSE BILL NO. 373

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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For an Act entitled: "An Act relating to nonforfeiture benefits of life insurance policies and reserve valuation standards for life insurance policies and annuity contracts; and providing for an effective date."

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

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

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

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(1) Except as otherwise provided in (c) of this section and (6) of this subsection, the minimum standard for the valuation of all these policies and contracts shall be the commissioner's reserves valuation methods [COMMISSIONER'S RESERVES VALUATION METHODS] defined in (b)(2), (5) and (8) of this section, three and one-half percent interest, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after July 1, 1978, five and one-half percent interest for single premium life insurance policies and four and one-half percent interest for all other policies, and the following tables:

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(A) for all ordinary policies of life insurance issued on the standard basis, excluding disability and accidental death benefits in the policies -- the Commissioner's 1958 Standard

1 Ordinary Mortality Table, for policies issued before the opera-
2 tive date of AS 21.45.300(k), of the Standard Nonforfeiture Law
3 for Life Insurance as amended, except that for a category of
4 policies issued on female risks, all modified net premiums and
5 present values, referred to in (b)(2) of this section may be
6 calculated according to an age not more than six years younger
7 than the actual age of the insured; and for policies issued on or
8 after the operative date of AS 21.45.300(k) of the Standard
9 Nonforfeiture Law for Life Insurance as amended

10 (i) the Commissioner's 1980 Standard Ordinary
11 Mortality Table, or

12 (ii) at the election of the insurer for any one or
13 more specified plans of life insurance, the Commissioner's
14 1980 Standard Ordinary Mortality Table with 10 year Select
15 Mortality Factors, or

16 (iii) any ordinary mortality table, adopted after
17 1980 by the National Association of Insurance Commissioners,
18 that is approved by regulation promulgated by the director
19 for use in determining the minimum standard of valuation for
20 the policies;

21 (B) for all industrial life insurance policies issued
22 on the standard basis, excluding disability and accidental death
23 benefits in the policies -- the 1941 Standard Industrial
24 Mortality Table for the policies issued before the operative date
25 of AS 21.45.300(j), of the Standard Nonforfeiture Law for Life
26 Insurance as amended, and [THE COMMISSIONER'S 1961 STANDARD
27 INDUSTRIAL MORTALITY TABLE] for the policies issued on or after
28 the effective [OPERATIVE] date of AS 21.45.300(j) the
29 Commissioner's 1961 Standard Industrial Mortality Table or any

1 industrial mortality table, adopted after 1980 by the National
2 Association of Insurance Commissioners that is approved by
3 regulation promulgated by the director for use in determining the
4 minimum standard of valuation for such policies;

5 (C) for individual annuity and pure endowment con-
6 tracts, excluding disability and accidental death benefits in the
7 policies -- the 1937 Standard Annuity Mortality Table, or, at the
8 option of the insurer, the Annuity Mortality Table for 1949,
9 ultimate, or any modification of either of these tables approved
10 by the director;

11 (D) for group annuity and pure endowment contracts,
12 excluding disability and accidental death benefits in the poli-
13 cies -- the Group Annuity Mortality Table for 1951, any modifica-
14 tion of the table approved by the director, or, at the option of
15 the insurer, any of the tables or modifications of tables speci-
16 fied for individual annuity and pure endowment contracts;

17 (E) for total and permanent disability benefits in or
18 supplementary to ordinary policies or contracts the tables of
19 period 2 disablement rates and the 1930 to 1950 termination rates
20 of the 1952 disability study of the society of actuaries, with
21 due regard to the type of benefit or any table of disablement and
22 termination rates adopted after 1980 by the National Association
23 of Insurance Commissioners that are approved by regulation
24 adopted by the director for use in determining the minimum stan-
25 dard of valuation for the policies; the table shall, for active
26 lives, be combined with a mortality table permitted for calculat-
27 ing the reserves for life insurance policies;

28 (F) for accidental death benefits in or supplementary
29 to policies -- the 1959 Accidental Death Benefits Table or any

1 accidental death benefits table adopted after 1980 by the
2 National Association of Insurance Commissioners that is approved
3 by regulation adopted by the director for use in determining the
4 minimum standard of valuation for the policies combined with a
5 mortality table permitted for calculating the reserves for life
6 insurance policies;

7 (G) for group life insurance, life insurance issued on
8 the substandard basis and other special benefits -- tables
9 approved by the director.

10 (2) Except as otherwise provided in (5) and (8) of this
11 subsection, reserves according to the commissioner's reserve valuation
12 method [COMMISSIONER'S RESERVE VALUATION METHOD], for the life insur-
13 ance and endowment benefits of policies providing for a uniform amount
14 of insurance and requiring the payment of uniform premiums, shall be
15 the excess, if any, of the present value, at the date of valuation, of
16 the future guaranteed benefits provided for by the policies, over the
17 then present value of any future modified net premiums; the modified
18 net premiums for the policy shall be the uniform percentage of the
19 respective contract premiums for the benefits that the present value,
20 at the date of issue of the policy, of all the modified net premiums
21 shall be equal to the sum of the then present value of the benefits
22 provided for by the policy and the excess of (A) over (B), as follows:

23 (A) a net level annual premium equal to the present
24 value, at the date of issue, of the benefits provided for after
25 the first policy year, divided by the present value, at the date
26 of issue of an annuity of one a year payable on the first and
27 each subsequent anniversary of the policy on which a premium
28 falls due; however, the net level annual premium may not exceed
29 the net level annual premium on the 19-year [19 YEAR] premium

1 whole life plan for insurance of the same amount at an age one
2 year higher than the age at issue of the policy;

3 (B) a net one-year term premium for the benefits
4 provided for in the first policy year; notwithstanding this
5 paragraph, for a life insurance policy issued on or after
6 January 1, 1987 for which the contract premium in the first
7 policy year exceeds that of the second year and for which no
8 comparable additional benefit is provided in the first year for
9 the excess premium and that provides an endowment benefit or a
10 cash surrender value or a combination of these in an amount
11 greater than the excess premium, the reserve according to the
12 commissioner's reserve valuation method as of a policy anniver-
13 sary occurring on or before the assumed ending date, except as
14 otherwise provided in paragraph (5), shall be the greater of the
15 reserve as of the policy anniversary calculated as described in
16 2(A) of this subsection and the reserve as of the policy anniver-
17 sary; the reserve shall be calculated as described in 2(A) of
18 this subsection, except

19 (i) the present value shall be reduced by 15
20 percent of the amount of the excess first year premium,

21 (ii) all present values of benefits and premiums
22 shall be determined without reference to premiums or
23 benefits provided for by the policy after the assumed ending
24 date,

25 (iii) the policy shall be assumed to mature on the
26 assumed ending date as an endowment, and

27 (iv) the cash surrender value provided on the
28 assumed date shall be considered as an endowment benefit; in
29 making the comparison in this subparagraph the mortality

1 and interest bases stated in paragraphs (5) and (7) of this
2 subsection and subsection (c) shall be used; in this sub-
3 paragraph the assumed ending date is the first policy anni-
4 versary on which the sum of the endowment benefit and cash
5 surrender value then available is greater than the excess
6 premium;

7 (C) reserves according to the commissioner's reserve
8 valuation method [COMMISSIONER'S RESERVE VALUATION METHOD] for:

9 (i) life insurance policies providing for a
10 varying amount of insurance or requiring the payment of
11 varying premiums,

12 (ii) group annuity and pure endowment contracts
13 purchased under a retirement plan or plan of deferred
14 compensation, established or maintained by an employer
15 (including a partnership or sole proprietorship) or by an
16 employee organization, or by both, other than a plan
17 providing individual retirement accounts or individual
18 retirement annuities under sec. 408 of the Internal Revenue
19 Code, as amended,

20 (iii) disability and accidental death benefits in
21 all policies and contracts,

22 (iv) all other benefits, except life insurance and
23 endowment benefits in life insurance policies and benefits
24 provided by all other annuity and pure endowment contracts,
25 shall be calculated by a method consistent with the
26 principles of (b)(2) of this section, except that any extra
27 premiums charged because of impairments or special hazards
28 shall be disregarded in the determination of modified net
29 premiums.

1 (3) In no event may an insurer's aggregate reserves for all
2 life insurance policies, excluding disability and accidental death
3 benefits, be less than the aggregate reserves calculated in accordance
4 with the methods set out in (b)(2), (5), [AND] (8) and (10) of this
5 section, and the mortality table or tables and rate or rates of
6 interest used in calculating nonforfeiture benefits for such policies.

7 (4) Reserves for any category of policies, contracts or
8 benefits as established by the director, may be calculated at the
9 option of the insurer according to standards which produce greater
10 aggregate reserves for the category than those calculated according to
11 the minimum standard provided in this section, but the rate or rates
12 of interest used for policies and contracts, other than annuity and
13 pure endowment contracts, may not be higher than the corresponding
14 rate or rates of interest used in calculating nonforfeiture benefits
15 provided for in the policy or contract.

16 (5) If in any contract year the gross premium charged by a
17 life insurer on a policy or contract is less than the valuation net
18 premium for the policy or contract calculated by the method used in
19 calculating the reserve on the policy or contract but using the mini-
20 mum valuation standards of mortality and rate of interest, the minimum
21 reserve required for that policy or contract shall be the greater of
22 either the reserve calculated according to the mortality table, rate
23 of interest, and method actually used for the policy or contract, or
24 the reserve calculated by the method actually used for the policy or
25 contract but using the minimum valuation standards of mortality and
26 rate of interest and replacing the valuation net premium by the actual
27 gross premium in each contract year for which the valuation net
28 premium exceeds the actual gross premium. In this paragraph, the
29 minimum valuation standards of mortality and rate of interest are

1 those standards referred to in (C) of this paragraph. Notwithstanding
2 this paragraph, for a life insurance policy issued on or after
3 January 1, 1987 for which the gross premium in the first policy year
4 exceeds that of the second year and for which no comparable additional
5 benefit is provided in the first year for the excess premium and which
6 provides an endowment benefit or a cash surrender value or a combina-
7 tion of these in an amount greater than the excess premium the pro-
8 visions of this paragraph shall be applied as if the method used in
9 calculating the reserve for such a policy were the method described in
10 paragraph (2) of this subsection, ignoring the second paragraph of
11 paragraph (2) of this subsection. The minimum reserve at each policy
12 anniversary of such a policy shall be the greater of the minimum
13 reserve calculated in accordance with paragraph (2), including the
14 second paragraph of that paragraph, and the minimum reserve calculated
15 in accordance with this paragraph.

16 (6) Except as provided in (C) of this paragraph, the [THE]
17 minimum standard for the valuation of all individual annuity and pure
18 endowment contracts issued on or after the operative date of this
19 paragraph as set out in (7) of this subsection and for all annuities
20 and pure endowments purchased on or after that date under group annu-
21 ity and pure endowment contracts, shall be the commissioner's reserve
22 valuation methods [COMMISSIONER'S RESERVE VALUATION METHODS] defined
23 in (2) and (8) of this subsection and the following tables and inter-
24 est rates:

25 (A) for individual single premium immediate annuity
26 contracts, excluding any disability and accidental death benefits
27 in such contracts -- the 1971 individual annuity mortality table
28 or an individual annuity mortality table, adopted after 1980 by
29 the National Association of Insurance Commissioners, that is

1 approved by regulation adopted by the director for use in deter-
2 mining the minimum standard of valuation for the contracts, or
3 any modification of these tables [THIS TABLE] approved by the
4 director [COMMISSIONER] and seven and one-half percent interest;

5 (B) for individual annuity and pure endowment con-
6 tracts, other than single premium immediate annuity contracts,
7 excluding any disability and accidental death benefits in such
8 contracts -- the 1971 individual annuity mortality table or an
9 individual annuity mortality table, adopted after 1980 by the
10 National Association of Insurance Commissioners, that is approved
11 by regulation adopted by the director for use in determining the
12 minimum standard of valuation for the contracts, or any modifica-
13 tion of these tables [THIS TABLE] approved by the director [COM-
14 MISSIONER] and five and one-half percent interest for single
15 premium deferred annuity and pure endowment contracts and four
16 and one-half percent interest for all other such individual
17 annuity and pure endowment contracts;

18 (C) for all annuities and pure endowments purchased
19 under group annuity and pure endowment contracts, excluding any
20 disability and accidental death benefits purchased under such
21 contracts -- the 1971 group annuity mortality table or a group
22 annuity mortality table, adopted after 1980 by the National
23 Association of Insurance Commissioners, that is approved by
24 regulation adopted by the director for use in determining the
25 minimum standard of valuation for the annuities and pure
26 endowments, or any modification of these tables [THIS TABLE]
27 approved by the director [COMMISSIONER], and seven and one-half
28 percent interest.

29 (7) After July 1, 1978, an insurer may file with the

1 director a written notice of its election to comply with the
2 provisions of (6) of this subsection after a specified date before
3 January 1, 1979, which shall be the operative date of that requirement
4 for the insurer; however, an insurer may elect a different operative
5 date for individual annuity and pure endowment contracts from that
6 elected for group annuity and pure endowment contracts. If an insurer
7 makes no election, the operative date of (6) of this subsection for
8 the insurer is January 1, 1979.

9 (8) This section applies to all annuity and pure endowment
10 contracts other than group annuity and pure endowment contracts pur-
11 chased under a retirement plan or plan of deferred compensation,
12 established or maintained by an employer (including a partnership or
13 sole proprietorship) or by an employee organization, or by both, other
14 than a plan providing individual retirement accounts or individual
15 retirement annuities under sec. 408 of the Internal Revenue Code, as
16 amended. Reserves according to the commissioner's annuity reserve
17 method [COMMISSIONER'S ANNUITY RESERVE METHOD] for benefits under
18 annuity or pure endowment contracts, excluding any disability and
19 accidental death benefits in those contracts, shall be the greatest of
20 the respective excesses of the present values, at the date of valua-
21 tion, of the future guaranteed benefits, including guaranteed nonfor-
22 feiture benefits, provided for by those contracts at the end of each
23 respective contract year, over the present value, at the date of
24 valuation, of any future valuation considerations derived from future
25 gross considerations, required by the terms of such contract, that
26 become payable before the end of that respective contract year. The
27 future guaranteed benefits shall be determined by using the mortality
28 table, if any, and the interest rate, or rates, specified in such
29 contracts for determining guaranteed benefits. The valuation

1 considerations are the portions of the respective gross considerations
2 applied under the terms of those contracts to determine nonforfeiture
3 values.

4 * Sec. 2. AS 21:18.110 is amended by adding new subsections to read:

5 (c) The calendar year statutory valuation interest rates defined
6 in (d) of this section shall be the interest rates used in determining
7 the minimum standard for the valuation of

8 (1) a life insurance policy issued in a particular calendar
9 year, on or after the operative date of subsection (k) of the Standard
10 Nonforfeiture Law for Life Insurance;

11 (2) an individual annuity and pure endowment contract
12 issued in a particular calendar year on or after January 1, 1984;

13 (3) an annuity and pure endowment purchased in a particular
14 calendar year on or after January 1, 1984 under a group annuity and
15 pure endowment contract; and

16 (4) the net increase, if any, in a particular calendar year
17 after January 1, 1984, in an amount held under a guaranteed interest
18 contract.

19 (d) The calendar year statutory valuation interest rates, I,
20 shall be determined as follows and the results rounded to the nearer
21 one-quarter of one percent

22 (1) for life insurance,

$$23 \quad I = .03 \div W (R_1 - .03) \div W/2 (R_2 - .09);$$

24 (2) for a single premium immediate annuity and for an
25 annuity benefit involving a life contingency arising from another
26 annuity with a cash settlement option and from a guaranteed interest
27 contract with a cash settlement option,

$$28 \quad I = .03 \div W (R - .03)$$

29 where R_1 is the lesser of R and .09,

1 R_2 is the greater of R and .09,

2 R is the reference interest rate defined in (j) of
3 this section, and W is the weighting factor defined in
4 (f) of this section;

5 (3) for other annuities with cash settlement options and
6 other guaranteed interest contracts with cash settlement options,
7 valued on an issue year basis, except as stated in (2) above, the
8 formula for life insurance in (1) of this subsection shall apply to an
9 annuity or guaranteed interest contract with a guarantee duration in
10 excess of 10 years and the formula for a single premium immediate
11 annuity in (2) of this subsection shall apply to an annuity or
12 guaranteed interest contract with a guarantee duration of 10 years or
13 less;

14 (4) for other annuities with no cash settlement options and
15 for other guaranteed interest contracts with no cash settlement
16 options, the formula for a single premium immediate annuity in (2) of
17 this subsection shall apply;

18 (5) for other annuities with cash settlement options and
19 guaranteed interest contracts with cash settlement options, valued on
20 a change in fund basis, the formula for a single premium immediate
21 annuity in (2) of this subsection shall apply.

22 (e) Notwithstanding (2) of this subsection, if the calendar year
23 statutory valuation interest rate for a life insurance policy differs
24 from the corresponding actual rate for a similar policy issued in the
25 immediately preceding calendar year by less than one-half of one
26 percent, the calendar year statutory valuation interest rate for the
27 life insurance policy shall be equal to the corresponding actual rate
28 for the immediately preceding calendar year. For the purpose of this
29 paragraph the calendar year statutory valuation interest rate shall be

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determined for 1980 using the reference interest rate defined for 1979 and shall be determined for each following calendar year regardless of when subsection (k) of the Standard Nonforfeiture Law for Life Insurance becomes operative.

(f) The weighting factors referred to in (c) of this section are as follows:

(1) Weighting Factors for Life Insurance:

Guarantee	
Duration;	Weighting
Years	Factors
10 or less;	.50
more than 10, but not more than 20;	.45
more than 20;	.35

for life insurance, the guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in the policy or under an option to convert to a plan of life insurance with a premium rate or nonforfeiture value or both which are guaranteed in the original policy;

(2) notwithstanding (3) of this subsection the weighting factor for a single premium immediate annuity and for an annuity benefit involving a life contingency arising from another annuity with a cash settlement option and a guaranteed interest contract with a cash settlement option -- .80;

(3) for annuities and guaranteed interest contracts valued on an issue year basis:

Guarantee	Weighting Factor		
Duration;	for Plan Type		
Years	A	B	C

1	5 or less;	.80	.60	.50
2	more than 5, but not			
3	more than 10;	.75	.60	.50
4	more than 10, but not			
5	more than 20;	.65	.50	.45
6	more than 20;	.45	.35	.35
7	(4) for annuities and guaranteed			
8	interest contracts valued on			
9	a change in fund basis, the			
10	factors shown in (3) of this			
11	subsection increased by;	.15	.25	.05
12	(5) for annuities and guaranteed			
13	interest contracts valued on			
14	an issue year basis, other			
15	than those with no cash settle-			
16	ment options, which do not			
17	guarantee interest on considera-			
18	tions received more than one year			
19	after issue or purchase and for			
20	annuities and guaranteed interest			
21	contracts valued on a change in			
22	fund basis which do not guarantee			
23	interest rates on considerations			
24	received more than 12 months			
25	beyond the valuation date, the			
26	factors shown in (3) of this			
27	subsection or derived in (4) of			
28	this subsection increased by;	.05	.05	.05
29	(g) The guarantee duration for other annuities with cash			

1 Service, Inc.;

2 (2) for a single premium immediate annuity and for an
3 annuity benefit involving a life contingency arising from another
4 annuity with a cash settlement option and a guaranteed interest con-
5 tract with a cash settlement option, the average interest rate for a
6 period of 12 months, ending on June 30 of the calendar year of issue
7 or year of purchase, of Moody's Corporate Bond Yield Average --
8 Monthly Average Corporates, as published by Moody's Investors Service,
9 Inc.;

10 (3) for other annuities with cash settlement options and
11 guaranteed interest contracts with cash settlement options, valued on
12 a year of issue basis, except as provided in (2) of this subsection,
13 with a guarantee duration in excess of 10 years, the lesser of the
14 average interest rate for a period of 36 months and the average inter-
15 est rate for a period of 12 months, ending on June 30 of the calendar
16 year of issue or purchase, of Moody's Corporate Bond Yield Average --
17 Monthly Average Corporates, as published by Moody's Investors Service,
18 Inc.;

19 (4) for other annuities with cash settlement options and
20 guaranteed interest contracts with cash settlement options, valued on
21 a year of issue basis, except as provided in (2) of this subsection,
22 with a guarantee duration of 10 years or less, the average interest
23 rate for a period of 12 months, ending on June 30 of the calendar year
24 of issue or purchase, of Moody's Corporate Bond Yield Average --
25 Monthly Average Corporates, as published by Moody's Investors Service,
26 Inc.;

27 (5) for other annuities with no cash settlement options and
28 for guaranteed interest contracts with no cash settlement options, the
29 average interest rate for a period of 12 months, ending on June 30 of

1 the calendar year of issue or purchase, of Moody's Corporate Bond
2 Yield Average -- Monthly Average Corporates, as published by Moody's
3 Investors Service, Inc.;

4 (6) for other annuities with cash settlement options and
5 guaranteed interest contracts with cash settlement options, valued on
6 a change in fund basis, except as provided in (2) of this subsection,
7 the average interest rate for a period of 12 months, ending on June 30
8 of the calendar year of the change in the fund, of Moody's Corporate
9 Bond Yield Average -- Monthly Average Corporates, as published by
10 Moody's Investors Service, Inc.

11 (k) In the event that Moody's Corporate Bond Yield Average --
12 Monthly Average Corporates is no longer published by Moody's Investors
13 Service, Inc., or in the event that the National Association of Insur-
14 ance Commissioners determines that Moody's Corporate Bond Yield Aver-
15 age -- Monthly Average Corporates as published by Moody's Investors
16 Service, Inc. is no longer appropriate for the determination of the
17 reference interest rate, an alternative method for determination of
18 the reference interest rate, which is adopted by the National Asso-
19 ciation of Insurance Commissioners and approved by regulation adopted
20 by the director, may be substituted.

21 (1) If a plan of life insurance that provides for future premium
22 determination, the amounts of which are to be determined by the
23 insurer based on then estimates of future experience, or if a plan of
24 life insurance or annuity is of a nature that the minimum reserves
25 cannot be determined by the methods described in AS 21.18.110(b)(2),
26 (5) and (8), the reserves that are held shall be appropriate in rela-
27 tion to the benefits and the pattern of premiums for that plan, and be
28 computed by a method that is consistent with the principles of this
29 Standard Valuation Law, as determined by regulations promulgated by

1 the director.

2 * Sec. 3. AS 21.45.300 is repealed and reenacted to read:

3 Sec. 21.45.300. STANDARD NONFORFEITURE LAW-LIFE INSURANCE. (a)

4 This section shall be known as the standard nonforfeiture law for life
5 insurance.

6 (b) In the case of policies issued on and after the operative
7 date of this section as defined in (p) of this section no policy of
8 life insurance, except as stated in (o) of this section, may be deliv-
9 ered or issued for delivery in this state unless it contains the
10 following provisions, or corresponding provisions that in the opinion
11 of the director are at least as favorable to the defaulting or surren-
12 dering policyholder as are the minimum requirements specified in this
13 section and are essentially in compliance with (n) of this section;

14 (1) that, in the event of default in a premium payment,
15 after premiums have been paid for at least one full year, the insurer
16 will grant, upon proper request not later than 60 days after the due
17 date of the premium in default, a paid-up nonforfeiture benefit on a
18 plan stipulated in the policy, effective as of the due date, of the
19 amount as may be specified in this section.

20 (2) that, upon surrender of the policy within 60 days after
21 the due date of any premium payment in default after premiums have
22 been paid for at least three full years in the case of ordinary insur-
23 ance and five full years in the case of industrial insurance, the
24 insurer will pay, instead of a paid-up nonforfeiture benefit, a cash
25 surrender value of the amount specified;

26 (3) that a specified paid-up nonforfeiture benefit shall
27 become effective as specified in the policy unless the person entitled
28 to make the election elects another available option not later than 60
29 days after the due date of the premium in default;

1 (4) that if the policy shall have become paid up by comple-
2 tion of premium payments, or if it is continued under a paid-up non-
3 forfeiture benefit which became effective on or after the third policy
4 anniversary in the case of ordinary insurance, or the fifth policy
5 anniversary in the case of industrial insurance, the insurer will pay,
6 upon surrender of the policy within 30 days after any policy anniver-
7 sary, a cash surrender value of the amount specified;

8 (5) in the case of all other policies, a statement of the
9 mortality table and interest rate used in calculating the cash surren-
10 der values and the paid-up nonforfeiture benefits available under the
11 policy, together with a table showing the cash surrender value, if
12 any, and paid-up nonforfeiture benefit, if any, available under the
13 policy on each policy anniversary, either during the first 20 policy
14 years or during the term of the policy, whichever is shorter, such
15 values and benefits to be calculated upon the assumption that there
16 are no dividends or paid-up additions credited to the policy and that
17 there is no indebtedness to the insurer on the policy;

18 (6) a statement that the cash surrender values and the
19 paid-up nonforfeiture benefits available under the policy are not less
20 than the minimum values and benefits required by or under the insur-
21 ance law of this state; an explanation of the manner in which the cash
22 surrender values and the paid-up nonforfeiture benefits are altered by
23 the existence of any paid-up additions credited to the policy or any
24 indebtedness to the insurer on the policy; or if a detailed statement
25 of the method of computation of the values and benefits shown in the
26 policy is not stated in the policy, a statement that the method of
27 computation has been filed with the insurance supervisory official of
28 the state in which the policy is delivered; and a statement of the
29 method to be used in calculating the cash surrender value and paid-up

1 nonforfeiture benefit available under the policy on any policy
2 anniversary beyond the last anniversary for which the values and
3 benefits are consecutively shown in the policy;

4 (7) that instead of a stipulated paid-up nonforfeiture
5 benefit as described in (1) of this subsection, the insurer may sub-
6 stitute, upon proper request not later than 60 days after the due date
7 of the premium in default, an actuarially equivalent alternative
8 paid-up nonforfeiture benefit that provides a greater amount or longer
9 period of death benefits or, if applicable, a greater amount of
10 earlier payment of endowment benefits;

11 (8) in the case of a policy which causes on a basis guaran-
12 teed in the policy an unscheduled change in benefits or premiums, or
13 which provides an option for a change in benefits or premiums other
14 than a change to a new policy, a statement of the mortality table,
15 interest rate, and method used in calculating cash surrender values
16 and the paid-up nonforfeiture benefits available under the policy;

17 (c) Any of the provisions or portions of provisions set out in
18 (b)(1) - (8) of this section which are not applicable by reason of the
19 plan of insurance may, to the extent inapplicable, be omitted from the
20 policy. The insurer shall reserve the right to defer the payment of a
21 cash surrender value for a period of six months after demand has been
22 made on the policy surrendered.

23 (d) A cash surrender value available under the policy in the
24 event of default in a premium payment due on any policy anniversary
25 whether or not required by (b) of this section, shall be an amount not
26 less than the excess, if any, of the present value on the anniversary
27 of the future guaranteed benefits which would have been provided for
28 by the policy, including any existing paid-up additions, if there has
29 been no default, over the sum of

1 (1) the then present value of the adjusted premiums as
2 defined in (f), (g), (h), (i), (j) and (k) of this section, corres-
3 ponding to premiums which would have fallen on and after the anniver-
4 sary; and

5 (2) the amount of any indebtedness to the insurer on
6 account of or secured by the policy.

7 (e) Notwithstanding (d) of this section, if a policy issued on
8 or after the operative date of (n) of this section provides supple-
9 mental life insurance or annuity benefits at the option of the insured
10 and for an identifiable additional premium by rider supplemental
11 policy provision, the cash surrender value referred to in (d) of this
12 section shall be an amount not less than the sum of the cash surrender
13 value as defined in (d) of this section for an otherwise similar
14 policy issued at the same age without the same rider or supplemental
15 policy provision and the cash surrender value as defined in (d) of
16 this section for a policy which provides only the benefits otherwise
17 provided by the rider or supplemental policy provision.

18 (f) Notwithstanding (d) of this section, if a family policy
19 issued on or after the effective date of (n) of this section defines a
20 primary insured and provides term insurance on the life of the spouse
21 of the primary insured expiring before the spouse is age 71, the cash
22 surrender value referred to in (d) of this section shall be an amount
23 not less than the cash surrender value as defined in (d) of this
24 section for an otherwise similar policy issued at the same age without
25 the term insurance on the life of the spouse and the cash surrender
26 value as defined in (d) for a policy which provides only the benefits
27 otherwise provided by the term insurance on the life of the spouse. A
28 cash surrender value available within 30 days after any anniversary
29 under a policy paid-up by completion of all premium payments, or a

1 policy continued under any paid-up nonforfeiture benefits whether or
2 not required by (b) of this section, shall be an amount not less than
3 the present value, on the anniversary, of the future guaranteed bene-
4 fits provided for by the policy, including any existing paid-up addi-
5 tions, decreased by any indebtedness to the insurer on account of or
6 secured by the policy.

7 (g) A paid-up nonforfeiture benefit available under the policy
8 in the event of default in the premium payment due on any policy
9 anniversary shall be such that its present value as of the anniversary
10 shall be at least equal to the cash surrender value provided for by
11 the policy or, if none is provided for, that cash surrender value
12 which would have been required by this section in the absence of the
13 conditions that premiums shall have been paid for at least a specified
14 period.

15 (h) Except as provided in (j) of this section, the adjusted
16 premiums for a policy shall be calculated on an annual basis and shall
17 be the uniform percentage of the respective premiums specified in the
18 policy for each policy year, excluding extra premiums on a substandard
19 policy that the present value, at the date of issue of the policy, of
20 all the adjusted premiums shall be equal to the sum of (1) the then
21 present value of the future guaranteed benefits provided for by the
22 policy; (2) two percent of the amount of the insurance, if the
23 insurance is uniform in amount, or of the equivalent uniform amount,
24 as defined, if the amount of insurance varies with the duration of the
25 policy; (3) 40 percent of the adjusted premiums for the first policy
26 year; (4) 25 percent of either the adjusted premium for the first
27 policy year or the adjusted premium for a whole life policy of the
28 same uniform or equivalent uniform amount with uniform premiums for
29 the whole of life issued at the same age for the same amount of

1 insurance, whichever is less, except that in applying the percentage
2 specified in (3) and (4) of this section no adjusted premiums shall be
3 considered to exceed four percent of the amount of insurance or
4 uniform amount equivalent thereto. Whenever the plan or term of a
5 policy has been changed, either by request of the insured or automat-
6 ically in accordance with the provisions of the policy, the date of
7 inception of the changed policy for the purposes of determining a
8 nonforfeiture benefit or cash surrender value shall be the date as of
9 which the age of the insured is determined for the purposes of the
10 changed policy. The date of issue of a policy for the purposes of
11 this section shall be the date on which the rated age of the insured
12 is determined.

13 (i) If a policy provides an amount of insurance which varies
14 with the duration of the policy, the equivalent uniform amount of
15 insurance for the purpose of (h) of this section shall be considered
16 to be the uniform amount of insurance provided by an otherwise similar
17 policy, containing the same endowment benefit or benefits, if any,
18 issued at the same age and for the same term the amount of which does
19 not vary with the duration and the benefit under which have the same
20 present value at the date of issue as the benefits under the policy,
21 except that in the case of a policy a varying amount of insurance
22 issued on the life of a child under age 10, the equivalent uniform
23 amount may be computed as though the amount of insurance provided by
24 the policy before the attainment of age 10 were the amount provided by
25 the policy at age 10.

26 (j) The adjusted premiums for a policy which provides term
27 insurance benefits by rider or supplemental policy provision shall be
28 equal to (i) the adjusted premiums for an otherwise similar policy
29 issued at the same age without the term insurance benefits, increased

1 during the period for which premiums for the term insurance benefits
2 are payable, by (2) the adjusted premiums for the term insurance, the
3 foregoing items (1) and (2) being calculated separately in accordance
4 with (h) and (1) of this section, except that, for the purposes of (h)
5 (2), (3) and (4) of this section, the amount of insurance of equiva-
6 lent uniform amount of insurance used in the calculation of the
7 adjusted premiums referred to in (2) of this subsection shall be equal
8 to the excess of the corresponding amount determined for the entire
9 policy over the amount used in the calculation of the adjusted premi-
10 ums in (1) of this subsection.

11 (k) All adjusted premiums and present values referred to in this
12 section shall for all policies of ordinary insurance be calculated on
13 the basis of the Commissioner's 1958 Standard Ordinary Mortality
14 Table, except that for any category or ordinary insurance issued on
15 female risks, adjusted premiums and present values may be calculated
16 according to an age not more than six years younger than the actual
17 age of the insured. Except as provided in (1) of this section, the
18 calculations for all policies of industrial insurance shall be made on
19 the basis of the 1941 Standard Industrial Mortality Table. All calcu-
20 lations shall be made on the basis of the rate of interest specified
21 in the policy for calculating cash surrender values and paid-up non-
22 forfeiture benefits. The rate of interest specified in the policy may
23 not exceed three and one-half percent a year except that (1) a rate of
24 interest not exceeding five and one-half percent a year may be used
25 for policies issued on or after July 1, 1978, and (2) a rate of inter-
26 est not exceeding six and one-half percent a year may be used for a
27 single premium whole life or endowment insurance policy. In calculat-
28 ing the present value of paid-up term insurance with accompanying pure
29 endowment, if any, offered as a nonforfeiture benefit, the rates of

1 mortality assumed in the case of a policy of ordinary insurance, may
2 be not more than those shown in the Commissioner's 1958 Extended Term
3 Insurance Table. In the case of a policy of industrial insurance, the
4 rates of mortality may be not more than 13 percent of the rates of
5 mortality according to the 1941 Standard Industrial Mortality Table.
6 The calculation of the adjusted premiums and present values for insur-
7 ance issued on a substandard basis may be based on another table of
8 mortality as may be specified by the insurer and approved by the
9 director.

10 (1) In case of industrial policies issued on or after January 1,
11 1970, the adjusted premiums and present values referred to in this
12 section shall be calculated on the basis of the Commissioner's 1961
13 Standard Industrial Mortality Table and the rate of interest specified
14 in the policy for calculating cash surrender values and paid-up non-
15 forfeiture benefits, however, that specified the rate of interest
16 specified in the policy may not exceed three and one-half percent a
17 year except that (1) a rate of interest not exceeding five and one-
18 half percent a year may be used for policies issued on or after
19 July 1, 1978; and (2) a rate of interest not exceeding six and one-
20 half percent a year may be used for a single premium whole life or
21 endowment insurance policy. In calculating the present value of
22 paid-up term insurance with accompanying pure endowment, if any,
23 offered as a nonforfeiture benefit, the rates of mortality assumed may
24 be not more than those shown in the Commissioner's 1961 Industrial
25 Extended Term Insurance Table. The calculation of the adjusted premi-
26 ums and present values for insurance issued on a substandard basis may
27 be based on a table of mortality specified by the insurer and approved
28 by the director.

29 (m) Except as provided in (s) of this section, the adjusted

1 premiums for a policy shall be calculated on an annual basis and shall
2 be a uniform percentage of the respective premiums specified in the
3 policy for each policy year, excluding amounts payable as extra premi-
4 ums to cover impairments or special hazards and also excluding a
5 uniform annual contract charge or policy fee specified in the policy
6 in a statement of the method to be used in calculating the cash sur-
7 render values and paid-up nonforfeiture benefits, that the present
8 value, at the date of issue of the policy, of all adjusted premiums
9 shall be equal to the sum of (1) the then present value of the future
10 guaranteed benefits provided for by the policy; (2) one percent of
11 either the amount of insurance, if the insurance be uniform in amount,
12 or the average amount of insurance at the beginning of each of the
13 first 10 policy years; and (3) 125 percent of the nonforfeiture net
14 level premium as defined in paragraph (2) of this subsection. In
15 applying the percentage specified in (3) of this paragraph a nonfor-
16 feiture net level premium shall not exceed four percent of either the
17 amount of insurance, if the insurance is uniform in amount, or the
18 average amount of insurance at the beginning of each of the first 10
19 policy years. The date of issue of a policy for the purpose of this
20 subsection shall be the date as of which the rated age of the insured
21 is determined.

22 (n) The nonforfeiture net level premium shall be equal to the
23 present value, at the date of issue of the policy, of the guaranteed
24 benefits provided for by the policy divided by the present value, at
25 the date of issue of the policy, of an annuity of one a year payable
26 on the date of issue of the policy and on each anniversary of the
27 policy on which a premium falls due.

28 (o) In the case of policies which cause on a basis guaranteed in
29 the policy unscheduled changes in benefits or premiums or which

1 provide an option for changes in benefits or premiums other than a
2 change to a new policy, the adjusted premiums and present values shall
3 initially be calculated on the assumption that future benefits and
4 premiums do not change from those stipulated at the date of issue of
5 the policy. At the time of a change in the benefits or premiums the
6 future adjusted premiums, nonforfeiture net level premiums, and pre-
7 sent values shall be recalculated on the assumption that future bene-
8 fits and premiums do not change from those stipulated by the policy
9 immediately after the change.

10 (p) Except as provided in (s) of this section, the recalculated
11 future adjusted premiums for a policy shall be a uniform percentage of
12 the respective future premiums specified in the policy for each policy
13 year, excluding amounts payable as extra premiums to cover impairments
14 and special hazards, and also excluding any uniform annual contract
15 charge or policy fee specified in the policy in a statement of the
16 method to be used in calculating the cash surrender values and paid-up
17 nonforfeiture benefits, that the present value, at the time of change
18 to the newly defined benefits or premiums, of all future adjusted
19 premiums shall be equal to the excess of (1) the sum of (A) the then
20 present value of the then future guaranteed benefits provided for by
21 the policy; and (B) the additional expense allowance, if any; over (2)
22 the then cash surrender value if any, or present value of any paid-up
23 nonforfeiture benefit under the policy.

24 (q) The additional expense allowance, at the time of the change
25 to the newly defined benefits or premiums, shall be the sum of (1) one
26 percent of the excess, if positive, of the average amount of insurance
27 at the beginning of each of the first 10 policy years after the change
28 over the average amount of insurance before the change at the beginn-
29 ing of each of the first 10 policy years after the time of the most

1 recent previous change, or, if there has been no previous change, the
2 date of issue of the policy; and (2) 125 percent of the increase, if
3 positive, in the nonforfeiture net level premium.

4 (r) The recalculated nonforfeiture net level premium shall be
5 equal to the result obtained by dividing (1) by (2) where

6 (1) equals the sum of

7 (A) the nonforfeiture net level premium applicable
8 before the change times the present value of an annuity of one a
9 year payable on each anniversary of the policy on or subsequent
10 to the date of the change on which a premium would have fallen
11 due had the change not occurred; and

12 (B) the present value of the increase in future guar-
13 anteed benefits provided for by the policy; and

14 (2) equals the present value of an annuity of one a year
15 payable on each anniversary of the policy on or subsequent to the date
16 of change on which a premium falls due.

17 (s) Notwithstanding (m) - (p) of this section, in the case of a
18 policy issued on a substandard basis which provides reduced graded
19 amounts of insurance so that, in each policy year, the policy has the
20 same tabular mortality cost as an otherwise similar policy issued on
21 the standard basis which provides higher uniform amounts of insurance,
22 the adjusted premiums and present values may be calculated as if it
23 were issued to provide those higher uniform amounts of insurance on
24 the standard basis.

25 (t) The adjusted premiums and present values for a policy of
26 ordinary insurance referred to in this section shall be calculated on
27 the basis of the Commissioner's 1980 Standard Ordinary Mortality Table
28 or, at the election of the insurer for any one or more specified plans
29 of life insurance, the Commissioners 1980 Standard Ordinary Mortality

1 Table with Ten-Year Select Mortality Factors. The adjusted premiums
2 and present values for a policy of industrial insurance shall be
3 calculated on the basis of the Commissioner's 1961 Standard Industrial
4 Mortality Table. The adjusted premiums and present values for a
5 policy issued in a particular calendar year shall be calculated on the
6 basis of a rate of interest not exceeding the nonforfeiture interest
7 rate as defined in this subsection for policies issued in that calen-
8 dar year. Provided, however, that

9 (1) at the option of the insurer, calculations for all
10 policies issued in a particular calendar year may be made on the basis
11 of a rate of interest not exceeding the nonforfeiture interest rate,
12 as defined in this subsection, for policies issued in the immediately
13 preceding calendar year;

14 (2) under a paid-up nonforfeiture benefit, including a
15 paid-up dividend addition, a cash surrender value available, shall be
16 calculated on the basis of the mortality table and rate of interest
17 used in determining the amount of the paid-up nonforfeiture benefit
18 and paid-up dividend additions, if any;

19 (3) an insurer may calculate the amount of a guaranteed
20 paid-up nonforfeiture benefit including any paid-up addition under the
21 policy on the basis of an interest rate no less than that specified in
22 the policy for calculating cash surrender values;

23 (4) in calculating the present value of paid-up term insur-
24 ance with accompanying pure endowment, if any, offered as nonforfei-
25 ture benefit, the rates of mortality assumed may be not more than
26 those shown in the Commissioner's Extended Term Insurance Table for
27 policies of ordinary insurance and not more than the Commissioner's
28 1961 Industrial Extended Term Insurance Table for policies of indus-
29 trial insurance;

1 (5) for insurance issued on a substandard basis, the calcu-
2 lations of adjusted premiums and present values may be based on appro-
3 priate modifications mentioned above;

4 (6) an ordinary mortality table, adopted after 1980 by the
5 National Association of Insurance Commissioners, that is approved by
6 regulation adopted by the director for use in determining the minimum
7 nonforfeiture standard may be substituted for the Commissioner's 1980
8 Standard Ordinary Mortality Table with or without Ten-Year Select
9 Mortality Factors or for the Commissioner's 1980 Extended Term Insur-
10 ance Table;

11 (7) an industrial mortality table, adopted after 1980 by
12 the National Association of Insurance Commissioners, that is approved
13 by regulation adopted by the director for use in determining the
14 minimum nonforfeiture standard may be substituted for the Commis-
15 sioner's 1961 Standard Industrial Mortality Table or the Commis-
16 sioner's 1961 Industrial Extended Term Insurance Table.

17 (u) The nonforfeiture interest rate a year for a policy issued
18 in a particular calendar year shall be equal to 125 percent of the
19 calendar year statutory valuation interest rate for the policy as
20 defined in the Standard Valuation Law, rounded to the nearer one
21 quarter of one percent.

22 (v) Notwithstanding any other provision in this chapter, a
23 refiling of nonforfeiture values or their methods of computation for a
24 previously approved policy form which involves only a change in the
25 interest rate or mortality table used to compute nonforfeiture values
26 shall not require refiling of any other provision of that policy form.

27 (w) An insurer may file with the director a written notice of
28 its election to comply with the provisions of this subsection after a
29 specified date before January 1, 1989. That date shall be the

1 operative date of this subsection for the insurer. If an insurer
2 makes no election, the operative date of this subsection for the
3 insurer shall be January 1, 1989.

4 (x) In the case of a plan of life insurance which provides for
5 future premium determination, the amounts of which are to be deter-
6 mined by the insurer based on then estimates of future experience, or
7 in the case of any plan of life insurance which is of such a nature
8 than minimum values cannot be determined by the methods described in
9 subsections (b) - (k) or (m) of this section;

10 (1) the director must be satisfied that the benefits pro-
11 vided under the plan are substantially as favorable to policyholders
12 and insured as the minimum benefits otherwise required by subsections
13 (b) - (m) of this section;

14 (2) the director must be satisfied that the benefits and
15 pattern of premiums of the plan do not mislead prospective policyhol-
16 ders or insureds;

17 (3) the cash surrender values and paid-up nonforfeiture
18 benefits provided by the plan must not be less than the minimum values
19 and benefits required for the plan computed by a method consistent
20 with the principles of this Standard Nonforfeiture Law for Life Insur-
21 ance, as determined by regulations adopted by the director.

22 (y) A cash surrender value and a paid-up nonforfeiture benefit
23 available under the policy in the event of default in a premium pay-
24 ment due at any time other than on the policy anniversary shall be
25 calculated with allowance for the lapse of time and the payment of
26 fractional premiums beyond the last preceding policy anniversary. All
27 values referred to in (d) - (m) of this section may be calculated upon
28 the assumption that a death benefit is payable at the end of the
29 policy year of death. The net value of any paid-up additions, other

1 than paid-up term additions, shall be not less than the amounts used
2 to provide the additions. Notwithstanding the provisions of (d) of
3 this section, certain additional benefits and premiums for those
4 additional benefits, shall be disregarded in ascertaining cash surren-
5 der values and nonforfeiture benefits required by this section, and no
6 additional benefits shall be required to be included in any paid-up
7 nonforfeiture benefits. The benefits to be disregarded are those paid

8 (1) in the event of death or dismemberment by accident or
9 accidental means;

10 (2) in the event of total and permanent disability;

11 (3) as a reversionary annuity or deferred reversionary
12 annuity benefits;

13 (4) as term insurance benefits provided by a rider or
14 supplemental policy provision to which, if issued as a separate
15 policy, this section would not apply;

16 (5) as term insurance on the life of a child or on the
17 lives of children provided in a policy on the life of a parent of the
18 child, if the term insurance expires before the child's age is 26, is
19 uniform in amount after the child's age is one, and has not become
20 paid-up by reason of the death of a parent of the child; and

21 (6) as other policy benefits additional to life insurance
22 and endowment benefits.

23 (z) This subsection, in addition to all other applicable sec-
24 tions of this law, shall apply to all policies issued on or after
25 January 1, 1987. The cash surrender value available under the policy
26 in the event of default in a premium payment due on a policy anniver-
27 sary shall be in an amount which does not differ by more than two-
28 tenths of one percent of either the amount of insurance, if the
29 insurance be uniform in amount, or the average amount of insurance at

1 the beginning of each of the first 10 policy years, from the sum of
2 the greater of zero and the basic cash value hereinafter specified and
3 the present value of any existing paid-up additions less the amount of
4 any indebtedness of the insurer under the policy. The basic cash
5 value shall be equal to the present value on the policy anniversary of
6 the future guaranteed benefits which would have been provided for by
7 the policy, excluding any existing paid-up additions and before
8 deduction of any indebtedness to the insurer if there had been no
9 default, less the then present value of the nonforfeiture factors as
10 defined in this subsection, corresponding to the premiums which would
11 have fallen due on and after the policy anniversary. Provided, how-
12 ever, that the effects on the basic cash value of supplemental life
13 insurance or annuity benefits or of family ____? as described in
14 subsection (d) or (j), whichever is applicable, be the same as are the
15 effects specified in (d) or (j) of this section, whichever is appli-
16 cable, on the cash surrender values defined ____?. The nonforfeiture
17 factor for each policy year shall be an amount equal to a percentage
18 of the adjusted premium for the policy year, as defined in (h), (i),
19 and (j) of this section or, whichever is applicable. Except as is
20 required by the next succeeding sentence of this paragraph, the per-
21 centage (1) must be the same percentage for each policy year between
22 the second policy anniversary and the later of (A) the fifth policy
23 anniversary and (B) the first policy anniversary at which there is
24 available under the policy a cash surrender value in an amount, before
25 including any paid-up additions and before deducting any indebtedness
26 of at least two-tenths of one percent of either the amount, of insur-
27 ance, if the insurance be uniform in amount, or the average amount of
28 insurance at the beginning of each of the first 10 policy years; and
29 (2) must be such that no percentage after the later of the two policy

1 anniversaries specified in (l) of this subsection may apply to fewer
2 than five consecutive policy years. Provided, that no basic cash
3 value may be less than the value which would be obtained if the
4 adjusted premiums for the policy, defined in (h), (i), and (j) of this
5 section or in (m) of this section, whichever is applicable, were
6 substituted for the nonforfeiture factors in the calculation of the
7 basic cash value. All adjusted premiums and present values referred
8 to in this subsection shall for a particular policy be calculated on
9 the same mortality and interest bases as are used in demonstrating the
10 policy compliance with the other subsections of this section. The
11 cash surrender values referred to in this subsection shall include all
12 endowment benefits provided for by the policy. Any cash surrender
13 value available other than in the event of default in a premium pay-
14 ment due on a policy anniversary, and the amount of any paid-up non-
15 forfeiture benefit available under the policy in the event of default
16 in a premium payment shall be determined in manners consistent with
17 the manners specified for determining the analogous minimum amounts in
18 (b) - (g), (m), and (y) of this section. The amounts of any cash sur-
19 render values and of any paid-up nonforfeiture benefits granted in
20 connection with additional benefits such as those listed as items (1)
21 through (6) in (y) of this section shall conform with the principles
22 of this subsection.

23 (aa) This section shall not apply to any of the following:

- 24 (1) reinsurance;
25 (2) group insurance;
26 (3) pure endowment;
27 (4) annuity or reversionary annuity contract;
28 (5) term policy of uniform amount, which provides no guar-
29 anteed nonforfeiture or endowment benefits, or renewal thereof, of 20

1 years or less expiring before age 71, for which uniform premiums are
2 payable during the entire term of the policy;

3 (6) term policy of decreasing amount, which provides no
4 guaranteed nonforfeiture or endowment benefits, on which each adjusted
5 premium, calculated as specified in (h) - (m) of this section is less
6 than the adjusted premiums calculated, on a policy of uniform amount
7 or renewal thereof, which provides no guaranteed nonforfeiture or
8 endowment benefits, issued at the same age and for the same initial
9 amount of insurance for a term defined as follows: for ages at issue
10 50 and under, the term shall be 15 years; thereafter, the term shall
11 decrease one year for each year of age beyond 50, and for a term of 20
12 years or less expiring before age 71, for which uniform premiums are
13 payable during the entire term of the policy;

14 (7) policy, which provides no guaranteed nonforfeiture or
15 endowment benefits, for which no cash surrender value, if any, or
16 present value of any paid-up nonforfeiture benefit, at the beginning
17 of any policy year, calculated as specified in (d) - (m) of this sec-
18 tion, exceeds two and one-half percent of the amount of insurance at
19 the beginning of the same policy year;

20 (8) policy which shall be delivered outside this state
21 through an agent or other representative of the insurer issuing the
22 policy.

23 (bb) For purposes of determining the applicability of this sec-
24 tion, the at expiry for a joint term life insurance policy shall be
25 the age at expiry of the oldest life.

26 (cc) The operative date of this section is January 1, 1968 except
27 that an insurer may elect to comply with this section before that date
28 by filing a written notice of election with the director a written
29 notice of election is not effective unless the insurer specifies in

1 the notice

2 (1) the date upon which this section is to be operative,
3 which date must be later than the date on which the notice is filed;

4 (2) the policies to which this section applies.

5 * Sec. 4. AS 21.84.220(b) is amended to read:

6 (b) In the case of certificates other than those for which
7 reserves are computed on the Commissioner's 1958 Standard Ordinary
8 Mortality Table or the Commissioner's 1941 Standard Industrial Table
9 or a more recent table made applicable to life insurance companies,
10 the value of every paid-up nonforfeiture benefit and the amount of a
11 cash surrender value, loan or other option granted may not be less
12 than the excess, if any, of (1) over (2) of this section, as follows:

13 (1) the reserve under the certificate determined on the
14 basis specified in the certificates;

15 (2) the sum of any indebtedness to the society on the
16 certificate, including interest due and accrued, and a surrender
17 charge equal to 2 1/2 percent of the face amount of the certificate,
18 which, in the case of insurance on the lives of children, shall be the
19 ultimate face amount of the certificate, if death benefits provided
20 therein are graded.

21 * Sec. 5. AS 21.84.220(d) is amended to read:

22 (d) In the case of certificates for which reserves are computed
23 on the Commissioner's 1941 Standard Ordinary Mortality Table or the
24 Commissioner's 1941 Standard Industrial Table or the Commissioner's
25 1958 Standard Ordinary Mortality Table or a more recent table made
26 applicable to life insurance companies, every paid-up nonforfeiture
27 benefit and the amount of any cash surrender value, loan or other
28 option granted may not be less than the corresponding amount
29 ascertained in accordance with the provisions of the laws of this

1 state applicable to life insurers issuing policies containing like
2 insurance benefits based upon these tables.

3 * Sec. 6. AS 21.84.350 is amended by adding a new subsection to read:

4 (j) Notwithstanding (g) of this section, a society may value its
5 certificates in accordance with valuation standards authorized by the
6 laws of this state for the valuation of policies issued by a life
7 insurance company.

8 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
9 10.070(c).

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