



LAWS OF ALASKA

1984

Source

CSHB 373(L&C)

Chapter No.

28

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.

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

THE ACT FOLLOWS ON PAGE 1, LINE 11

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: April 6, 1984
Actual Effective Date: April 7, 1984

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.

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

(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:

(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:

(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

Chapter 28

1 Ordinary Mortality Table, for policies issued before the opera-
2 tive date of AS 21.45.300(w), 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(w) 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
25 date of AS 21.45.300(1), of the Standard Nonforfeiture Law for
26 Life 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(1) the Commis-
29 sioner'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
0 by the director;

1 (D) for group annuity and pure endowment contracts,
2 excluding disability and accidental death benefits in the poli-
3 cies -- the Group Annuity Mortality Table for 1951, any modifica-
4 tion of the table approved by the director, or, at the option of
5 the insurer, any of the tables or modifications of tables speci-
6 fied for individual annuity and pure endowment contracts;

7 (E) for total and permanent disability benefits in or
8 supplementary to ordinary policies or contracts the tables of
9 period 2 disablement rates and the 1930 to 1950 termination rates
10 of the 1952 disability study of the society of actuaries, with
11 due regard to the type of benefit or any table of disablement and
12 termination rates adopted after 1980 by the National Association
13 of Insurance Commissioners that are approved by regulation
14 adopted by the director for use in determining the minimum stan-
15 dard of valuation for the policies; the table shall, for active
16 lives, be combined with a mortality table permitted for calculat-
17 ing the reserves for life insurance policies;

18 (F) for accidental death benefits in or supplementary
19 to policies -- the 1959 Accidental Death Benefits Table or any
20

Chapter 28

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

Chapter 28

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

Chapter 28

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 (w) 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,

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

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,

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

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

Chapter 28

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

determined for 1980 using the reference interest rate defined for 1979 and shall be determined for each following calendar year regardless of when subsection (w) 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; Years	Weighting 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 Duration; Years	Weighting Factor for Plan Type		
	A	B	C

Chapter 28

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 settlement options and guaranteed interest contracts with cash
2 settlement options is the number of years for which the contract
3 guarantees interest rates in excess of the calendar year statutory
4 valuation interest rate for life insurance policies with guarantee
5 duration in excess of 20 years. For other annuities with no cash
6 settlement options and for guaranteed interest contracts with no cash
7 settlement options, the guarantee duration is the number of years from
8 the date of issue or date of purchase to the date annuity benefits are
9 scheduled to commence.

10 (h) In this subsection plan type is defined as follows:

11 (1) plan type A: at any time policyholder may withdraw
12 funds only

13 (A) with an adjustment to reflect a change in interest
14 rates or asset values since receipt of the funds by the insurer;

15 (B) without such adjustment but in installments over
16 five years or more;

17 (C) as an immediate life annuity; or

18 (D) no withdrawal permitted;

19 (2) plan type B: before expiration of the interest rate
20 guarantee, policyholder may withdraw funds only

21 (A) with adjustment to reflect a change in interest
22 rates or asset values since receipt of the funds by the insurer;

23 (B) without adjustment but in installments over five
24 years or more; or

25 (C) no withdrawal permitted; at the end of interest
26 rate guarantee, funds may be withdrawn without adjustment in a
27 single sum or installments over less than five years;

28 (3) plan type C: policyholder may withdraw funds before
29 expiration of an interest rate guarantee in a single sum or

Chapter 28

1 installments over less than five years either

2 (A) without adjustment to reflect changes in interest
3 rates or asset values since receipt of the funds by the insurer;
4 or

5 (B) subject only to a fixed surrender charge stipu-
6 lated in the contract as a percentage of the fund.

7 (i) An insurer may elect to value a guaranteed interest contract
8 with a cash settlement option and an annuity with a cash settlement
9 option on either an issue year basis or on a change in fund basis. A
10 guaranteed interest contract with no cash settlement option and an
11 annuity with no cash settlement option must be valued on an issue year
12 basis. In this subsection an issue year basis of valuation means a
13 valuation basis under which the interest rate used to determine the
14 minimum valuation standard for the entire duration of the annuity or
15 guaranteed interest contract is the calendar year valuation interest
16 rate for the year of issue or year of purchase of the annuity or
17 guaranteed interest contract, and the change in fund basis of valua-
18 tion means a valuation basis under which the interest rate used to
19 determine the minimum valuation standard applicable to each change in
20 the fund held under the annuity or guaranteed interest contract is the
21 calendar year valuation interest rate for the year of the change in
22 the fund.

23 (j) The reference interest rates referred to in (C) of this
24 section are as follows:

25 (1) for life insurance, the lesser of the average interest
26 rate for a period of 36 months and the average interest rate for a
27 period of 12 months, ending on June 30 of the calendar year next
28 preceding the year of issue, of Moody's Corporate Bond Yield Average
29 -- Monthly Average Corporates, as published by Moody's Investors

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

Chapter 28

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 (l) 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

the director.

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

Sec. 21.45.300. STANDARD NONFORFEITURE LAW-LIFE INSURANCE. (a) This section shall be known as the standard nonforfeiture law for life insurance.

(b) In the case of policies issued on and after the operative date of this section as defined in (cc) of this section no policy of life insurance, except as stated in (aa) of this section, may be delivered or issued for delivery in this state unless it contains the following provisions, or corresponding provisions that in the opinion of the director are at least as favorable to the defaulting or surrendering policyholder as are the minimum requirements specified in this section and are essentially in compliance with (z) of this section;

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

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

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

Chapter 28

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

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

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

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

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

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

Chapter 28

1
2 (1) the then present value of the adjusted premiums as
3 defined in (h) - (w) of this section, corresponding to premiums which
4 would have fallen on and after the anniversary; 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
8 on or after the operative date of (w) of this section provides
9 supplemental life insurance or annuity benefits at the option of
10 the insured and for an identifiable additional premium by rider
11 supplemental policy provision, the cash surrender value referred
12 to in (d) of this section shall be an amount not less than the sum
13 of the cash surrender value as defined in (d) of this section for
14 an otherwise similar policy issued at the same age without the
15 same rider or supplemental policy provision and the cash surrender
16 value as defined in (d) of this section for a policy which provides
17 only the benefits otherwise provided by the rider or supplemental
18 policy provision.

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

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

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

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

Chapter 28

1 insurance, whichever is less, except that in applying the percentage
2 specified in (3) and (4) of this subsection no adjusted premiums shall
3 be 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. This subsection does not apply to policies issued on
13 or after the operative date of (w) of this section.

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

27 (j) The adjusted premiums for a policy which provides term
28 insurance benefits by rider or supplemental policy provision shall be
29 equal to (l) the adjusted premiums for an otherwise similar policy

issued at the same age without the term insurance benefits, increased during the period for which premiums for the term insurance benefits are payable, by (2) the adjusted premiums for the term insurance, the foregoing items (1) and (2) being calculated separately in accordance with (h) and (i) of this section, except that, for the purposes of (h) (2), (3) and (4) of this section, the amount of insurance of equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (2) of this subsection shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (1) of this subsection.

(k) All adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of the Commissioner's 1958 Standard Ordinary Mortality Table, except that for any category or ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than six years younger than the actual age of the insured. Except as provided in (1) of this section, the calculations for all policies of industrial insurance shall be made on the basis of the 1941 Standard Industrial Mortality Table. All calculations shall be made on the basis of the rate of interest specified in the policy for calculating cash surrender values and paid-up non-forfeiture benefits. The rate of interest specified in the policy may not exceed three and one-half percent a year except that (1) a rate of interest not exceeding five and one-half percent a year may be used for policies issued on or after July 1, 1978, and (2) a rate of interest not exceeding six and one-half percent a year may be used for a single premium whole life or endowment insurance policy. In calculating the present value of paid-up term insurance with accompanying pure

Chapter 28

1 endowment, if any, offered as a nonforfeiture benefit, the rates of
2 mortality assumed in the case of a policy of ordinary insurance, may
3 be not more than those shown in the Commissioner's 1958 Extended Term
4 Insurance Table. In the case of a policy of industrial insurance, the
5 rates of mortality may be not more than 130 percent of the rates of
6 mortality according to the 1941 Standard Industrial Mortality Table.
7 The calculation of the adjusted premiums and present values for insur-
8 ance issued on a substandard basis may be based on another table of
9 mortality as may be specified by the insurer and approved by the
10 director. This subsection does not apply to policies issued on or
11 after the operative date of (w) of this section.

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

by the director. This subsection does not apply to policies issued on or after the operative date of (w) of this section.

(m) Except as provided in (s) of this section, the adjusted premiums for a policy shall be calculated on an annual basis and shall be a uniform percentage of the respective premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments or special hazards and also excluding a uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the date of issue of the policy, of all adjusted premiums shall be equal to the sum of (1) the then present value of the future guaranteed benefits provided for by the policy; (2) one percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years; and (3) 125 percent of the nonforfeiture net level premium as defined in (n) - (t) of this section. In applying the percentage specified in (3) of this paragraph a nonforfeiture net level premium shall not exceed four percent of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years. The date of issue of a policy for the purpose of this subsection shall be the date as of which the rated age of the insured is determined. This subsection applies to all policies issued after the operative date of (w) of this section.

(n) The nonforfeiture net level premium shall be equal to the present value, at the date of issue of the policy, of the guaranteed benefits provided for by the policy divided by the present value, at the date of issue of the policy, of an annuity of one a year payable

Chapter 28

1 on the date of issue of the policy and on each anniversary of the
2 policy on which a premium falls due. This subsection applies to all
3 policies issued after the operative date of (w) of this section.

4 (o) In the case of policies which cause on a basis guaranteed in
5 the policy unscheduled changes in benefits or premiums or which
6 provide an option for changes in benefits or premiums other than a
7 change to a new policy, the adjusted premiums and present values shall
8 initially be calculated on the assumption that future benefits and
9 premiums do not change from those stipulated at the date of issue of
10 the policy. At the time of a change in the benefits or premiums the
11 future adjusted premiums, nonforfeiture net level premiums, and pre-
12 sent values shall be recalculated on the assumption that future bene-
13 fits and premiums do not change from those stipulated by the policy
14 immediately after the change. This subsection applies to all policies
15 issued after the operative date of (w) of this section.

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

1 all policies issued after the operative date of (w) of this section.

2 (q) The additional expense allowance, at the time of the change
3 to the newly defined benefits or premiums, shall be the sum of (1) one
4 percent of the excess, if positive, of the average amount of insurance
5 at the beginning of each of the first 10 policy years after the change
6 over the average amount of insurance before the change at the beginn-
7 ing of each of the first 10 policy years after the time of the most
8 recent previous change, or, if there has been no previous change, the
9 date of issue of the policy; and (2) 125 percent of the increase, if
0 positive, in the nonforfeiture net level premium. This subsection
1 applies to all policies issued after the operative date of (w) of this
2 section.

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

5 (1) equals the sum of

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

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

13 (2) equals the present value of an annuity of one a year
14 payable on each anniversary of the policy on or subsequent to the date
15 of change on which a premium falls due. This subsection applies to
16 all policies issued after the operative date of (w) of this section.

17 (s) Notwithstanding (m) - (q) 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

1 same tabular mortality cost as an otherwise similar policy issued on
2 the standard basis which provides higher uniform amounts of insurance,
3 the adjusted premiums and present values may be calculated as if it
4 were issued to provide those higher uniform amounts of insurance on
5 the standard basis. This subsection applies to all policies issued
6 after the operative date of (w) of this section.

7 (t) The adjusted premiums and present values for a policy of
8 ordinary insurance referred to in this section shall be calculated on
9 the basis of the Commissioner's 1980 Standard Ordinary Mortality Table
10 or, at the election of the insurer for any one or more specified plans
11 of life insurance, the Commissioners 1980 Standard Ordinary Mortality
12 Table with Ten-Year Select Mortality Factors. The adjusted premiums
13 and present values for a policy of industrial insurance shall be
14 calculated on the basis of the Commissioner's 1961 Standard Industrial
15 Mortality Table. The adjusted premiums and present values for a
16 policy issued in a particular calendar year shall be calculated on the
17 basis of a rate of interest not exceeding the nonforfeiture interest
18 rate as defined in this subsection for policies issued in that calen-
19 dar year. Provided, however, that

20 (1) at the option of the insurer, calculations for all
21 policies issued in a particular calendar year may be made on the basis
22 of a rate of interest not exceeding the nonforfeiture interest rate,
23 as defined in this subsection, for policies issued in the immediately
24 preceding calendar year;

25 (2) under a paid-up nonforfeiture benefit, including a
26 paid-up dividend addition, a cash surrender value available, shall be
27 calculated on the basis of the mortality table and rate of interest
28 used in determining the amount of the paid-up nonforfeiture benefit
29 and paid-up dividend additions, if any;

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

5 (4) in calculating the present value of paid-up term insur-
6 ance with accompanying pure endowment, if any, offered as nonforfeiture
7 benefit, the rates of mortality assumed may be not more than
8 those shown in the Commissioner's Extended Term Insurance Table for
9 policies of ordinary insurance and not more than the Commissioner's
10 1961 Industrial Extended Term Insurance Table for policies of indus-
11 trial insurance;

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

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

22 (7) an industrial mortality table, adopted after 1980 by
23 the National Association of Insurance Commissioners, that is approved
24 by regulation adopted by the director for use in determining the
25 minimum nonforfeiture standard may be substituted for the Commis-
26 sioner's 1961 Standard Industrial Mortality Table or the Commis-
27 sioner's 1961 Industrial Extended Term Insurance Table. This
28 subsection applies to all policies issued after the operative date of
29 (w) of this section.

Chapter 28

1 (u) The nonforfeiture interest rate a year for a policy issued
2 in a particular calendar year shall be equal to 125 percent of the
3 calendar year statutory valuation interest rate for the policy as
4 defined in the Standard Valuation Law, rounded to the nearer one
5 quarter of one percent. This subsection applies to all policies
6 issued after the operative date of (w) of this section.

7 (v) Notwithstanding any other provision in this title, a
8 refiling of nonforfeiture values or their methods of computation for a
9 previously approved policy form which involves only a change in the
10 interest rate or mortality table used to compute nonforfeiture values
11 shall not require refiling of any other provision of that policy form.
12 This subsection applies to all policies issued after the operative
13 date of (w) of this section.

14 (w) An insurer may file with the director a written notice of
15 its election to comply with the provisions of this subsection after a
16 specified date before January 1, 1989. That date shall be the opera-
17 tive date of this subsection for the insurer. If an insurer makes no
18 election, the operative date of this subsection for the insurer shall
19 be January 1, 1989.

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

26 (1) the director must be satisfied that the benefits pro-
27 vided under the plan are substantially as favorable to policyholders
28 and insured as the minimum benefits otherwise required by subsections
29 (b) - (w) of this section;

(2) the director must be satisfied that the benefits and pattern of premiums of the plan do not mislead prospective policyholders or insureds;

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

(y) A cash surrender value and a paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in (b) - (w) of this section may be calculated upon the assumption that a death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the amounts used to provide the additions. Notwithstanding the provisions of (d) of this section, certain additional benefits and premiums for those additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no additional benefits shall be required to be included in any paid-up nonforfeiture benefits. The benefits to be disregarded are those paid

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

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

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

(4) as term insurance benefits provided by a rider or

Chapter 28

1 supplemental policy provision to which, if issued as a separate
2 policy, this section would not apply;

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

8 (6) as other policy benefits additional to life insurance
9 and endowment benefits.

10 (z) This subsection, in addition to all other applicable subsec-
11 tions of this section, shall apply to all policies issued on or after
12 January 1, 1987. The cash surrender value available under the policy
13 in the event of default in a premium payment due on a policy anniver-
14 sary shall be in an amount which does not differ by more than two-
15 tenths of one percent of either the amount of insurance, if the
16 insurance be uniform in amount, or the average amount of insurance at
17 the beginning of each of the first 10 policy years, from the sum of
18 the greater of zero and the basic cash value hereinafter specified and
19 the present value of any existing paid-up additions less the amount of
20 any indebtedness of the insurer under the policy. The basic cash
21 value shall be equal to the present value on the policy anniversary of
22 the future guaranteed benefits which would have been provided for by
23 the policy, excluding any existing paid-up additions and before
24 deduction of any indebtedness to the insurer if there had been no
25 default, less the then present value of the nonforfeiture factors as
26 defined in this subsection, corresponding to the premiums which would
27 have fallen due on and after the policy anniversary. Provided, how-
28 ever, that the effects on the basic cash value of supplemental life
29 insurance or annuity benefits or of family coverage as described in

Chapter 28

1 supplemental policy provision to which, if issued as a separate
2 policy, this section would not apply;

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

8 (6) as other policy benefits additional to life insurance
9 and endowment benefits.

10 (z) This subsection, in addition to all other applicable subsec-
11 tions of this section, shall apply to all policies issued on or after
12 January 1, 1987. The cash surrender value available under the policy
13 in the event of default in a premium payment due on a policy anniver-
14 sary shall be in an amount which does not differ by more than two-
15 tenths of one percent of either the amount of insurance, if the
16 insurance be uniform in amount, or the average amount of insurance at
17 the beginning of each of the first 10 policy years, from the sum of
18 the greater of zero and the basic cash value hereinafter specified and
19 the present value of any existing paid-up additions less the amount of
20 any indebtedness of the insurer under the policy. The basic cash
21 value shall be equal to the present value on the policy anniversary of
22 the future guaranteed benefits which would have been provided for by
23 the policy, excluding any existing paid-up additions and before
24 deduction of any indebtedness to the insurer if there had been no
25 default, less the then present value of the nonforfeiture factors as
26 defined in this subsection, corresponding to the premiums which would
27 have fallen due on and after the policy anniversary. Provided, how-
28 ever, that the effects on the basic cash value of supplemental life
29 insurance or annuity benefits or of family coverage as described in

1 subsection (d) or (j), whichever is applicable, be the same as are the
2 effects specified in (d) or (j) of this section, whichever is appli-
3 cable, on the cash surrender values as defined in that subsection.
4 The nonforfeiture factor for each policy year shall be an amount equal
5 to a percentage of the adjusted premium for the policy year, as
6 defined in (h), (i), (j) and (m) of this section, whichever is
7 applicable. Except as is required by the next succeeding sentence of
8 this paragraph, the percentage (1) must be the same percentage for
9 each policy year between the second policy anniversary and the later
10 of (A) the fifth policy anniversary and (B) the first policy
11 anniversary at which there is available under the policy a cash
12 surrender value in an amount, before including any paid-up additions
13 and before deducting any indebtedness of at least two-tenths of one
14 percent of either the amount, of insurance, if the insurance be
15 uniform in amount, or the average amount of insurance at the beginning
16 of each of the first 10 policy years; and (2) must be such that no
17 percentage after the later of the two policy anniversaries specified
18 in (1) of this subsection may apply to fewer than five consecutive
19 policy years. Provided, that no basic cash value may be less than the
20 value which would be obtained if the adjusted premiums for the policy,
21 defined in (h), (i), and (j) of this section or in (m) of this
22 section, whichever is applicable, were substituted for the
23 nonforfeiture factors in the calculation of the basic cash value. All
24 adjusted premiums and present values referred to in this subsection
25 shall for a particular policy be calculated on the same mortality and
26 interest bases as are used in demonstrating the policy compliance with
27 the other subsections of this section. The cash surrender values
28 referred to in this subsection shall include all endowment benefits
29 provided for by the policy. Any cash surrender value available other

1 than in the event of default in a premium payment due on a policy
2 anniversary, and the amount of any paid-up nonforfeiture benefit
3 available under the policy in the event of default in a premium
4 payment shall be determined in manners consistent with the manners
5 specified for determining the analogous minimum amounts in (b) - (g),
6 (m), and (y) of this section. The amounts of any cash surrender
7 values and of any paid-up nonforfeiture benefits granted in connection
8 with additional benefits such as those listed as items (1) through (6)
9 in (y) of this section shall conform with the principles of this
10 subsection.

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

- 12 (1) reinsurance;
- 13 (2) group insurance;
- 14 (3) pure endowment;
- 15 (4) annuity or reversionary annuity contract;

16 (5) term policy of uniform amount, which provides no guar-
17 anteed nonforfeiture or endowment benefits, or renewal thereof, of 20
18 years or less expiring before age 71, for which uniform premiums are
19 payable during the entire term of the policy;

20 (6) term policy of decreasing amount, which provides no
21 guaranteed nonforfeiture or endowment benefits, on which each adjusted
22 premium, calculated as specified in (h) - (w) of this section is less
23 than the adjusted premiums calculated, on a policy of uniform amount
24 or renewal thereof, which provides no guaranteed nonforfeiture or
25 endowment benefits, issued at the same age and for the same initial
26 amount of insurance for a term defined as follows: for ages at issue
27 50 and under, the term shall be 15 years; thereafter, the term shall
28 decrease one year for each year of age beyond 50, and for a term of 20
29 years or less expiring before age 71, for which uniform premiums are

1 payable during the entire term of the policy;

2 (7) policy, which provides no guaranteed nonforfeiture or
3 endowment benefits, for which no cash surrender value, if any, or
4 present value of any paid-up nonforfeiture benefit, at the beginning
5 of any policy year, calculated as specified in (d) - (w) of this sec-
6 tion, exceeds two and one-half percent of the amount of insurance at
7 the beginning of the same policy year;

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

11 (bb) For purposes of determining the applicability of subsection
12 (aa), the at expiry for a joint term life insurance policy shall be
13 the age at expiry of the oldest life.

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

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

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

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

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

Chapter 28

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

3 (2) the sum of any indebtedness to the society on the
4 certificate, including interest due and accrued, and a surrender
5 charge equal to 2 1/2 percent of the face amount of the certificate,
6 which, in the case of insurance on the lives of children, shall be the
7 ultimate face amount of the certificate, if death benefits provided
8 therein are graded.

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

10 (d) In the case of certificates for which reserves are computed
11 on the Commissioner's 1941 Standard Ordinary Mortality Table or the
12 Commissioner's 1941 Standard Industrial Table or the Commissioner's
13 1958 Standard Ordinary Mortality Table or a more recent table made
14 applicable to life insurance companies, every paid-up nonforfeiture
15 benefit and the amount of any cash surrender value, loan or other
16 option granted may not be less than the corresponding amount
17 ascertained in accordance with the provisions of the laws of this
18 state applicable to life insurers issuing policies containing like
19 insurance benefits based upon these tables.

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

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

25 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
26 10.070(c).