

MAINE STATE LEGISLATURE

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ONE HUNDRED AND SEVENTH LEGISLATURE

Legislative Document

No. 880

H. P. 693

House of Representatives, February 28, 1975

Referred to the Committee on Business Legislation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Mr. MacLeod of Bar Harbor.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-FIVE

AN ACT Relating to Reserve Valuation Standards for Life Insurance and Annuity Contracts and Nonforfeiture Benefits of Life Insurance Policies.

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 24-A MRSA § 953, sub-§ 1, 2nd ¶, first sentence, as enacted by PL 1969, c. 132, § 1, is repealed and the following enacted in place thereof:

Except as otherwise provided in subsection 3, the legal minimum standard of value for such life insurance policies issued on or after the first day of September, 1931, by any life insurer chartered by this State, shall be the American Experience Table of Mortality with interest at $3\frac{1}{2}\%$ per year.

Sec. 2. 24-A MRSA § 953, sub-§ 2, 2nd ¶, as enacted by PL 1969, c. 132, § 1, is repealed and the following enacted in place thereof:

Except as otherwise provided in subsection 3, the minimum standard for the valuation of all such policies and contracts shall be the commissioners reserve valuation method defined in section 954, $3\frac{1}{2}\%$ interest, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after the effective date of this Act, 4% interest, and the following tables.

Sec. 3. 24-A MRSA § 953, sub-§ 3 is enacted to read:

3. The minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the effective date of this Act, as defined herein, and for all annuities and pure endowments purchased on or after such effective date under group annuity and pure endowment contracts, shall be the commissioners reserve valuation method defined in section 954 and the following tables and interest rates.

A. 1971 Individual Annuity Mortality Table. For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such contracts—the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the superintendent, and 6% interest for single premium immediate annuity contracts, and 4% interest for all other individual annuity and pure endowment contracts.

B. 1971 Group Annuity Mortality Table. For all annuities and pure endowments purchased under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts—the 1971 Group Annuity Mortality Table, or any modification of this table approved by the superintendent, and 6% interest.

After the effective date of this Act, any insurer may file with the superintendent a written notice of its election to comply with the provisions of this subsection after a specified date before January 1, 1979, which shall be the operative date of this subsection for such insurer, provided that an insurer may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If an insurer makes no such election, the operative date of this subsection for such insurer shall be January 1, 1979.

Sec. 4. 24-A MRSA § 2532, sub-§ 4, 2nd sentence, as enacted by PL 1969, c. 132, § 1, is amended to read:

All calculations shall be made on the basis of the rate of interest ~~not exceeding 3½% per year~~ specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits ~~provided that such rate of interest shall not exceed 3½% per year~~ except that a rate of interest not exceeding 4% per year may be used for policies issued on or after the effective date of this Act.

STATEMENT OF FACT

The purpose of this bill is to increase the assumption rates and prescribe the use of modern mortality tables for computing minimum reserves for annuity contracts and to increase the assumption rates for calculating minimum reserves and nonforfeiture benefits for life insurance policies.