

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
SENATE (Filing No. S-289)  
108TH LEGISLATURE  
FIRST REGULAR SESSION

SENATE AMENDMENT "A" to S.P. 125, L.D. 304, Bill, "AN ACT  
Requiring Average Net Cost Comparison of Life Insurance Companies."

Amend the bill by striking out everything after the  
enacting clause and inserting in its place the following:

'Sec. 1. 24-A MRSA §413, sub-§4, as enacted by PL 1969,  
c. 132, §1, is amended by inserting at the end the following new  
sentences:

Such financial statement for life insurers shall be accompanied  
by a statistical listing of the Interest Adjusted Surrender Net  
Cost Indices calculated in the manner specified in section 415,  
subsection 1, paragraph D. The superintendent shall not issue  
a certificate of authority unless the average Interest Adjusted  
Surrender Net Cost Index of the applicant life insurer qualifies  
in the method set forth in that section.

Sec. 2. 24-A MRSA §415, sub-§1, ¶D is enacted to read:

D. The annual statement filing of a life insurance company  
required in paragraph B shall be accompanied by a statistical  
listing known as the Interest Adjusted Surrender Net Cost  
Indices which represent the average yearly costs to an  
insured if a policy is terminated, taking into consideration  
the time value of money. The listing shall be in the form  
approved by the Superintendent of Insurance.

The superintendent in determining the average Interest

Adjusted Surrender Net Cost Index shall base his calculations upon ordinary life insurance policies with level death benefits and level premiums payable to or beyond the insured's age 85 and written for minimum amounts of insurance of less than \$10,000. The indices to be averaged shall be for issuance ages 25, 35 and 50 and for surrender durations after the date of issuance of 5, 10, 15 and 20 years using a \$10,000 policy as a base for calculations. The rate of interest to be used in these calculations shall not be in excess of 5% per year, compounded annually. The calculations shall not include premiums for ancillary benefits including, but not limited to, disability waiver of premium, disability income and accidental death benefit. The superintendent, after a public hearing, may make an allowance for nonguaranteed values and assign weightings to the different issue ages and policy durations as set forth. Appeals from such allowances shall be pursuant to section 236.

The Superintendent of Insurance shall review the indices each year and shall make a valuation of the average Interest Adjusted Surrender Net Cost Index for each insurer. The average Interest Adjusted Surrender Net Cost Index of each insurer shall not exceed by more than 50% that of a similar index obtained from an average of the 5 insurers,

authorized to do business in all states, currently having the lowest average Interest Adjusted Surrender Net Cost Indices excluding insurance written for special groups. All classes of group insurance, industrial insurance, substandard insurance and insurance issued to a trust established to provide a portion of the benefits payable pursuant to a tax qualified pension or profit-sharing plan established and funded by a corporation or a labor union need not meet this qualification.

In the event an insurer's average Interest Adjusted Surrender Net Cost Index as determined in this section does not qualify, the superintendent may, upon written application of such insurer and if he is satisfied that such insurer has taken steps which will enable it to comply with the requirements of this section, suspend such requirements as to such insurer for the current calendar year; but no such order of suspension shall be given for any one insurer for more than 2 calendar years in succession. The determination of each company's average Interest Adjusted Surrender Net Cost Index shall be made by the superintendent not later than May 1st of each year and the superintendent will advise each company as to its qualification not later than June 1st of the same year.

Sec. 3. Effective date. This Act shall become effective January 1, 1978. <sup>1</sup>

Statement of Fact

This amendment, if enacted, will aid in establishing and maintaining the credibility of life insurance companies in this State in the consumer interest by setting forth restrictions in the issuance and continuance of certificates of authority for those companies whose average Interest Adjusted Surrender Net Cost Index is 50% more than that of the 5 lowest companies doing business in all states. Such index represents the average yearly cost to a consumer if a contract is terminated.

(Pierce)  
NAME:



COUNTY: Kennebec

Reproduced and distributed pursuant to Senate Rule 11-A.

June 20, 1977

(Filing No. S-289)

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