

MAINE STATE LEGISLATURE

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STATE OF MAINE
HOUSE OF REPRESENTATIVES (Filing No. H-578)
109TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 728, L.D. 915, Bill, "AN ACT to Amend the Standard Valuation Law."

Amend the bill by inserting after the enacting clause the following:

'Sec. 1. 24-A MRSA §925, as last amended by PL 1973, c. 585, §12, is repealed and the following enacted in its place:

§925. Health insurance policy reserves

The Superintendent shall each year value, or cause to be valued, the reserve liabilities, as of the 31st day of December of the preceding year, of every insurance company doing business in this state with respect to all of its health policies, except that in the case of alien insurers the valuation shall be limited to its United States' business. In lieu of the valuation of the reserves required of any foreign or alien insurer, he may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when the valuation complies with the minimum standard required hereunder, and if the official of that state or jurisdiction accepts as sufficient and valid for all legal purposes the Certificate of Valuation of the Superintendent when the certificate states the valuation to have been made in a specified manner according to which reserves in the aggregate would be at least as large as if they had been computed in the manner prescribed by law of that state or jurisdiction.

For all such health policies, the company shall establish and maintain a reserve which shall place a sound value on its liability under such policies and be not less than the reserve according to appropriate standards set forth in regulations issued by the Superintendent and, in no event, less in the aggregate than the pro rata gross unearned premiums for such policies.

For all such health insurance policies, the insurer shall establish and maintain thereon a reserve which shall place a sound value on its liabilities under such policies and in less than the reserve according to appropriate standards set forth in regulations issued by the superintendent and, in no event, less in the aggregate than the pro rata gross unearned premiums for such policies.'

Further

~~A~~ Amend the bill by striking out all of section 1 and inserting in its place the following:

'Sec. 2. 24-A MRSA §953, sub-§2, 2nd ¶, as repealed and replaced by PL 1975, c. 342, §2, is amended to read:

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 1/2% interest, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after December 31, 1975, 4% interest, and the following tables, or in the case of such policies and contracts, other than annuity and pure endowment contracts, issued on or after January 1, 1980, 4 1/2% interest, and the following tables.'

Further amend the bill in section 2, 2nd line from the end (3rd in L.D.) ^{by striking out} /the underlined punctuation and figure ", 1979" and inserting in its place the following: 'January 1, 1980'

Further amend the bill in section 3 by striking out everything after the amending clause and inserting in its place the following:

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, or in the case of such contracts issued on or after January 1, 1980, 7 1/2% interest for individual single premium immediate annuity contracts, 5 1/2% interest for single premium deferred annuity and pure endowment contracts and 4 1/2% interest for all other such 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, or in the case of annuities and pure endowments purchased under such contracts on or after January 1, 1980, 7 1/2% interest.

Further amend the bill by striking out all of section 4 and inserting in its place the following:

'Sec. 4. 24-A MRS §954, as enacted by PL 1969, c. 132,
§1, is repealed and the following enacted in its place:

§954. Commissioners reserve valuation method defined

1. Policies providing for uniform insurance and uniform
premiums. Except as otherwise provided in subsection 2 and
section 957, reserves according to the commissioners reserve
valuation method, for the life insurance and endowment benefits
of policies providing for a uniform amount of insurance and requiri
the payment of uniform premiums, shall be the excess, if any, of the
present value, at the date of valuation, of such future guaranteed
benefits provided for by such policies, over the then present
value of any future modified net premiums therefor. The modified
net premiums for any such policy shall be such uniform percentage
of the respective contract premiums for such benefits that the
present value, at the date of issue of the policy, of all such
modified net premiums shall be equal to the sum of the then present
value of such benefits provided for by the policy and the excess of

paragraph A or paragraph B as follows:

A. A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per year payable on the first and each subsequent anniversary of such policy on which a premium falls due. Such net level annual premium shall not exceed the net level annual premium on the 19-year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of such policy;

B. A net one-year term premium for such benefits provided in the first policy year.

same as the spec

Reserves according to the commissioners reserve valuation method for:

(1) Life insurance policies for a varying amount of insurance or requiring the payment of varying premiums;

(2) Group annuity and pure endowment contracts, purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under the Internal Revenue Code, section 408, as now or hereafter amended; → United States

(3) Disability and accidental death benefits in all policies and contracts; and

(4) All other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts,

shall be calculated by a method consistent with the principles of the preceding provisions, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

2. Annuity and pure endowment contracts. ←

States } This subsection shall apply to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under the Internal Revenue Code, Section 408, as now or hereafter amended.

Reserves according to the Commissioners annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability or accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of such contract, that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate, or rates, specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values.'

Further amend the bill in section 5 in that part designated "§956." by striking out all of the last sentence and inserting in its place the following:

~~Reserves for participating life insurance policies, which are subject to section 953, subsection 2, may, with the consent of the superintendent, be calculated according to a rate of interest lower than the rate of interest used in calculating the nonforfeiture benefits in such policies with the further proviso that if such lower rate differs from the rate used in the calculation of the nonforfeiture benefits by more than 1/2%, the insurer issuing such policies shall file with the superintendent a plan providing for such equitable increases, if any, in the cash surrender values and nonforfeiture benefits in such policies as the superintendent shall approve.~~

Further amend the bill by striking out all of section 6 and inserting in its place the following:

'Sec. 6. 24-A MRSA §957, as enacted by PL 1969, c. 132, §1,
is repealed and the following enacted in its place:

§957. Deficiency reserve

If the gross premium charged by any life insurer on any policy or contract which is subject to section 953, subsection 2, is less than the valuation net premium for the policy or contract calculated by the method used in calculating the reserve thereon, but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for such policy or contract shall be the greater of either the reserve calculated according to the mortality table, rate of interest and method actually used for such policy or contract, or the reserve calculated by the method actually used for such policy or contract, but using the minimum standards of mortality and rate of interest and replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium.'

Further amend the bill by inserting at the end before the statement of fact the following:

'Sec. 7. 24-A MRSA §958 is enacted to read:

§958. Interest rates

All changes in the interest rates specified in this subchapter

and in sections 2528 to 2534, which were made by the Amendatory Acts of 1979, shall become ineffective as to contracts or policies issued on or after November 1, 1987, unless expressly extended by law.'

Further amend the bill by renumbering the sections to read consecutively.

Statement of Fact

1. This amendment modifies reserve requirements for group annuities;
2. Provides valuation procedures for health reserves; and
3. Provides a sunset provision which would require reenactment in 1987.

Reported by the Committee on Business Legislation
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