

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND NINTH LEGISLATURE

Legislative Document

No. 915

H. P. 728

House of Representatives, March 2, 1979

On Motion of Mr. Howe of South Portland, referred to the Committee on Business Legislation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Mr. F. Carter of Bangor.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-NINE

**AN ACT to Amend the Standard Valuation Law.**

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

**Sec. 1.** 24-A MRSA § 953, sub-§ 2, 2nd ¶, as repealed and replaced by PL 1975, c. 342, § 2, is amended to read: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 , 1979, 5 1/2% interest for single premium life insurance policies and 4 1/2% interest for all other such policies, and the following tables.**

**Sec. 2.** 24-A MRSA § 953, sub-§ 2, ¶ A, as enacted by PL 1969, c. 132, § 1 is amended to read:

**A. Standard Ordinary Mortality Table.** For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies, — the Commissioners 1941 Standard Ordinary Mortality Table; provided, **however**, that the Commissioners 1958 Standard Ordinary Mortality Table shall be the table for such minimum standard for such

policies issued on and after January 1, 1966, or such earlier date after September 12, 1959, as shall have been elected by an insurer as the date on and after which it would use such table as the basis for minimum cash surrender values and nonforfeiture benefits under the standard nonforfeiture law; provided that for any category of such policies issued on female risks all modified net premiums and present values referred to in sections 951 to 957 may be calculated according to an age not more than 3 years younger than the actual age of the insured, **or in the case of such policies issued on or after , 1979, according to an age not more than 6 years younger than the actual age of the insured.**

Sec. 3. 24-A MRSA § 953, sub-§ 3, ¶¶ A and B, as enacted by PL 1975, c. 342, § 3, are amended to read:

**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 , 1979, 7 1/2% interest for individual 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 such contracts issued on or after , 1979, 7 1/2% interest.**

Sec. 4. 24-A MRSA § 954, sub-§ 2, ¶¶ B and D, as enacted by PL 1969, c. 132, § 1, are amended to read:

**B. 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;**

**D. All other benefits, except life insurance and endowment benefits in life insurance policies, and benefits provided by all other annuity and pure endowment contracts,**

Sec. 5. 24-A MRSA § 956, as amended by PL 1973, c. 585, § 12, is further amended to read:

**§ 956. Calculation of reserves**

Reserves for any category of policies, contracts or benefits as established by the superintendent, which are subject to section 953, subsection 2, may be calculated, at the option of the insurer, according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used for **policies and contracts, other than annuity and pure endowment contracts**, shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein. 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.~~

Sec. 6. 24-A MRSA § 957, as enacted by PL 1969, c. 132, § 1, is amended to read:

**§ 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 ~~according to the mortality table, rate of interest and method used in calculating the reserve thereon there shall be maintained on such policy or contract a deficiency reserve in addition to all other reserves required by law. For each such policy or contract, the deficiency reserve shall be the present value, according to such standard, of an annuity of the difference between such net premium and the premium charged for such policy or contract, running for the remainder of the premium paying period 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 of net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium.~~

## STATEMENT OF FACT

1. This bill effects certain changes in the standard valuation law. The changes would:

1. Recognize changes in the level of life insurance company interest earnings that occurred since the law was last updated and recognize the difference in investment risks associated various types of insurance and annuity products so that life insurers will have the flexibility to offer lower priced products with lower reserves;

2. Recognize the redundancy in reserves on existing group annuities and, by relaxing these reserve constraints, give insurers the capacity to issue annuity coverage to terminating plans;

3. Recognize the greater increase in longevity of women relative to that of men and give insurers the flexibility to offer women lower priced life insurance with lower reserves;

4. Clarify the procedure used in calculating minimum reserve standards for individual deferred annuity contracts so that insurers take all obligations under the contract into account; and

5. Make it possible for insurers to strengthen basic policy reserves without being required in addition to hold higher deficiency reserves.