

# MAINE STATE LEGISLATURE

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L.D. 1130  
(Filing No. H- 198)

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
11TH LEGISLATURE  
FIRST REGULAR SESSION

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COMMITTEE AMENDMENT " A " to H.P. 876,  
L.D. 1130, Bill, "AN ACT to Amend the Standard  
Valuation Law for Life Insurance and Annuities and  
the Standard Nonforfeiture Law for Life Insurance."

11  
12

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

13  
14

'Sec. 1. 24-A MRSA §951, as enacted by PL 1969,  
c. 132, §1, is amended to read:

15

§951. Short title

16  
17

Sections 951 to ~~957~~ 958-A shall be known as the  
"Standard Valuation Law."

18  
19  
20  
21

Further amend the Bill in section 1 in subsection  
2, paragraph A in the 15th line (page 2, line 25 in  
L.D.) by striking out the word and punctuation "law;"  
and inserting in its place the following: 'law<sub>7</sub>'

22  
23  
24  
25  
26

Further amend the Bill in section 1 in subsection  
3, paragraph A in the 11th and 12th lines (page 5,  
lines 21 and 22 in L.D.) by striking out the words  
"this table" and inserting in their place the follow-  
ing: 'this table these tables'

27  
28  
29  
30  
31

Further amend the Bill in section 1 in subsection  
3, paragraph B in the 13th line (page 5, line 45 in  
L.D.) by striking out the words "this table" and  
inserting in their place the following: 'this table  
these tables'

32  
33  
34

Further amend the Bill in section 2 in that part  
designated "§953-A." in subsection 2 by striking out  
all of paragraph A and inserting in its place the

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1 following:

2 'A. For life insurance:

3 
$$I = .03 + W \underset{1}{(R - .03)} + \underset{2}{W} \underset{2}{(R - .09)};$$
  
4

5 Further amend the Bill in section 2 in that part  
6 designated "§953-A." in subsection 3, paragraph C,  
7 subparagraph (1) by striking out all of the 5th line  
8 (page 9, line 23 in L.D.) and inserting in its place  
9 the following:

10 '(Years) A B C'

11 Further amend the Bill in section 2 in that part  
12 designated "§953-A." in subsection 3, paragraph C,  
13 subparagraph (4) in the 6th and 7th lines (page 10,  
14 lines 24 and 25 in L.D.) by striking out the under-  
15 lined words "rates in excess of the calendar year  
16 statutory valuation interest"

17 Further amend the Bill by striking out all of  
18 section 3 and inserting in its place the following:

19 'Sec. 3. 24-A MRSA §954, sub-§1, as repealed and  
20 replaced by PL 1979, c. 453, §5, is amended to read:

21 1. Policies providing for uniform insurance and  
22 uniform premiums. Except as otherwise provided in  
23 subsection 2 and section 957, reserves according to  
24 the commissioners reserve valuation method, for the  
25 life insurance and endowment benefits of policies  
26 providing for a uniform amount of insurance and re-  
27 quiring the payment of uniform premiums, shall be the  
28 excess, if any, of the present value, at the date of  
29 valuation, of such future guaranteed benefits pro-  
30 vided for by such policies, over the then present  
31 value of any future modified net premiums therefor.  
32 The modified net premiums for any such policy shall  
33 be such uniform percentage of the respective contract  
34 premiums for such benefits that the present value, at

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1 the date of issue of the policy, of all such modified  
2 net premiums shall be equal to the sum of the then  
3 present value of such benefits provided for by the  
4 policy and the excess of paragraph A ~~or~~ over para-  
5 graph B as follows:

6 A. A net level annual premium equal to the  
7 present value, at the date of issue, of such ben-  
8 efits provided for after the first policy year,  
9 divided by the present value, at the date of  
10 issue, of an annuity of one per year payable on  
11 the first and each subsequent anniversary of such  
12 policy on which a premium falls due. Such net  
13 level annual premium shall not exceed the net  
14 level annual premium on the 19-year premium whole  
15 life plan for insurance of the same amount at an  
16 age one year higher than the age at issue of such  
17 policy;

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

20 Reserves according to the commissioners reserve  
21 valuation method for:-

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

25 (2) Group annuity and pure endowment con-  
26 tracts, purchased under a retirement plan or  
27 plan of deferred compensation, established  
28 or maintained by an employer, including a  
29 partnership or sole proprietorship, or by an  
30 employee organization, or by both, other  
31 than a plan providing individual retirement  
32 accounts or individual retirement annuities  
33 under the United States Internal Revenue  
34 Code, Section 408, as now or hereafter  
35 amended;

36 (3) Disability and accidental death bene-

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1 fits in all policies and contracts, and

2 (4) All other benefits, except life insur-  
3 ance and endowment benefits in life insur-  
4 ance policies and benefits provided by all  
5 other annuity and pure endowment contracts,

6 shall be calculated by a method consistent with  
7 the principles of the preceding provisions,  
8 except that any extra premiums charged because of  
9 impairments or special hazards shall be disre-  
10 garded in the determination of modified net pre-  
11 miams-

12 Sec. 4. 24-A MRSA §954, sub-§1-A is enacted to  
13 read:

14 1-A. Reserve. For any life insurance policy  
15 issued on or after January 1, 1987, for which the  
16 contract premium in the first policy year exceeds  
17 that of the 2nd year and for which no comparable ad-  
18 ditional benefit is provided in the first year for  
19 that excess and which provides an endowment benefit  
20 or a cash surrender value, or a combination thereof,  
21 in an amount greater than that excess premium, the  
22 reserve according to the commissioners reserve valua-  
23 tion method as of any policy anniversary occurring on  
24 or before the assumed ending date, defined in this  
25 subsection as the first policy anniversary on which  
26 the sum of any endowment benefit and any cash surren-  
27 der value then available is greater than that excess  
28 premium, shall, except as otherwise provided in  
29 section 957, be the greater of the reserve as of that  
30 policy anniversary calculated as described in subsec-  
31 tion 1 and the reserve as of that policy anniversary  
32 calculated as described in subsection 1, but with the  
33 value defined in subsection 1, paragraph A, being  
34 reduced by 15% of the amount of that excess first  
35 year premium, all present values of benefits and pre-  
36 miums being determined without reference to premiums  
37 or benefits provided for by the policy after the  
38 assumed ending date, the policy being assumed to

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1 mature on that date as an endowment, and the cash  
2 surrender value provided on that date being consid-  
3 ered as an endowment benefit. In making this compari-  
4 son, the mortality and interest bases stated in sec-  
5 tions 953 and 953-A shall be used.

6 Reserves according to the commissioners reserve  
7 valuation method for:

8 A. Life insurance policies providing for a vary-  
9 ing amount of insurance or requiring the payment  
10 of varying premiums;

11 B. Group annuity and pure endowment contracts,  
12 purchased under a retirement plan or plan of  
13 deferred compensation, established or maintained  
14 by an employer, including a partnership or sole  
15 proprietorship, or by an employee organization,  
16 or by both, other than a plan providing indi-  
17 vidual retirement accounts or individual retire-  
18 ment annuities under the United States Internal  
19 Revenue Code, Section 408, as now or hereafter  
20 amended;

21 C. Disability and accidental death benefits in  
22 all policies and contracts; and

23 D. All other benefits, except life insurance and  
24 endowment benefits in life insurance policies and  
25 benefits provided by all other annuity and pure  
26 endowment contracts,

27 shall be calculated by a method consistent with the  
28 principles of the preceding provisions of this  
29 section, except that any extra premiums charged  
30 because of impairments or special hazards shall be  
31 disregarded in the determination of modified net pre-  
32 miums.'

33 Further amend the Bill in section 10 in that part  
34 designated "§2532." in the 2nd line (page 21, line  
35 20 in L.D.) by striking out the underlined word and

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1 figures "January 1, 1989" and inserting in their  
2 place the following: 'the operative date of section  
3 2532-A'

4 Further amend the Bill in section 10 in that part  
5 designated "§2532." in subsection 4, paragraph A in  
6 the last line (page 22, line 40 in L.D) by striking  
7 out the underlined punctuation and word "; by" and  
8 inserting in its place the underlined punctuation and  
9 word ', by'

10 Further amend the Bill in section 10 in that part  
11 designated "§2532." in subsection 4 by striking out  
12 all of paragraph B and inserting in its place the  
13 following:

14 'B. The adjusted premiums for that term insur-  
15 ance.'

16 Further amend the bill in section 10 in that part  
17 designated "§2532." in subsection 4 by adding at the  
18 end the following underlined paragraph:

19 'Paragraphs A and B shall be calculated separately  
20 and as specified in subsections 2 and 3, except that,  
21 for purposes of subsection 2, paragraphs B, C and D,  
22 the amount of insurance or equivalent uniform amount  
23 of insurance used in the calculation of the adjusted  
24 premiums referred to in paragraph B of this subsection  
25 shall be equal to the excess of the correspond-  
26 ing amount determined for the entire policy over the  
27 amount used in the calculation of the adjusted pre-  
28 miums in paragraph A.'

29 Further amend the Bill in section 11 in that part  
30 designated "§2532-A." in the 2nd line (page 24, line  
31 13 in L.D.) by inserting after the underlined figures  
32 "1989" the following: ', or elected operative date of  
33 this section'

34 Further amend the Bill in section 11 in that part  
35 designated "§2532-A." in subsection 4, paragraph B in

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1 the last line (page 26, line 6 in L.D.) by striking  
2 out the underlined word "near" and inserting in its  
3 place the underlined word 'under'

4 Further amend the Bill in section 11 in that part  
5 designated "§2532-A." in subsection 6, paragraph B in  
6 the first line (page 26, line 36 in L.D.) by striking  
7 out the underlined word "Equals" and inserting in its  
8 place the underlined words 'Paragraph B equals'

9 Further amend the Bill in section 11 in that part  
10 designated "§2532-A." by striking out all of subsection  
11 8 and inserting in its place the following:

12 '8. All adjusted premiums and present values  
13 referred to in this Standard Nonforfeiture Law for  
14 Life Insurance shall, for all policies of ordinary  
15 insurance issued after the operative date of this  
16 section, be calculated on the basis of the Commis-  
17 sioners 1980 Standard Ordinary Mortality Table or, at  
18 the election of the insurer for any one or more  
19 specified plans of life insurance, the Commissioners  
20 1980 Standard Ordinary Mortality Table with 10-year  
21 select mortality factors; shall, for all policies of  
22 industrial insurance, be calculated on the basis of  
23 the Commissioners 1961 Standard Industrial Mortality  
24 Table; and shall, for all policies issued in a par-  
25 ticular calendar year, be calculated on the basis of  
26 a rate of interest not exceeding the nonforfeiture  
27 interest rate as defined in this section for policies  
28 issued in that calendar year, provided that:

29 A. At the option of the insurer, calculations  
30 for all policies issued in a particular calendar  
31 year may be made on the basis of a rate of interest  
32 not exceeding the nonforfeiture interest  
33 rate, as defined in this section, for policies  
34 issued in the immediately preceding calendar  
35 year;

36 B. Under any paid-up nonforfeiture benefit,  
37 including any paid-up dividend additions, any



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1 cash surrender value available, whether or not  
2 required by section 2529, shall be calculated on  
3 the basis of the mortality table and rate of  
4 interest used in determining the amount of that  
5 paid-up nonforfeiture benefit and paid-up divi-  
6 dend additions, if any;

7 C. An insurer may calculate the amount of any  
8 guaranteed paid-up nonforfeiture benefit, includ-  
9 ing any paid-up additions under the policy on the  
10 basis of an interest rate no lower than that  
11 specified in the policy for calculating cash sur-  
12 render values;

13 D. In calculating the present value of any paid-  
14 up term insurance with accompanying pure endow-  
15 ment, if any, offered as a nonforfeiture benefit,  
16 the rates of mortality assumed may be not more  
17 than those shown in the Commissioners 1980  
18 Extended Term Insurance Table for policies of  
19 ordinary insurance and not more than the Commis-  
20 sioners 1961 Industrial Extended Term Insurance  
21 Table for policies of industrial insurance;

22 E. For insurance issued on a substandard basis,  
23 the calculation of any such adjusted premiums and  
24 present values may be based on appropriate  
25 modifications of the tables mentioned in this  
26 section;

27 F. Any ordinary mortality tables, adopted after  
28 1980 by the National Association of Insurance  
29 Commissioners, that are approved by regulation  
30 promulgated by the superintendent for use in  
31 determining the minimum nonforfeiture standard  
32 may be substituted for the Commissioners 1980  
33 Standard Ordinary Mortality Table with or without  
34 10-year select mortality factors or for the Com-  
35 missioners 1980 Extended Term Insurance Table;  
36 and

37 G. Any industrial mortality tables, adopted

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1           after 1980 by the National Association of Insur-  
2           ance Commissioners, that are approved by regula-  
3           tion promulgated by the superintendent for use in  
4           determining the minimum nonforfeiture standard  
5           may be substituted for the Commissioners 1961  
6           Standard Industrial Mortality Table or the Com-  
7           missioners 1961 Industrial Extended Term Insur-  
8           ance Table.'

9           Further amend the Bill in section 11 in that part  
10          designated "§2532-A." in subsection 10, in the 4th  
11          line (page 29, line 15 in L.D.) by striking out the  
12          underlined word "from" and inserting in its place the  
13          underlined word 'form'

14          Further amend the Bill in section 14 in that part  
15          designated "§2533-A." in subsection 1 in the 2nd line  
16          (page 30, line 34 in L.D.) by striking out the under-  
17          lined words "this chapter" and inserting in its place  
18          the underlined words 'the Standard Nonforfeiture Law  
19          for life insurance'

20          Further amend the Bill in section 14 in that part  
21          designated "§2533-A." in subsection 3 in the 5th and  
22          6 lines (page 31, lines 29 and 30 in L.D.) by strik-  
23          ing out the underlined words "the next succeeding  
24          sentence of this paragraph" and inserting in their  
25          place the underlined word and figure 'subsection 4'

26          Further amend the Bill in section 14 in that part  
27          designated "§2533-A" in subsection 5 in the 5th line  
28          (page 32, line 15 in L.D.) by striking out the under-  
29          lined words "this chapter" and inserting in its place  
30          the underlined words 'the Standard Nonforfeiture Law  
31          for life insurance'

32          Further amend the Bill in section 15 in that part  
33          designated "§2534." in subsection 8 in the last para-  
34          graph, first line (page 32, line 31 in L.D.) by  
35          striking out the underlined words "this chapter" and  
36          inserting in its place the underlined words 'the  
37          Standard Nonforfeiture Law for life insurance'

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1 Further amend the Bill by renumbering the sec-  
2 tions to read consecutively.

3 STATEMENT OF FACT

4 The purpose of this amendment is to correct stat-  
5 utory and section references to reflect the intended  
6 effect of the bill, and, in some cases, to correct  
7 technical errors in existing law. The amendment also  
8 corrects typographical errors, grammar, punctuation  
9 and language where necessary to clarify the meaning  
10 of the bill. A new section 1 is added to reflect the  
11 extended scope of the Standard Valuation Law, which  
12 necessitated renumbering the sections of the original  
13 bill.

14 3398041983

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