

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 1130

6
7 H.P. 876

House of Representatives, March 9, 1983

8 Referred to the Committee on Business Legislation. Sent up for concur-
9 rence and ordered printed.

10 EDWIN H. PERT, Clerk

11 Presented by Representative Brannigan of Portland.

12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-THREE
16

17 AN ACT to Amend the Standard Valuation
18 Law for Life Insurance and Annuities and the
19 Standard Nonforfeiture Law for Life Insurance.
20

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

23 Sec. 1. 24-A MRSA §953, sub-§§2 and 3, as
24 amended by PL 1979, c. 453, §§2, 3 and 4, are further
25 amended to read:

26 2. This subsection applies only to policies and
27 contracts issued on and after January 1, 1948, or
28 such the earlier date after July 21, 1945, as shall
29 have been elected by an insurer as the date on and
30 after which it would comply with the Standard Nonfor-
31 feiture Law.

32 Except as otherwise provided in subsection 3 and
33 section 953-A, the minimum standard for the valuation

1 of all such those policies and contracts shall be the
2 commissioners reserve valuation method defined in
3 section 954, 3 1/2% interest, or in the case of poli-
4 cies and contracts, other than annuity and pure
5 endowment contracts, issued on or after December 31,
6 1975, 4% interest, and the following tables, or in
7 the case of such these policies and contracts, other
8 than annuity and pure endowment contracts, issued on
9 or after January 1, 1980, 4 1/2% interest, and the
10 following tables.

11 A. Standard Ordinary Mortality Table. For all
12 ordinary policies of life insurance issued on the
13 standard basis, excluding any disability and ac-
14 cidental death benefits in such these policies,
15 -- the Commissioners 1941 Standard Ordinary
16 Mortality Table; provided, ~~however,~~ that the Com-
17 missioners 1958 Standard Ordinary Mortality Table
18 shall be the table for such the minimum standard
19 for such those policies issued on and after Janu-
20 ary 1, 1966, or such earlier date after September
21 12, 1959, as shall have been elected by an
22 insurer as the date on and after which it would
23 use such table as the basis for minimum cash sur-
24 render values and nonforfeiture benefits under
25 the standard nonforfeiture law; and prior to the
26 operative date of the Standard Nonforfeiture Law
27 for Life Insurance, section 2532-A; provided that
28 for any category of such those policies issued on
29 female risks all modified net premiums and
30 present values referred to in sections 951 to 957
31 may be calculated according to an age not more
32 than 3 years younger than the actual age of the
33 insured, or in the case of such those policies
34 issued on or after January 1, 1980, according to
35 an age not more than 6 years younger than the ac-
36 tual age of the insured. For those policies
37 issued on or after the operative date of the
38 Standard Nonforfeiture Law for Life Insurance,
39 section 2532-A, the Commissioners 1980 Standard
40 Ordinary Mortality Table, or at the election of
41 the company for any one or more specified plans
42 of life insurance, the Commissioners 1980 Stan-
43 dard Ordinary Mortality Table with Ten-Year
44 Select Mortality Factors or any ordinary mortal-
45 ity table, adopted after 1980 by the National
46 Association of Insurance Commissioners, that is

1 approved by regulation promulgated by the super-
2 intendent for use in determining the minimum
3 standard of valuation for the policies.

4 B. Standard Industrial Mortality Table. For all
5 industrial life insurance policies issued on the
6 standard basis, excluding any disability and ac-
7 cidental death benefits in such the policies, --
8 the 1941 Standard Industrial Mortality Table;
9 provided that the Commissioners 1961 Standard
10 Industrial Mortality Table, or any industrial
11 mortality table, adopted after 1980 by the
12 National Association of Insurance Commissioners,
13 that is approved by regulation promulgated by the
14 superintendent for use in determining the minimum
15 standard of valuation for those policies, shall
16 be the table for such the minimum standard for
17 such those policies issued on and after January
18 1, 1968, or such earlier date after September 1,
19 1963, as shall have been elected by the insurer
20 as the date on and after which it would use such
21 table as the basis for minimum cash surrender
22 values and nonforfeiture benefits under the Stan-
23 dard Nonforfeiture Law.

24 C. Standard Annuity Mortality Table or Annuity
25 Mortality Table. For individual annuity and pure
26 endowment contracts, excluding any disability and
27 accidental death benefits in such those policies
28 -- the 1937 Standard Annuity Mortality Table or,
29 at the option of the insurer, the Annuity Mortal-
30 ity Table for 1949, Ultimate, or any modification
31 of either of these tables approved by the super-
32 intendent.

33 D. Group Annuity Mortality Table. For group
34 annuity and pure endowment contracts, excluding
35 any disability and accidental death benefits in
36 such those policies -- the Group Annuity Mortal-
37 ity Table for 1951, any modification of such the
38 table approved by the superintendent, or, at the
39 option of the insurer, any of the tables or
40 modifications of tables specified for individual
41 annuity and pure endowment contracts.

42 E. Class (3) Disability Table. For total and
43 permanent disability benefits in or supplementary

1 to ordinary policies or contracts -- for policies
2 or contracts issued on or after January 1, 1966,
3 the tables of Period 2 disablement rates and the
4 1930 to 1950 termination rates of the 1952 Dis-
5 ability Study of the Society of Actuaries, with
6 due regard to the type of benefit or any tables
7 of disablement rates and termination rates,
8 adopted after 1980 by the National Association of
9 Insurance Commissioners, that are approved by
10 regulation promulgated by the superintendent for
11 use in determining the minimum standard of valua-
12 tion for those policies; for policies or con-
13 tracts issued on or after January 1, 1961 and
14 prior to January 1, 1966, either such those
15 tables or, at the option of the insurer, the
16 Class (3) Disability Table (1926); and for poli-
17 cies issued prior to January 1, 1961, the Class
18 (3) Disability Table (1926). Any such table
19 shall, for active lives, be combined with a
20 mortality table permitted for calculating the
21 reserves for life insurance policies.

22 F. Inter-Company Double Indemnity Mortality
23 Table. For accidental death benefits in or
24 supplementary to policies -- for policies issued
25 on or after January 1, 1966, the 1959 Accidental
26 Death Benefits Table or any accidental death ben-
27 efits table, adopted after 1980 by the National
28 Association of Insurance Commissioners, that is
29 approved by regulation promulgated by the super-
30 intendent for use in determining the minimum
31 standard of valuation for those policies; for
32 policies issued on or after January 1, 1961 and
33 prior to January 1, 1966, either such that table
34 or, at the option of the insurer, the
35 Inter-Company Double Indemnity Mortality Table;
36 and for policies issued prior to January 1, 1961,
37 the Inter-Company Double Indemnity Mortality
38 Table. Either table shall be combined with a
39 mortality table permitted for calculating the
40 reserves for life insurance policies.

41 G. Group Life Insurance Tables. For group life
42 insurance, life insurance issued on the substan-
43 dard basis and other special benefits -- such
44 table as may be approved by the superintendent.

1 3. The Except as provided in section 953-A, the
2 minimum standard for the valuation of all individual
3 annuity and pure endowment contracts issued on or
4 after the effective date of this subsection, as de-
5 fined herein, and for all annuities and pure endow-
6 ments purchased on or after such the effective date
7 under group annuity and pure endowment contracts,
8 shall be the commissioners reserve valuation method
9 defined in section 954 and the following tables and
10 interest rates.

11 A. 1971 Individual Annuity Mortality Table. For
12 individual annuity and pure endowment contracts,
13 excluding any disability and accidental death
14 benefits in such those contracts -- the 1971
15 Individual Annuity Mortality Table, or any indi-
16 vidual annuity mortality table, adopted after
17 1980 by the National Association of Insurance
18 Commissioners, that is approved by regulation
19 promulgated by the superintendent for use in
20 determining the minimum standard of valuation for
21 those contracts, or any modification of this
22 table approved by the superintendent, and 6%
23 interest for single premium immediate annuity
24 contracts, and 4% interest for all other indi-
25 vidual annuity and pure endowment contracts, or
26 in the case of such these contracts issued on or
27 after January 1, 1980, 7 1/2% interest for indi-
28 vidual single premium immediate annuity con-
29 tracts, 5 1/2% interest for single premium
30 deferred annuity and pure endowment contracts and
31 4 1/2% interest for all other such individual
32 annuity and pure endowment contracts.

33 B. 1971 Group Annuity Mortality Table. For all
34 annuities and pure endowments purchased under
35 group annuity and pure endowment contracts,
36 excluding any disability and accidental death
37 benefits purchased under such those contracts --
38 the 1971 Group Annuity Mortality Table, or any
39 group annuity mortality table, adopted after 1980
40 by the National Association of Insurance Commis-
41 sioners, that is approved by regulation promul-
42 gated by the superintendent for use in determin-
43 ing the minimum standard of valuation for those
44 annuities and pure endowments, or any modifi-
45 cation of this table approved by the superinten-

1 dent, and 6% interest, or in the case of annui-
2 ties and pure endowments purchased under such
3 those contracts on or after January 1, 1980,
4 7 1/2% interest.

5 This subsection shall not apply to any insurer before
6 January 1, 1979, unless such the insurer shall have
7 filed with the superintendent an election to comply
8 with the provisions of this subsection after a speci-
9 fied date before January 1, 1979, provided that an
10 insurer may elect different dates on which this sub-
11 section shall apply to individual and pure endowment
12 contracts and to group annuity and pure endowment
13 contracts. If an insurer makes no such election, this
14 subsection shall apply to such that insurer on Janu-
15 ary 1, 1979.

16 Sec. 2. 24-A MRSA §953-A is enacted to read:

17 §953-A. Applicable interest rates

18 1. The interest rates used in determining the
19 minimum standard for the valuation of the following
20 shall be the calendar year statutory valuation inter-
21 est rates, as defined in this section:

22 A. All life insurance policies issued in a par-
23 ticular calendar year, on or after the operative
24 date of the Standard Nonforfeiture Law for Life
25 Insurance, section 2532-A;

26 B. All individual annuity and pure endowment
27 contracts issued in a particular calendar year on
28 or after January 1, 1984, or January 1, 1983, at
29 the election of the insurer;

30 C. All annuities and pure endowments purchased
31 in a particular calendar year on or after January
32 1, 1984, or January 1, 1983, at the election of
33 the insurer, under group annuity and pure endow-
34 ment contracts; and

35 D. The net increase, if any, in a particular
36 calendar year after January 1, 1984, or January
37 1, 1983, at the election of the insurer, in
38 amounts held under guaranteed interest contracts.

1 An insurer electing January 1, 1983, in lieu of Janu-
2 ary 1, 1984, in paragraph B, C or D, shall notify the
3 superintendent of its election by written notice no
4 later than December 31, 1983.

5 2. The calendar year statutory valuation inter-
6 est rates, I, shall be determined as follows and the
7 results rounded to the nearest 1/4 of 1%:

8 A. For life insurance:

9
$$I = .03 + \frac{W}{1} (R - .03) + \frac{W}{2} (R - .09);$$

11 B. For single premium immediate annuities and
12 for annuity benefits involving life contingencies
13 arising from other annuities with cash settlement
14 options and from guaranteed interest contracts
15 with cash settlement options:

16
$$I = .03 + W (R - .03)$$

17 where R_1 is the lesser of R and $.09$,

18 R_2 is the greater of R and $.09$,

19 R is the reference interest rate defined in
22 this section, and W is the weighting factor
23 defined in this section;

24 C. For other annuities with cash settlement
25 options and guaranteed interest contracts with
26 cash settlement options, valued on an issue year
27 basis, except as stated in paragraph B, the for-
28 mula for life insurance stated in paragraph A
29 shall apply to annuities and guaranteed interest
30 contracts with guarantee durations in excess of
31 10 years, and the formula for single premium
32 immediate annuities stated in paragraph B shall
33 apply to annuities and guaranteed interest con-
34 tracts with guarantee duration of 10 years or
35 less;

36 D. For other annuities with no cash settlement
37 options and for guaranteed interest contracts

1 with no cash settlement options, the formula for
2 single premium annuities stated in paragraph B
3 shall apply; and

4 E. For other annuities with cash settlement
5 options and guaranteed interest contracts with
6 cash settlement options, valued on a change in
7 fund basis, the formula for single premium
8 immediate annuities stated in paragraph B shall
9 apply.

10 If the calendar year statutory valuation interest
11 rate for any life insurance policies issued in any
12 calendar year, determined without reference to this
13 sentence, differs from the corresponding actual rate
14 for similar policies issued in the immediately pre-
15 ceding calendar year by less than 1/2 of 1%, the cal-
16 endar year statutory valuation interest rate for
17 those life insurance policies shall be equal to the
18 corresponding actual rate for the immediately pre-
19 ceding calendar year. For purposes of applying the
20 immediately preceding sentence, the calendar year
21 statutory valuation interest rate for life insurance
22 policies issued in a calendar year shall be deter-
23 mined for 1980, by using the reference interest rate
24 defined for 1979, and shall be determined for each
25 subsequent calendar year, regardless of when the
26 Standard Nonforfeiture Law for Life Insurance,
27 section 2532-A, becomes operative.

28 3. The weighting factors in the formulas in sub-
29 section 2 are given in the following tables:

30 A. Weighting Factors for Life Insurance:

31 Guarantee

32 <u>Duration</u>	33 <u>Weighting</u>
34 <u>(Years)</u>	35 <u>Factors</u>
36 <u>10 or less</u>	<u>.50</u>
<u>More than 10, but not more than 20</u>	<u>.45</u>
<u>More than 20</u>	<u>.35</u>

1 For life insurance, the guarantee duration is the
2 maximum number of years the life insurance can
3 remain in force on a basis guaranteed in policy
4 or under options to convert to plans of life
5 insurance with premium rates or nonforfeiture
6 values or both which are guaranteed in the orig-
7 inal policy;

8 B. Weighting factor for single premium immediate
9 annuities and for annuity benefits involving life
10 contingencies arising from other annuities with
11 cash settlement options and guaranteed interest
12 contracts with cash settlement options:.80;

13 C. Weighting factors for other annuities and for
14 guaranteed interest contracts, except as stated
15 in paragraph B, shall be as specified in
16 subparagraphs (1), (2) and (3), according to the
17 rules and definitions in subparagraphs (4), (5)
18 and (6):

19 (1) For annuities and guaranteed interest
20 contracts valued on an issue year basis:

<u>Guarantee</u>	<u>Weighting Factor</u>		
<u>Duration</u>	<u>for Plan Type</u>		
<u>(Years)</u>	<u>A</u>	<u>B</u>	<u>C</u>
<u>5 or less:</u>	<u>.80</u>	<u>.60</u>	<u>.50</u>
<u>More than 5, but not</u> <u>more than 10:</u>	<u>.75</u>	<u>.60</u>	<u>.50</u>
<u>More than 10, but not</u> <u>more than 20:</u>	<u>.65</u>	<u>.50</u>	<u>.45</u>
<u>More than 20:</u>	<u>.45</u>	<u>.35</u>	<u>.35;</u>

30 (2) For annuities and guaranteed interest
31 contracts valued on a change in fund basis,
32 the factors shown in subparagraph (1)
33 increased by:

34 Plan Type

1		<u>A</u>	<u>B</u>	<u>C</u>
2		.15	.25	.05;

3 (3) For annuities and guaranteed interest
4 contracts valued on an issue year basis,
5 other than those with no cash settlement
6 options, which do not guarantee interest on
7 considerations received more than one year
8 after issue or purchase and for annuities
9 and guaranteed interest contracts valued on
10 a change in fund basis which do not guar-
11 antee interest rates on considerations
12 received more than 12 months beyond the
13 valuation date, the factors shown in
14 subparagraph (1) or derived in subparagraph
15 (2) increased by:

16		<u>Plan Type</u>		
17		<u>A</u>	<u>B</u>	<u>C</u>
18		.05	.05	.05;

19 (4) For other annuities with cash settle-
20 ment options and guaranteed interest con-
21 tracts with cash settlement options, the
22 guarantee duration is the number of years
23 for which the contract guarantees interest
24 rates in excess of the calendar year statu-
25 tory valuation interest rates in excess of
26 the calendar year statutory valuation inter-
27 est rate for life insurance policies with
28 guarantee duration in excess of 20 years.
29 For other annuities with no cash settlement
30 options and for guaranteed interest con-
31 tracts with no cash settlement options, the
32 guarantee duration is the number of years
33 from the date of issue or date of purchase
34 to the date annuity benefits are scheduled
35 to commence;

36 (5) Plan type as used in the subparagraphs
37 (1), (2) and (3) tables is defined as fol-
38 lows.

39 (a) Plan Type A. At any time policy-

1 holder may withdraw funds, only: With
2 an adjustment to reflect changes in
3 interest rates or asset values since
4 receipt of the funds by the insurance
5 company; without that adjustment, but
6 in installments over 5 years or more;
7 as an immediate life annuity; or no
8 withdrawal permitted.

9 (b) Plan Type B. Before expiration of
10 the interest rate guarantee, policy-
11 holder may withdraw funds, only: With
12 an adjustment to reflect changes in
13 interest rates or asset values since
14 receipt of the funds by the insurance
15 company; without that adjustment, but
16 in installments over 5 years or more;
17 or no withdrawal permitted. At the end
18 of interest rate guarantee, funds may
19 be withdrawn without that adjustment in
20 a single sum or installments over less
21 than 5 years.

22 (c) Plan Type C. Policyholder may
23 withdraw funds before expiration of
24 interest rate guarantee in a single sum
25 or installments over less than 5 years,
26 either: Without adjustment to reflect
27 changes in interest rates or asset
28 values since receipt of the funds by
29 the insurance company; or subject only
30 to a fixed surrender charge stipulated
31 in the contract as a percentage of the
32 fund; and

33 (6) A company may elect to value guaranteed
34 interest contracts with cash settlement
35 options and annuities with cash settlement
36 options on either an issue year basis or on
37 a change in fund basis. Guaranteed interest
38 contracts with no cash settlement options
39 and other annuities with no cash settlement
40 options must be valued on an issue year
41 basis. As used in this section, an issue
42 year basis of valuation refers to a valua-
43 tion basis under which the interest rate
44 used to determine the minimum valuation

1 standard for the entire duration of the
2 annuity or guaranteed interest contract is
3 the calendar year valuation interest rate
4 for the year of issue or year of purchase of
5 the annuity or guaranteed interest contract,
6 and the change in fund basis of valuation
7 refers to a valuation basis under which the
8 interest rate used to determine the minimum
9 valuation standard applicable to each change
10 in the fund held under the annuity or
11 guaranteed interest contract is the calendar
12 year valuation interest rate for the year of
13 the change in the fund.

14 4. The reference interest rate referred to in
15 subsection 2 is defined as follows:

16 A. For all life insurance, the lesser of the
17 average over a period of 36 months and the aver-
18 age over a period of 12 months, ending on June
19 30th of the calendar year next preceding the year
20 of issue, of Moody's Corporate Bond Yield
21 Average-Monthly Average Corporates, as published
22 by Moody's Investors Service, Inc.;

23 B. For single premium immediate annuities and
24 for annuity benefits involving life contingencies
25 arising from other annuities with cash settlement
26 options and guaranteed interest contracts with
27 cash settlement options, the average over a
28 period of 12 months, ending on June 30th of the
29 calendar year of issue or year of purchase, of
30 Moody's Corporate Bond Yield Average-Monthly
31 Average Corporates, as published by Moody's
32 Investors Service, Inc.;

33 C. For other annuities with cash settlement
34 options and guaranteed interest contracts with
35 cash settlement options, valued on a year of
36 issue basis, except as stated in paragraph B,
37 with guarantee duration in excess of 10 years,
38 the lesser of the average over a period of 36
39 months and the average over a period of 12
40 months, ending on June 30th of the calendar year
41 of issue or purchase, of Moody's Corporate Bond
42 Yield Average-Monthly Average Corporates, as pub-
43 lished by Moody's Investors Service, Inc.;

1 D. For other annuities with cash settlement
2 options and guaranteed interest contracts with
3 cash settlement options, valued on a year of
4 issue basis, except as stated in paragraph B,
5 with guarantee duration of 10 years or less, the
6 average over a period of 12 months, ending on
7 June 30th of the calendar year of issue or pur-
8 chase, of Moody's Corporate Bond Yield
9 Average-Monthly Average Corporates, as published
10 by Moody's Investors Service, Inc.;

11 E. For other annuities with no cash settlement
12 options and for guaranteed interest contracts
13 with no cash settlement options, the average over
14 a period of 12 months, ending on June 30th of the
15 calendar year of issue or purchase, of Moody's
16 Corporate Bond Yield Average-Monthly Average
17 Corporates, as published by Moody's Investors
18 Service, Inc.; and

19 F. For other annuities with cash settlement
20 options and guaranteed interest contracts with
21 cash settlement options, valued on a change in
22 fund basis, except as stated in paragraph B, the
23 average over a period of 12 months, ending on
24 June 30th of the calendar year of the change in
25 the fund, of Moody's Corporate Bond Yield
26 Average-Monthly Average Corporates, as published
27 by Moody's Investors Service, Inc.

28 5. In the event that Moody's Corporate Bond
29 Yield Average-Monthly Average Corporates is no longer
30 published by Moody's Investors Service, Inc., or in
31 the event that the National Association of Insurance
32 Commissioners determines that Moody's Corporate Bond
33 Yield Average-Monthly Average Corporates, as pub-
34 lished by Moody's Investors Service, Inc. is no
35 longer appropriate for the determination of the ref-
36 erence interest rate, then an alternative method for
37 determination of the reference interest rate, which
38 is adopted by the National Association of Insurance
39 Commissioners and approved by regulation promulgated
40 by the superintendent, may be substituted.

41 Sec. 3. 24-A MRSA §954, sub-§1, ¶B, as enacted
42 by PL 1979, c. 453, §5, is amended to read:

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

3 For any life insurance policy issued on or after
4 January 1, 1987, for which the contract premium
5 in the first policy year exceeds that of the 2nd
6 year and for which no comparable additional bene-
7 fit is provided in the first year for that excess
8 and which provides an endowment benefit or a cash
9 surrender value, or a combination thereof, in an
10 amount greater than that excess premium, the
11 reserve according to the commissioners reserve
12 valuation method as of any policy anniversary
13 occurring on or before the assumed ending date
14 defined herein as the first policy anniversary on
15 which the sum of any endowment benefit and any
16 cash surrender value then available is greater
17 than that excess premium shall, except as other-
18 wise provided in section 957, be the greater of
19 the reserve as of that policy anniversary calcu-
20 lated as described in the preceding subsection
21 and the reserve as of that policy anniversary
22 calculated as described in that subsection, but
23 with the value defined in paragraph A of that
24 subsection being reduced by 15% of the amount of
25 that excess first year premium, all present
26 values of benefits and premiums being determined
27 without reference to premiums or benefits pro-
28 vided for by the policy after the assumed ending
29 date, the policy being assumed to mature on that
30 date as an endowment, and the cash surrender
31 value provided on that date being considered as
32 an endowment benefit. In making the above com-
33 parison, the mortality and interest bases stated
34 in sections 953 and 953-A shall be used.

35 Reserves according to the commissioners reserve
36 valuation method for:

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

40 (2) Group annuity and pure endowment con-
41 tracts, purchased under a retirement plan or
42 plan of deferred compensation, established
43 or maintained by an employer, including a

1 partnership or sole proprietorship, or by an
2 employee organization, or by both, other
3 than a plan providing individual retirement
4 accounts or individual retirement annuities
5 under the United States Internal Revenue
6 Code, Section 408, as now or hereafter
7 amended;

8 (3) Disability and accidental death bene-
9 fits in all policies and contracts; and

10 (4) All other benefits, except life insur-
11 ance and endowment benefits in life insur-
12 ance policies and benefits provided by all
13 other annuity and pure endowment contracts,

14 shall be calculated by a method consistent with
15 the principles of the preceding provisions of
16 this subsection, except that any extra premiums
17 charged because of impairments or special hazards
18 shall be disregarded in the determination of
19 modified net premiums.

20 **Sec. 4. 24-A MRSA §955**, as enacted by PL 1969,
21 c. 132, §1, is amended to read:

22 §955. Amount of aggregate reserves

23 In no event ~~shall~~ may an insurer's aggregate
24 reserves for all life insurance policies, excluding
25 disability and accidental death benefits, which are
26 subject to section 953, subsection 2, be less than
27 the aggregate reserves calculated in accordance with
28 the method set forth in ~~section~~ sections 954 and
29 957-A and the mortality table or tables and rate or
30 rates of interest used in calculating nonforfeiture
31 benefits for ~~such~~ these policies.

32 **Sec. 5. 24-A MRSA §957**, as enacted by PL 1979,
33 c. 453, §7, is amended to read:

34 §957. Deficiency reserve

35 If the gross premium charged by any life insurer
36 on any policy or contract which is subject to section
37 953, subsection 2, is less than the valuation net
38 premium for the policy or contract calculated by the

1 method used in calculating the reserve thereon, but
2 using the minimum valuation standards of mortality
3 and rate of interest, the minimum reserve required
4 for such that policy or contract shall be the greater
5 of either the reserve calculated according to the
6 mortality table, rate of interest and method actually
7 used for such that policy or contract, or the reserve
8 calculated by the method actually used for such that
9 policy or contract, but using the minimum valuation
10 standards of mortality and rate of interest and re-
11 placing the valuation net premium by the actual gross
12 premium in each contract year for which the valuation
13 net premium exceeds the actual gross premium. The
14 minimum valuation standards of mortality and rate of
15 interest referred to in this section are those stan-
16 dards stated in sections 953 and 953-A.

17 For any life insurance policy issued on or after
18 January 1, 1987, for which the gross premium in the
19 first policy year exceeds that of the 2nd year and
20 for which no comparable additional benefit is pro-
21 vided in the first year for that excess and which
22 provides an endowment benefit or a cash surrender
23 value or a combination thereof in an amount greater
24 than that excess premium, the foregoing provisions of
25 this section shall be applied as if the method actu-
26 ally used in calculating the reserve for that policy
27 were the method described in section 954, ignoring
28 the 2nd paragraph of section 954. The minimum
29 reserve at each policy anniversary of such a policy
30 shall be the greater of the minimum reserve calcu-
31 lated in accordance with section 954, including the
32 2nd paragraph of that section, and the minimum
33 reserve calculated in accordance with this section
34 957.

35 Sec. 6. 24-A MRS §957-A is enacted to read:

36 §957-A Superintendent's authority to approve certain
37 plans

38 1. In the case of any plan of life insurance
39 which provides for future premium determination, the
40 amounts of which are to be determined by the insur-
41 ance company based on then estimates of future expe-
42 rience, or in the case of any plan of life insurance
43 or annuity which is of such a nature that the minimum

1 reserves cannot be determined by the methods de-
2 scribed in sections 954 and 957, the reserves which
3 are held under any plan of that type must:

4 A. Be appropriate in relation to the benefits
5 and the pattern of premiums for that plan; and

6 B. Be computed by a method which is consistent
7 with the principles of this Standard Valuation
8 Law,

9 as determined by regulations promulgated by the
10 superintendent.

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

12 §958-A. Interest rates extended

13 Notwithstanding section 958, the changes in the
14 interest rates for life insurance specified in this
15 subchapter and in sections 2528 to 2534, which were
16 made by the Amendatory Acts of 1979, shall continue
17 to apply to life insurance policies issued on or
18 after January 1, 1980 and prior to the operative date
19 of the Standard Nonforfeiture Law for Life Insurance,
20 section 2532-A.

21 Sec. 8. 24-A MRSA §2529, sub-§1, as amended by
22 PL 1973, c. 625, §144, is further amended to read:

23 §2529. Nonforfeiture provisions

24 1. In the case of policies issued on or after
25 January 1, 1970, no policy of life insurance, except
26 as stated in section 2534, ~~shall~~ may be delivered or
27 issued ~~or delivered~~ for delivery in this State,
28 unless it shall contain in substance the following
29 provisions, or corresponding provisions which in the
30 opinion of the superintendent are at least as favor-
31 able to the defaulting or surrendering policyholder
32 as are the minimum requirements hereinafter specified
33 and which are essentially in compliance with section
34 2533-A:

35 A. Paid-up nonforfeiture benefit. That, in the
36 event of default in any premium payment, the
37 insurer will grant, upon proper request not later

1 than 60 days after the due date of the premium in
2 default, a paid-up nonforfeiture benefit on a
3 plan stipulated in the policy, effective as of
4 such that due date, of such value amount as may
5 be hereinafter specified. In lieu of the stipu-
6 lated paid-up nonforfeiture benefit, the insurer
7 may substitute, upon proper request not later
8 than 60 days after the due date of the premium in
9 default, an actuarially equivalent alternative
10 paid-up nonforfeiture benefit which provides a
11 greater amount or longer period of death benefits
12 or, if applicable, a greater amount or earlier
13 payment of endowment benefits;

14 B. Cash surrender value. That, upon surrender
15 of the policy within 60 days after the due date
16 of any premium payment in default after premiums
17 have been paid for at least 3 full years in the
18 case of ordinary insurance or 5 full years in the
19 case of industrial insurance, the insurer will
20 pay, in lieu of any paid-up nonforfeiture bene-
21 fit, a cash surrender value of such amount as may
22 be hereinafter specified;

23 C. Effective date of benefit. That a specified
24 paid-up nonforfeiture benefit shall become effec-
25 tive as specified in the policy, unless the
26 person entitled to make such election elects
27 another available option not later than 60 days
28 after the due date of the premium in default;

29 D. Cash surrender value if policy paid
30 up. That, if the policy shall have become paid
31 up by completion of all premium payments or if it
32 is continued under any paid-up nonforfeiture ben-
33 efit which became effective on or after the 3rd
34 policy anniversary in the case of ordinary insur-
35 ance or the 5th policy anniversary in the case of
36 industrial insurance, the insurer will pay, upon
37 surrender of the policy within 30 days after any
38 policy anniversary, a cash surrender value of
39 such amount as may be hereinafter specified;

40 E. Mortality table and interest rate used. In
41 the case of policies which cause, on a basis
42 guaranteed in the policy, unscheduled changes in
43 benefits or premiums, or which provide an option

1 for changes in benefits or premiums other than a
2 change to a new policy, a statement of the
3 mortality table, interest rate, and method used
4 in calculating cash surrender values and the
5 paid-up nonforfeiture benefits available under
6 the policy. A In the case of all other policies,
7 a statement of the mortality table and interest
8 rate used in calculating the cash surrender
9 values and the paid-up nonforfeiture benefits
10 available under the policy, together with a table
11 showing the cash surrender value, if any, and
12 paid-up nonforfeiture benefit, if any, available
13 under the policy on each policy anniversary
14 either during the first 20 policy years or during
15 the term of the policy, whichever is shorter,
16 such those values and benefits to be calculated
17 upon the assumption that there are no dividends
18 or paid-up additions credited to the policy and
19 that there is no indebtedness to the insurer on
20 the policy; and

21 F. Method used in computing value and benefit. A
22 statement that the cash surrender values and the
23 paid-up nonforfeiture benefits available under
24 the policy are not less than the minimum values
25 and benefits required by or pursuant to the
26 insurance law of the state in which the policy is
27 delivered; an explanation of the manner in which
28 the cash surrender values and the paid-up nonfor-
29 feiture benefits are altered by the existence of
30 any paid-up additions credited to the policy or
31 any indebtedness to the insurer on the policy; if
32 a detailed statement of the method of computation
33 of the values and benefits shown in the policy is
34 not stated therein, a statement that such method
35 of computation has been filed with the insurance
36 supervisory official of the state in which the
37 policy is delivered; and a statement of the
38 method to be used in calculating the cash surren-
39 der value and paid-up nonforfeiture benefit
40 available under the policy on any policy anniver-
41 sary beyond the last anniversary for which such
42 values and benefits are consecutively shown in
43 the policy.

44 Sec. 9. 24-A MRSA §2530, as enacted by PL 1969,
45 c. 132, §1, is repealed and the following enacted in

1 its place:

2 §2530. Cash surrender value

3 1. Any cash surrender value available under the
4 policy in the event of default in a premium payment
5 due on any policy anniversary, whether or not re-
6 quired by section 2529, shall be an amount not less
7 than the excess, if any, of the present value, on
8 that anniversary, of the future guaranteed benefits
9 which would have been provided for by the policy,
10 including any existing paid-up additions, if there
11 had been no default, over the sum of:

12 A. Present value of adjusted premiums. The then
13 present value of the adjusted premiums as defined
14 in sections 2532 and 2532-A, corresponding to
15 premiums which would have fallen due on and after
16 that anniversary; and

17 B. Amount of indebtedness. The amount of any
18 indebtedness to the insurer on the policy.

19 2. For any policy issued on or after the oper-
20 ative date of section 2532-A as defined therein,
21 which provides supplemental life insurance or annuity
22 benefits at the option of the insured and for an
23 identifiable additional premium by rider or supple-
24 mental policy provision, the cash surrender value
25 referred to in subsection 1 shall be an amount not
26 less than the sum of the cash surrender value as de-
27 fined in that subsection for an otherwise similar
28 policy issued at the same age without that rider or
29 supplemental policy provision and the cash surrender
30 value as defined in that subsection for a policy
31 which provides only the benefits otherwise provided
32 by that rider or supplemental policy provision.

33 3. For any family policy issued on or after the
34 operative date of section 2532-A as defined therein,
35 which defines a primary insured and provides term
36 insurance on the life of the spouse of the primary
37 insured expiring before the spouse's age 71, the cash
38 surrender value referred to in subsection 1 shall be
39 an amount not less than the sum of the cash surrender
40 value as defined in that subsection for an otherwise
41 similar policy issued at the same age without that

1 term insurance on the life of the spouse and the cash
2 surrender value as defined in that subsection for a
3 policy which provides only the benefits otherwise
4 provided by that term insurance on the life of the
5 spouse.

6 4. Any cash surrender value available within 30
7 days after any policy anniversary under any policy
8 paid-up by completion of all premium payments or any
9 policy continued under any paid-up nonforfeiture ben-
10 efit, whether or not required by section 2529, shall
11 be an amount not less than the present value, on that
12 anniversary, of the future guaranteed benefits pro-
13 vided for by the policy, including any existing paid-
14 up additions, decreased by any indebtedness to the
15 insurer on the policy.

16 Sec. 10. 24-A MRSA §2532, as amended by PL 1979,
17 c. 442, §§2 and 3, is repealed and the following
18 enacted in its place:

19 §2532. Adjusted premiums for policies issued before
20 January 1, 1989

21 1. This section shall not apply to policies
22 issued on or after the operative date of section
23 2532-A as defined therein.

24 2. Except as provided in subsection 4, the ad-
25 justed premiums for any policy shall be calculated on
26 an annual basis and shall be the uniform percentage
27 of the respective premiums specified in the policy
28 for each policy year, excluding any extra premiums
29 charged because of cover impairments or special haz-
30 ards, that the present value, at the date of issue of
31 the policy, of all those adjusted premiums shall be
32 equal to the sum of:

33 A. The then present value of the future guaran-
34 teed benefits provided for by the policy;

35 B. Two percent of the amount of insurance, if
36 the insurance be uniform in amounts, or of the
37 equivalent uniform amount, as hereinafter de-
38 fined, if the amount of insurance varies with
39 duration of the policy;

1 C. Forty percent of the adjusted premium for the
2 first policy year; and

3 D. Twenty-five percent of either the adjusted
4 premium for the first policy year or the adjusted
5 premium for a whole life policy of the same uni-
6 form or equivalent uniform amount with uniform
7 premiums for the whole of life issued at the same
8 age for the same amount of insurance, whichever
9 is less.

10 In applying the percentages specified in paragraphs C
11 and D, no adjusted premium may be deemed to exceed 4%
12 of the amount of insurance or uniform amount equiva-
13 lent thereto. The date of issue of a policy for the
14 purpose of this section shall be the date as of which
15 the rated age of the insured is determined.

16 3. In the case of a policy providing an amount
17 of insurance varying with duration of the policy, the
18 equivalent uniform amount thereof for the purpose of
19 this section shall be deemed to be the uniform amount
20 of insurance provided by an otherwise similar policy,
21 containing the same endowment benefit or benefits, if
22 any, issued at the same age and for the same term,
23 the amount of which does not vary with duration and
24 the benefits under which have the same present value
25 at the date of issue as the benefits under the
26 policy, provided that in the case of a policy provid-
27 ing a varying amount of insurance issued on the life
28 of a child under age 10, the equivalent uniform
29 amount may be computed as though the amount of insur-
30 ance provided by the policy prior to the attainment
31 of age 10 were the amount provided by that policy at
32 age 10.

33 4. The adjusted premiums for any policy provid-
34 ing term insurance benefits by rider or supplemental
35 policy provision shall be equal to:

36 A. The adjusted premiums for an otherwise simi-
37 lar policy issued at the same age without those
38 term insurance benefits, increased, during the
39 period for which premiums for those term insur-
40 ance benefits are payable; by

41 B. The adjusted premiums for that term insur-

1 ance, the foregoing items A and B being calcu-
2 lated separately and as specified in subsections
3 1 and 2, except that, for purposes of subsection
4 1, paragraphs B, C and D, the amount of insurance
5 or equivalent uniform amount of insurance used in
6 the calculation of the adjusted premiums referred
7 to in subsection 2, paragraph B shall be equal to
8 the excess of the corresponding amount determined
9 for the entire policy over the amount used in the
10 calculation of the adjusted premiums in paragraph
11 A.

12 5. Except as provided in subsection 6 and in
13 section 2532-A, all adjusted premiums and present
14 values referred to in sections 2529 to 2534 shall for
15 all policies of ordinary insurance be calculated on
16 the basis of the Commissioners 1958 Standard Ordinary
17 Mortality Table, provided that, for any category of
18 ordinary insurance issued on female risks, adjusted
19 premiums and present values may be calculated accord-
20 ing to an age not more than 3 years younger than the
21 actual age of the insured, and those calculations for
22 all policies of industrial insurance shall be made on
23 the basis of the Commissioners 1961 Standard Indus-
24 trial Mortality Table. All calculations shall be
25 made on the basis of the rate of interest specified
26 in the policy for calculating cash surrender values
27 and paid-up nonforfeiture benefits, provided that
28 that rate of interest shall not exceed 3 1/2% each
29 year, except that a rate of interest not exceeding 4%
30 each year may be used for policies issued on or after
31 December 31, 1975. In calculating the present value
32 of any paid-up term insurance with accompanying pure
33 endowment, if any, offered as a nonforfeiture benefit
34 for ordinary insurance, the rates of mortality
35 assumed may not be more than those shown in the Com-
36 missioners 1958 Extended Term Insurance Table and for
37 industrial insurance rates of mortality may not be
38 more than those shown in the Commissioners 1961
39 Industrial Extended Term Insurance Table. For insur-
40 ance issued on a substandard basis, the calculation
41 of any such adjusted premiums and present values may
42 be based on such other table of mortality as may be
43 specified by the insurer and approved by the superin-
44 tendent.

45 6. In the case of policies issued on or after

1 January 1, 1980, adjusted premiums and present values
2 for any category of ordinary insurance issued on
3 female risks may be calculated according to an age
4 not more than 6 years younger than the actual age of
5 the insured. All calculations for all policies of
6 ordinary and industrial insurance shall be made on
7 the basis of the rate of interest specified on the
8 policy for calculating cash surrender values and
9 paid-up nonforfeiture benefits, provided that the
10 rate of interest shall not exceed 5 1/2% each year.

11 Sec. 11. 24-A MRSA §2532-A is enacted to read:

12 §2532-A. Adjusted premiums for policies issued on or
13 after January 1, 1989

14 1. This section shall apply to all policies
15 issued on or after the operative date of this section
16 as defined herein. Except as provided in subsection
17 7, the adjusted premiums for any policy shall be cal-
18 culated on an annual basis and shall be that uniform
19 percentage of the respective premiums specified in
20 the policy for each policy year, excluding amounts
21 payable as extra premiums to cover impairments or
22 special hazards and also excluding any uniform annual
23 contract charge or policy fee specified in the policy
24 in a statement of the method to be used in calculat-
25 ing the cash surrender values and paid-up nonforfeit-
26 ure benefits, that the present value, at the date of
27 issue of the policy, of all adjusted premiums shall
28 be equal to the sum of:

29 A. The then present value of the future guaran-
30 teed benefits provided for by the policy;

31 B. One percent of either the amount of insur-
32 ance, if the insurance be uniform in amount, or
33 the average amount of insurance at the beginning
34 of each of the first 10 policy years; and

35 C. One hundred twenty-five percent of the non-
36 forfeiture net level premium as hereinafter de-
37 finied.

38 In applying the percentage specified in paragraph C,
39 no nonforfeiture net level premium may be deemed to
40 exceed 4% of either the amount of insurance, if the

1 insurance be uniform in amount, or the average amount
2 of insurance at the beginning of each of the first 10
3 policy years. The date of issue of a policy for the
4 purpose of this section shall be the date as of which
5 the rated age of the insured is determined.

6 2. The nonforfeiture net level premium shall be
7 equal to the present value, at the date of issue of
8 the policy, of the guaranteed benefits provided for
9 by the policy divided by the present value, at the
10 date of issue of the policy, of an annuity of one per
11 annum payable on the date of issue of the policy and
12 on each anniversary of the policy on which a premium
13 falls due.

14 3. In the case of policies which cause, on a
15 basis guaranteed in the policy, unscheduled changes
16 in benefits or premiums, or which provide an option
17 for changes in benefits or premiums other than a
18 change to a new policy, the adjusted premiums and
19 present values shall initially be calculated on the
20 assumption that future benefits and premiums do not
21 change from those stipulated at the date of issue of
22 the policy. At the time of any change of that type
23 in the benefits or premiums the future adjusted pre-
24 miums, nonforfeiture net level premiums and present
25 values shall be recalculated on the assumption that
26 future benefits and premiums do not change from those
27 stipulated by the policy immediately after the
28 change.

29 4. Except as otherwise provided in subsection 7,
30 the recalculated future adjusted premiums for any
31 policy of that type shall be that uniform percentage
32 of the respective future premiums specified in the
33 policy for each policy year, excluding amounts pay-
34 able as extra premiums to cover impairments and spe-
35 cial hazards, and also excluding any uniform annual
36 contract charge or policy fee specified in the policy
37 in a statement of the method to be used in calculat-
38 ing the cash surrender values and paid-up nonforfei-
39 ture benefits, that the present value, at the time of
40 change to the newly defined benefits or premiums of
41 all those future adjusted premiums shall be equal to
42 the excess of:

43 A. The sum of the then present value of the then

1 future guaranteed benefits provided for by the
2 policy and the additional expense allowance, if
3 any; over

4 B. The then cash surrender value, if any, or
5 present value of any paid-up nonforfeiture bene-
6 fit near the policy.

7 5. The additional expense allowance, at the time
8 of the change to the newly defined benefits or pre-
9 miums, shall be the sum of:

10 A. One percent of the excess, if positive, of
11 the average amount of insurance at the beginning
12 of each of the first 10 policy years subsequent
13 to the change over the average amount of insur-
14 ance prior to the change at the beginning of each
15 of the first 10 policy years subsequent to the
16 time of the most recent previous change, or, if
17 there has been no previous change, the date of
18 issue of the policy; and

19 B. One hundred twenty-five percent of the
20 increase, if positive, in the nonforfeiture net
21 level premium.

22 6. The recalculated nonforfeiture net level pre-
23 mium shall be equal to the result obtained by divid-
24 ing paragraph A by paragraph B where:

25 A. Paragraph A equals the sum of:

26 (1) The nonforfeiture net level premium
27 applicable prior to the change times the
28 present value of an annuity of one per annum
29 payable on each anniversary of the policy on
30 or subsequent to the date of the change on
31 which a premium would have fallen due had
32 the change not occurred; and

33 (2) The present value of the increase in
34 future guaranteed benefits provided for by
35 the policy; and

36 B. Equals the present value of an annuity of one
37 per annum payable on each anniversary of the
38 policy on or subsequent to the date of change on

1 which a premium falls due.

2 7. Notwithstanding any other provisions of this
3 section to the contrary, in the case of a policy
4 issued on a substandard basis which provides reduced
5 graded amounts of insurance so that, in each policy
6 year, that policy has the same tabular mortality cost
7 as an otherwise similar policy issued on the standard
8 basis which provides higher uniform amounts of insur-
9 ance, adjusted premiums and present values for that
10 substandard policy may be calculated as if it were
11 issued to provide those higher uniform amounts of
12 insurance on the standard basis.

13 8. All adjusted premiums and present values
14 referred to in this chapter shall for all policies of
15 ordinary insurance issued after the operative date of
16 this section be calculated on the basis of:

17 A. The Commissioners 1980 Standard Ordinary
18 Mortality Table; or

19 B. At the election of the insurer for any one or
20 more specified plans of life insurance, the Com-
21 missioners 1980 Standard Ordinary Mortality Table
22 with Ten-Year Select Mortality Factors; shall for
23 all policies of industrial insurance be calcu-
24 lated on the basis of the Commissioners 1961
25 Standard Industrial Mortality Table; and shall
26 for all policies issued in a particular calendar
27 year be calculated on the basis of a rate of
28 interest not exceeding the nonforfeiture interest
29 rate as defined in this section for policies
30 issued in that calendar year. Provided that:

31 (1) At the option of the insurer, calcula-
32 tions for all policies issued in a partic-
33 ular calendar year may be made on the basis
34 of a rate of interest not exceeding the non-
35 forfeiture interest rate, as defined in this
36 section, for policies issued in the immedi-
37 ately preceding calendar year;

38 (2) Under any paid-up nonforfeiture bene-
39 fit, including any paid-up dividend addi-
40 tions, any cash surrender value available,
41 whether or not required by section 2529,

1 shall be calculated on the basis of the
2 mortality table and rate of interest used in
3 determining the amount of that paid-up non-
4 forfeiture benefit and paid-up dividend ad-
5 ditions, if any;

6 (3) An insurer may calculate the amount of
7 any guaranteed paid-up nonforfeiture benefit
8 including any paid-up additions under the
9 policy on the basis of an interest rate no
10 lower than that specified in the policy for
11 calculating cash surrender values;

12 (4) In calculating the present value of any
13 paid-up term insurance with accompanying
14 pure endowment, if any, offered as a nonfor-
15 feiture benefit, the rates of mortality
16 assumed may be not more than those shown in
17 the Commissioners 1980 Extended Term Insur-
18 ance Table for policies of ordinary insur-
19 ance and not more than the Commissioners
20 1961 Industrial Extended Term Insurance
21 Table for policies of industrial insurance;

22 (5) For insurance issued on a substandard
23 basis, the calculation of any such adjusted
24 premiums and present values may be based on
25 appropriate modifications of the aforemen-
26 tioned tables;

27 (6) Any ordinary mortality tables, adopted
28 after 1980 by the National Association of
29 Insurance Commissioners, that are approved
30 by regulation promulgated by the superinten-
31 dent for use in determining the minimum non-
32 forfeiture standard may be substituted for
33 the Commissioners 1980 Standard Ordinary
34 Mortality Table with or without Ten-Year
35 Select Mortality Factors or for the Commis-
36 sioners 1980 Extended Term Insurance Table;
37 and

38 (7) Any industrial mortality tables,
39 adopted after 1980 by the National Associa-
40 tion of Insurance Commissioners, that are
41 approved by regulation promulgated by the
42 superintendent for use in determining the

1 minimum nonforfeiture standard may be sub-
2 stituted for the Commissioners 1961 Standard
3 Industrial Mortality Table or the Commis-
4 sioners 1961 Industrial Extended Term Insur-
5 ance Table.

6 9. The nonforfeiture interest rate per annum for
7 any policy issued in a particular calendar year shall
8 be equal to 125% of the calendar year statutory
9 valuation interest rate for that policy as defined in
10 the Standard Valuation Law, rounded to the nearer 1/4
11 of 1%.

12 10. Notwithstanding any other provision in this
13 code to the contrary, any refiling of nonforfeiture
14 values or their methods of computation for any previ-
15 ously approved policy from which involves only a
16 change in the interest rate or mortality table used
17 to compute nonforfeiture values shall not require
18 refiling of any other provisions of that policy form.

19 11. After the effective date of this section,
20 any insurer may file with the superintendent a writ-
21 ten notice of its election to comply with the provi-
22 sions of this section after a specified date before
23 January 1, 1989, which shall be the operative date of
24 this section for that insurer. If an insurer makes
25 no such election, the operative date of this section
26 for that company shall be January 1, 1989.

27 Sec. 12. 24-A MRSA §2532-B is enacted to read:

28 §2532-B. Superintendent's authority to approve cer-
29 tain new plans

30 1. In the case of any plan of life insurance
31 which provides for future premium determination, the
32 amounts of which are to be determined by the insurer
33 based on then estimates of future experience, or in
34 the case of any plan of life insurance which is of
35 such a nature that minimum values cannot be deter-
36 mined by the methods described in sections 2529 to
37 2532-A herein, then:

38 A. The superintendent must be satisfied that the
39 benefits provided under the plan are substan-
40 tially as favorable to policyholders and insureds

1 as the minimum benefits otherwise required by
2 sections 2529 to 2532-A herein;

3 B. The superintendent must be satisfied that the
4 benefits and the pattern of premiums of that plan
5 are not such as to mislead prospective policy-
6 holders or insureds; and

7 C. The cash surrender values and paid-up nonfor-
8 feiture benefits provided by that plan must not
9 be less than the minimum values and benefits re-
10 quired for the plan computed by a method consist-
11 ent with the principles of this Standard Nonfor-
12 feiture Law for Life Insurance, as determined by
13 regulations promulgated by the superintendent.

14 Sec. 13. 24-A MRSA §2533, first ¶, as enacted by
15 PL 1969, c. 132, §1, is amended to read:

16 Any cash surrender value and any paid-up nonfor-
17 feiture benefit, available under the policy in the
18 event of default in a premium payment due at any time
19 other than on the policy anniversary, shall be calcu-
20 lated with allowance for the lapse of time and the
21 payment of fractional premiums beyond the last pre-
22 ceding policy anniversary. All values referred to in
23 sections 2530 to ~~2532~~ 2532-A may be calculated upon
24 the assumption that any death benefit is payable at
25 the end of the policy year of death. The net value of
26 any paid-up additions, other than paid-up term addi-
27 tions, shall be not less than the ~~dividends~~ amounts
28 used to provide ~~such~~ those additions. Notwithstanding
29 section 2530, additional benefits payable:

30 Sec. 14. 24-A MRSA §2533-A is enacted to read:

31 §2533-A. Additional provisions for policies issued
32 after January 1, 1987

33 1. This section, in addition to all other appli-
34 cable sections of this chapter, shall apply to all
35 policies issued on or after January 1, 1987. Any
36 cash surrender value available under the policy in
37 the event of default in a premium payment due on any
38 policy anniversary shall be in an amount which does
39 not differ by more than 2/10ths of 1% of either the
40 amount of insurance, if the insurance be uniform in

1 amount, or the average amount of insurance at the
2 beginning of each of the first 10 policy years, from
3 the sum of:

4 A. The greater of zero and the basic cash value
5 hereinafter specified; and

6 B. The present value of any existing paid-up ad-
7 ditions less the amount of any indebtedness to
8 the company under the policy.

9 2. The basic cash value shall be equal to the
10 present value, on that anniversary, of the future
11 guaranteed benefits which would have been provided
12 for by the policy, excluding any existing paid-up ad-
13 ditions and before deduction of any indebtedness to
14 the insurer, if there had been no default, less the
15 then present value of the nonforfeiture factors, as
16 hereinafter defined, corresponding to premiums which
17 would have fallen due on and after that anniversary,
18 provided that the effects on the basic cash value of
19 supplemental life insurance or annuity benefits or of
20 family coverage, as described in section 2530 or
21 2532, whichever is applicable, shall be the same as
22 are the effects specified in section 2530 or 2532,
23 whichever is applicable on the cash surrender values
24 defined in that section.

25 3. The nonforfeiture factor for each policy year
26 shall be an amount equal to a percentage of the ad-
27 justed premium for the policy year, as defined in
28 section 2532 or 2532-A, whichever is applicable.
29 Except as is required by the next succeeding sentence
30 of this paragraph, that percentage:

31 A. Must be the same percentage for each policy
32 year between the 2nd policy anniversary and the
33 later of the 5th policy anniversary and the first
34 policy anniversary at which there is available
35 under the policy a cash surrender value in an
36 amount, before including any paid-up additions
37 and before deducting any indebtedness, of at
38 least 2/10ths of 1% of either the amount of
39 insurance, if the insurance be uniform in amount,
40 or the average amount of insurance at the begin-
41 ning of each of the first 10 policy years; and

1 B. Must be such that no percentage after the
2 later of the 2 policy anniversaries, specified in
3 paragraph A, may apply to fewer than 5 consecu-
4 tive policy years.

5 4. No basic cash value may be less than the
6 value which would be obtained if the adjusted pre-
7 miums for the policy, as defined in section 2532 or
8 2532-A, whichever is applicable, were substituted for
9 the nonforfeiture factors in the calculation of the
10 basic cash value.

11 5. All adjusted premiums and present values
12 referred to in this section shall for a particular
13 policy be calculated on the same mortality and inter-
14 est bases as are used in demonstrating the policy's
15 compliance with the other sections of this chapter.
16 The cash surrender values referred to in this section
17 shall include any endowment benefits provided for by
18 the policy.

19 6. Any cash surrender value available other than
20 in the event of default in a premium payment due on a
21 policy anniversary, and the amount of any paid-up
22 nonforfeiture benefit available under the policy in
23 the event of default in a premium payment shall be
24 determined in manners consistent with the manners
25 specified for determining the analogous minimum
26 amounts in sections 2529 to 2532-A and section 2533.
27 The amounts of any cash surrender values and of any
28 paid-up nonforfeiture benefits granted in connection
29 with additional benefits such as those listed in
30 section 2533, subsections 1 to 6, shall conform with
31 the principles of this section.

32 Sec. 15. 24-A MRSA §2534, as enacted by PL 1969,
33 c. 132, §1, is repealed and the following enacted in
34 its place:

35 §2534. Exceptions

36 Sections 2529 to 2534 shall not apply to any of
37 the following:

- 38 1. Reinsurance;
39 2. Group insurance;

1 3. Pure endowment;

2 4. Annuity or reversionary annuity contract;

3 5. Any term policy of uniform amount, which pro-
4 vides no guaranteed nonforfeiture or endowment bene-
5 fits, or renewal thereof, of 20 years or less expir-
6 ing before age 71, for which uniform premiums are
7 payable during the entire term of the policy;

8 6. Any term policy of decreasing amount, which
9 provides no guaranteed nonforfeiture or endowment
10 benefits, on which each adjusted premium, calculated
11 as specified in sections 2532 and 2532-A, is less
12 than the adjusted premium so calculated, on a term
13 policy of uniform amount, or renewal thereof, which
14 provides no guaranteed nonforfeiture or endowment
15 benefits, issued at the same age and for the same
16 initial amount of insurance and for a term of 20
17 years or less expiring before age 71, for which uni-
18 form premiums are payable during the entire term of
19 the policy;

20 7. Any policy, which provides no guaranteed non-
21 forfeiture or endowment benefits, for which no cash
22 surrender value, if any, or present value of any
23 paid-up nonforfeiture benefit, at the beginning of
24 any policy year, calculated as specified in sections
25 2530 to 2532-A, exceeds 2 1/2% of the amount of
26 insurance at the beginning of the same policy year;
27 or

28 8. Any policy which shall be delivered outside
29 this State through an agent or other representative
30 of the insurer issuing the policy.

31 For purposes of this chapter, the age at expiry for a
32 joint term life insurance policy shall be the age at
33 expiry of the oldest life.

34 STATEMENT OF FACT

35 The Standard Valuation Law prescribes minimum
36 reserves which insurers must hold to ensure that
37 their obligations under life insurance policies and
38 annuity contracts can be met. The Standard Nonfor-

1 feiture Law for Life Insurance prescribes minimum
2 cash values or paid-up insurance benefits which must
3 be available to individual life insurance policyhold-
4 ers who elect to surrender their policies or discon-
5 tinue premium payments. In both, the minimums are
6 expressed in the form of maximum interest rates, min-
7 imum mortality rates, maximum expense allowance rates
8 and prescribed methods of applying these rates to the
9 obligations insured under the policies and contracts.
10 An insurer may always at its option hold reserves or
11 grant policy values higher than the statutory
12 minimums.

13 These legal minimum standards have been revised
14 from time to time as conditions warranted. In 1980,
15 the National Association of Insurance Commissioners
16 (NAIC) determined that additional revisions were
17 appropriate and it therefore promulgated model amend-
18 ments to these laws. Through 1982, these amendments
19 have been enacted in 3/4 of all the states.

20

1534011383