LAWS

OF THE

STATE OF MAINE

AS PASSED BY THE

ONE HUNDRED AND ELEVENTH LEGISLATURE

FIRST REGULAR SESSION
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Chapters 1-452

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J.S. McCarthy Co., Inc.
Augusta, Maine
1983

PUBLIC LAWS

OF THE

STATE OF MAINE

AS PASSED AT THE

FIRST REGULAR SESSION

and

FIRST SPECIAL SESSION

of the

ONE HUNDRED AND ELEVENTH LEGISLATURE

1983

General Fund. Moneys collected from civil penalties shall not be used for normal operating expenses of the department, except as appropriations made from the General Fund in the normal budgetary process.

Sec. 14. Effective date; transition. This Act shall take effect on January 1, 1984. Existing regulations shall remain in effect until new regulations are promulgated under this Act.

Effective January 1, 1984.

CHAPTER 346

H.P. 876 - L.D. 1130

AN ACT to Amend the Standard Valuation Law for Life Insurance and Annuities and the Standard Nonforfeiture Law for Life Insurance.

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

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

§951. Short title

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

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

2. This subsection applies only to policies and contracts issued on and after January 1, 1948, or ~~such~~ the earlier date after July 21, 1945, as shall have been elected by an insurer as the date on and after which it would comply with the Standard Nonforfeiture Law.

Except as otherwise provided in subsection 3 and section 953-A, the minimum standard for the valuation of all ~~such~~ those 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~~ these 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.

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~~ these policies, -- the Commissioners 1941 Standard Ordinary Mortality Table; provided~~, however,~~ that the Commissioners 1958 Standard Ordinary Mortality Table shall be the table for ~~such~~ the minimum standard for ~~such~~ those 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~~,~~ and prior to the operative date of the Standard Nonforfeiture Law for Life Insurance, section 2532-A; provided that for any category of ~~such~~ those 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~~ those policies issued on or after January 1, 1980, according to an age not more than 6 years younger than the actual age of the insured. For those policies issued on or after the operative date of the Standard Nonforfeiture Law for Life Insurance, section 2532-A, the Commissioners 1980 Standard Ordinary Mortality Table, or at the election of the company for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors or any ordinary mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for the policies.

B. Standard Industrial Mortality Table. For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in ~~such~~ the policies, -- the 1941 Standard Industrial Mortality Table; provided that the Commissioners 1961 Standard Industrial Mortality Table, or any industrial mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for those policies, shall be the table for ~~such~~ the minimum standard for ~~such~~ those policies issued on and after January 1, 1968, or such earlier date after September 1, 1963, as shall have been elected by the 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.

C. Standard Annuity Mortality Table or Annuity Mortality Table. For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in ~~such~~ those policies -- the 1937 Standard Annuity Mortality Table or, at the option of the insurer, the Annuity Mortality Table for 1949, Ultimate, or any modification of either of these tables approved by the superintendent.

D. Group Annuity Mortality Table. For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in ~~such~~ those policies -- the Group Annuity Mortality Table for 1951, any modification of ~~such~~ the table approved by the superintendent, or, at the option of the insurer, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

E. Class (3) Disability Table. For total and permanent disability benefits in or supplementary to ordinary policies or contracts -- for policies or contracts issued on or after January 1, 1966, the tables of Period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 Disability Study of the Society of Actuaries, with due regard to the type of benefit or any tables of disablement rates and termination rates, adopted after 1980 by the National Association of Insurance Commissioners, that are approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for those policies; for policies or contracts issued on or after January 1, 1961 and prior to January 1, 1966, either ~~such~~ those tables or, at the option of the insurer, the Class (3) Disability Table (1926); and for policies issued prior to January 1, 1961, the Class (3) Disability Table (1926). Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

F. Inter-Company Double Indemnity Mortality Table. For accidental death benefits in or supplementary to policies -- for policies issued on or after January 1, 1966, the 1959 Accidental Death Benefits Table or any accidental death benefits table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for those policies; for policies issued on or after January 1, 1961 and prior to January 1, 1966, either ~~such~~ that table or, at the option of the insurer, the Inter-Company Double Indemnity Mortality Table; and for policies issued prior to January 1, 1961, the Inter-Company Double Indemnity Mortality Table. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

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

3. ~~The~~ Except as provided in section 953-A, the minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the effective date of this subsection, as defined herein, and for all annuities and pure endowments purchased on or after ~~such~~ the effective date under group annuity and pure endowment contracts, shall be the commissioners reserve valuation method defined in section 954 and the following tables and interest rates.

A. 1971 Individual Annuity Mortality Table. For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in ~~such~~ those contracts -- the 1971 Individual Annuity Mortality Table, or any individual annuity mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for those contracts, or any modification of ~~this table~~ these tables 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~~ these 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~~ those contracts -- the 1971 Group Annuity Mortality Table, or any group annuity mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for those annuities and pure endowments, or any modification of ~~this table~~ these tables approved by the superintendent, and 6% interest, or in the case of annuities and pure endowments purchased under ~~such~~ those contracts on or after January 1, 1980, 7 1/2% interest.

This subsection shall not apply to any insurer before January 1, 1979, unless ~~such~~ the insurer shall have filed with the superintendent an election to comply with the provisions of this subsection after a specified date before January 1, 1979, provided that an insurer may elect different dates on which this subsection shall apply to individual and pure endowment contracts and to group annuity and pure endowment contracts. If an insurer makes no such election, this subsection shall apply to ~~such~~ that insurer on January 1, 1979.

Sec. 3. 24-A MRSA §953-A is enacted to read:

§953-A. Applicable interest rates

1. The interest rates used in determining the minimum standard for the valuation of the following shall be the calendar year statutory valuation interest rates, as defined in this section:

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

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

C. All annuities and pure endowments purchased in a particular calendar year on or after January 1, 1984, or January 1, 1983, at the election of the insurer, under group annuity and pure endowment contracts; and

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

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

2. The calendar year statutory valuation interest rates, I, shall be determined as follows and the results rounded to the nearest 1/4 of 1%:

A. For life insurance:

$$I=.03 + W(R_1 -.03) + W_2(R_2 -.09);$$

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

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

where R_1 is the lesser of R and .09,

R_2 is the greater of R and .09,

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

C. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis, except as stated in paragraph B, the formula for life insurance stated in paragraph A shall apply to annuities and guaranteed interest contracts with guarantee durations in excess of 10 years, and the formula for single premium immediate annuities stated in paragraph B shall apply to annuities and guaranteed interest contracts with guarantee duration of 10 years or less;

D. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the formula for single premium annuities stated in paragraph B shall apply; and

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

If the calendar year statutory valuation interest rate for any life insurance policies issued in any calendar year, determined without reference to this sentence, differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than 1/2 of 1%, the calendar year statutory valuation interest rate for those life insurance policies shall be equal to the corresponding actual rate for the immediately preceding calendar year. For purposes of applying the immediately preceding sentence, the calendar year statutory valuation interest rate for life insurance policies issued in a calendar year shall be determined for 1980, by using the reference interest rate defined for 1979, and shall be determined for each subsequent calendar year, regardless of when the Standard Nonforfeiture Law for Life Insurance, section 2532-A, becomes operative.

3. The weighting factors in the formulas in subsection 2 are given in the following tables:

A. Weighting Factors for Life Insurance:

Guarantee Duration (Years)	Weighting Factors
10 or less	.50
More than 10, but not more than 20	.45
More than 20	.35

For life insurance, the guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in policy or under options to convert to plans of life insurance with premium rates or nonforfeiture values or both which are guaranteed in the original policy;

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

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

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

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

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

Plan Type A	B	C
.15	.25	.05;

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

Plan Type A	B	C
.05	.05	.05;

(4) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the guarantee duration is the number of years for which the contract guarantees interest rates in excess of the calendar year statutory valuation interest rate for life insurance policies with guarantee duration in excess of 20 years. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the guarantee duration is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence;

(5) Plan type as used in the subparagraphs (1), (2) and (3) tables is defined as follows.

(a) Plan Type A. At any time policyholder may withdraw funds, only: With an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company; without that adjustment, but in installments over 5 years or more; as an immediate life annuity; or no withdrawal permitted.

(b) Plan Type B. Before expiration of the interest rate guarantee, policyholder may withdraw funds, only: With an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company; without that adjustment, but in installments over 5 years or more; or no withdrawal permitted. At the end of interest rate guarantee, funds may be withdrawn without that adjustment in a single sum or installments over less than 5 years.

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

(6) A company may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on either an issue year basis or on a change in fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options must be valued on an issue year basis. As used in this section, an issue year basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract, and the change in fund basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

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

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

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

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

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

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

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

5. In the event that Moody's Corporate Bond Yield Average-Monthly Average Corporates is no longer published by Moody's Investors Service, Inc., or in the event that the National Association of Insurance Commissioners determines that Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. is no longer appropriate for the determination of the reference interest rate, then an alternative method for determination of the reference interest rate, which is adopted by the National Association of Insurance Commissioners and approved by regulation promulgated by the superintendent, may be substituted.

Sec. 4. 24-A MRSA §954, sub-§1, as repealed and replaced by PL 1979, c. 453, §5, is amended to read:

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 requiring 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~~ over 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~~ those benefits provided in the first policy year.

~~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 United States Internal Revenue Code, Section 408, as now or hereafter amended;~~

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

~~(4) All other benefits, except life insurance and endowment benefits in life insur-~~

~~ance 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.~~

Sec. 5. 24-A MRSA §954, sub-§1-A is enacted to read:

1-A. Reserve. For any life insurance policy issued on or after January 1, 1987, for which the contract premium in the first policy year exceeds that of the 2nd year and for which no comparable additional benefit is provided in the first year for that excess and which provides an endowment benefit or a cash surrender value, or a combination thereof, in an amount greater than that excess premium, the reserve according to the commissioners reserve valuation method as of any policy anniversary occurring on or before the assumed ending date, defined in this subsection as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than that excess premium, shall, except as otherwise provided in section 957, be the greater of the reserve as of that policy anniversary calculated as described in subsection 1 and the reserve as of that policy anniversary calculated as described in subsection 1, but with the value defined in subsection 1, paragraph A, being reduced by 15% of the amount of that excess first year premium, all present values of benefits and premiums being determined without reference to premiums or benefits provided for by the policy after the assumed ending date, the policy being assumed to mature on that date as an endowment, and the cash surrender value provided on that date being considered as an endowment benefit. In making this comparison, the mortality and interest bases stated in sections 953 and 953-A shall be used.

Reserves according to the commissioners reserve valuation method for:

A. Life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums;

B. 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 United States Internal Revenue Code, Section 408, as now or hereafter amended;

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

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,

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

Sec. 6. 24-A MRSA §955, as enacted by PL 1969, c. 132, §1, is amended to read:

§955. Amount of aggregate reserves

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

Sec. 7. 24-A MRSA §957, as repealed and replaced by PL 1979, c. 453, §7, 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 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~~ that 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~~ that policy or contract, or the reserve calculated by the method actually used for ~~such~~ that policy or contract, but using the minimum valuation 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. The minimum valuation standards of mortality and rate of interest referred to in this section are those standards stated in sections 953 and 953-A.

For any life insurance policy issued on or after January 1, 1987, for which the gross premium in the first policy year exceeds that of the 2nd year and for which no comparable additional benefit is provided in the first year for that excess and which provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than that excess premium, the foregoing provisions of this section shall be applied as if the method actually used in calculating the reserve for that policy were the method described in section 954, ignoring the 2nd paragraph of section 954. The minimum reserve at each policy anniversary of such a policy shall be the greater of the minimum reserve calculated in accordance with section 954, including the 2nd paragraph of that section, and the minimum reserve calculated in accordance with this section 957.

Sec. 8. 24-A MRSA §957-A is enacted to read:

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

1. In the case of any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurance company based on then estimates of future experience, or in the case of any plan of life insurance or annuity which is of such a nature that the minimum reserves cannot be determined by the methods described in sections 954 and 957, the reserves which are held under any plan of that type must:

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

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

as determined by regulations promulgated by the superintendent.

Sec. 9. 24-A MRSA §958-A is enacted to read:

§958-A. Interest rates extended

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

Sec. 10. 24-A MRSA §2529, sub-§1, as amended by PL 1973, c. 625, §144, is further amended to read:

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

A. Paid-up nonforfeiture benefit. That, in the event of default in any premium payment, the insurer will grant, upon proper request not later than 60 days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of ~~such~~ that due date, of such ~~value~~ amount as may be hereinafter specified. In lieu of the stipulated paid-up nonforfeiture benefit, the insurer may substitute, upon proper request not later than 60 days after the due date of the premium in default, an actuarially equivalent alternative paid-up nonforfeiture benefit which provides a greater amount or longer period of death benefits or, if applicable, a greater amount or earlier payment of endowment benefits;

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

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

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

E. Mortality table and interest rate used. In the case of policies which cause, on a basis guaranteed in the policy, unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, a statement of the mortality table, interest rate, and method used in calculating cash surrender values and the paid-up nonforfeiture benefits available under the policy. ~~A~~ In the case of all other policies, a statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy, together with a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary either during the first 20 policy years or during the term of the policy, whichever is shorter, ~~such~~ those values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the insurer on the policy; and

F. Method used in computing value and benefit. A statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance law of the state in which the policy is delivered; an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the insurer on the policy; if a detailed statement of the method of computation of the values and benefits shown in the policy is not stated therein, a statement that such method of computation has been filed with the insurance supervisory official of the state in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values and benefits are consecutively shown in the policy.

Sec. 11. 24-A MRSA §2530, as enacted by PL 1969, c. 132, §1, is repealed and the following enacted in its place:

§2530. Cash surrender value

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

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

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

2. For any policy issued on or after the operative date of section 2532-A as defined therein, which provides supplemental life insurance or annuity benefits at the option of the insured and for an identifiable additional premium by rider or supplemental policy provision, the cash surrender value referred to in subsection 1 shall be an amount not less than the sum of the cash surrender value as defined in that subsection for an otherwise similar policy issued at the same age without that rider or supplemental policy provision and the cash surrender value as defined in that subsection for a policy which provides only the benefits otherwise provided by that rider or supplemental policy provision.

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

policy which provides only the benefits otherwise provided by that term insurance on the life of the spouse.

4. Any cash surrender value available within 30 days after any policy anniversary under any policy paid-up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefit, whether or not required by section 2529, shall be an amount not less than the present value, on that anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the insurer on the policy.

Sec. 12. 24-A MRSA §2532, as amended by PL 1979, c. 442, §§2 and 3, is repealed and the following enacted in its place:

§2532. Adjusted premiums for policies issued before the operative date of section 2532-A

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

2. Except as provided in subsection 4, the adjusted premiums for any policy shall be calculated on an annual basis and shall be the uniform percentage of the respective premiums specified in the policy for each policy year, excluding any extra premiums charged because of cover impairments or special hazards, that the present value, at the date of issue of the policy, of all those adjusted premiums shall be equal to the sum of:

A. The then present value of the future guaranteed benefits provided for by the policy;

B. Two percent of the amount of insurance, if the insurance be uniform in amounts, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy;

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

D. Twenty-five percent of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less.

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

3. In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of this section shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy, provided that in the case of a policy providing a varying amount of insurance issued on the life of a child under age 10, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age 10 were the amount provided by that policy at age 10.

4. The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to:

A. The adjusted premiums for an otherwise similar policy issued at the same age without those term insurance benefits, increased, during the period for which premiums for those term insurance benefits are payable, by

B. The adjusted premiums for that term insurance.

Paragraphs A and B shall be calculated separately and as specified in subsections 2 and 3, except that, for purposes of subsection 2, paragraphs B, C and D, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in paragraph B of this subsection shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in paragraph A.

5. Except as provided in subsection 6 and in section 2532-A, all adjusted premiums and present values referred to in sections 2529 to 2534 shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table, provided that, for any category of

ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than 3 years younger than the actual age of the insured, and those calculations for all policies of industrial insurance shall be made on the basis of the Commissioners 1961 Standard Industrial Mortality Table. All calculations shall be made on the basis of the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that that rate of interest shall not exceed 3 1/2% each year, except that a rate of interest not exceeding 4% each year may be used for policies issued on or after December 31, 1975. In calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit for ordinary insurance, the rates of mortality assumed may not be more than those shown in the Commissioners 1958 Extended Term Insurance Table and for industrial insurance rates of mortality may not be more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table. For insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the superintendent.

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

Sec. 13. 24-A MRSA §2532-A is enacted to read:

§2532-A. Adjusted premiums for policies issued on or after January 1, 1989, or elected operative date of this section

1. This section shall apply to all policies issued on or after the operative date of this section as defined herein. Except as provided in subsection 7, the adjusted premiums for any policy shall be calculated on an annual basis and shall be that uniform percentage of the respective premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments or special hazards and also excluding any uniform annual contract charge or policy fee specified in the policy

in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the date of issue of the policy, of all adjusted premiums shall be equal to the sum of:

A. The then present value of the future guaranteed benefits provided for by the policy;

B. One percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years; and

C. One hundred twenty-five percent of the nonforfeiture net level premium as hereinafter defined.

In applying the percentage specified in paragraph C, no nonforfeiture net level premium may be deemed to exceed 4% of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years. The date of issue of a policy for the purpose of this section shall be the date as of which the rated age of the insured is determined.

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

3. In the case of policies which cause, on a basis guaranteed in the policy, unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, the adjusted premiums and present values shall initially be calculated on the assumption that future benefits and premiums do not change from those stipulated at the date of issue of the policy. At the time of any change of that type in the benefits or premiums the future adjusted premiums, nonforfeiture net level premiums and present values shall be recalculated on the assumption that future benefits and premiums do not change from those stipulated by the policy immediately after the change.

4. Except as otherwise provided in subsection 7, the recalculated future adjusted premiums for any policy of that type shall be that uniform percentage of the respective future premiums specified in the

policy for each policy year, excluding amounts payable as extra premiums to cover impairments and special hazards, and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the time of change to the newly defined benefits or premiums of all those future adjusted premiums shall be equal to the excess of:

A. The sum of the then present value of the then future guaranteed benefits provided for by the policy and the additional expense allowance, if any; over

B. The then cash surrender value, if any, or present value of any paid-up nonforfeiture benefit under the policy.

5. The additional expense allowance, at the time of the change to the newly defined benefits or premiums, shall be the sum of:

A. One percent of the excess, if positive, of the average amount of insurance at the beginning of each of the first 10 policy years subsequent to the change over the average amount of insurance prior to the change at the beginning of each of the first 10 policy years subsequent to the time of the most recent previous change, or, if there has been no previous change, the date of issue of the policy; and

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

6. The recalculated nonforfeiture net level premium shall be equal to the result obtained by dividing paragraph A by paragraph B where:

A. Paragraph A equals the sum of:

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

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

B. Paragraph B equals the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of change on which a premium falls due.

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

8. All adjusted premiums and present values referred to in this Standard Nonforfeiture Law for Life Insurance shall, for all policies of ordinary insurance issued after the operative date of this section, be calculated on the basis of the Commissioners 1980 Standard Ordinary Mortality Table or, at the election of the insurer for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with 10-year select mortality factors; shall, for all policies of industrial insurance, be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table; and shall, for all policies issued in a particular calendar year, be calculated on the basis of a rate of interest not exceeding the nonforfeiture interest rate as defined in this section for policies issued in that calendar year, provided that:

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

B. Under any paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by section 2529, shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of that paid-up nonforfeiture benefit and paid-up dividend additions, if any;

C. An insurer may calculate the amount of any guaranteed paid-up nonforfeiture benefit, including any paid-up additions under the policy on the basis of an interest rate no lower than that specified in the policy for calculating cash surrender values;

D. In calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1980 Extended Term Insurance Table for policies of ordinary insurance and not more than the Commissioners 1961 Industrial Extended Term Insurance Table for policies of industrial insurance;

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

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

G. Any industrial mortality tables, adopted after 1980 by the National Association of Insurance Commissioners, that are approved by regulation promulgated by the superintendent for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners 1961 Standard Industrial Mortality Table or the Commissioners 1961 Industrial Extended Term Insurance Table.

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

10. Notwithstanding any other provision in this code to the contrary, any refiling of nonforfeiture values or their methods of computation for any previously approved policy form which involves only a change in the interest rate or mortality table used to compute nonforfeiture values shall not require refiling of any other provisions of that policy form.

11. After the effective date of this section,

any insurer may file with the superintendent a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1989, which shall be the operative date of this section for that insurer. If an insurer makes no such election, the operative date of this section for that company shall be January 1, 1989.

Sec. 14. 24-A MRSA §2532-B is enacted to read:

§2532-B. Superintendent's authority to approve certain new plans

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

A. The superintendent must be satisfied that the benefits provided under the plan are substantially as favorable to policyholders and insureds as the minimum benefits otherwise required by sections 2529 to 2532-A herein;

B. The superintendent must be satisfied that the benefits and the pattern of premiums of that plan are not such as to mislead prospective policyholders or insureds; and

C. The cash surrender values and paid-up nonforfeiture benefits provided by that plan must not be less than the minimum values and benefits required for the plan computed by a method consistent with the principles of this Standard Nonforfeiture Law for Life Insurance, as determined by regulations promulgated by the superintendent.

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

Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in sections 2530 to ~~2532~~ 2532-A may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the ~~dividends~~ amounts used to provide ~~such~~ those additions. Notwithstanding section 2530, additional benefits payable:

Sec. 16. 24-A MRSA §2533-A is enacted to read:

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

1. This section, in addition to all other applicable sections of the Standard Nonforfeiture Law for life insurance, shall apply to all policies issued on or after January 1, 1987. Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary shall be in an amount which does not differ by more than 2/10ths of 1% of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years, from the sum of:

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

B. The present value of any existing paid-up additions less the amount of any indebtedness to the company under the policy.

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

3. The nonforfeiture factor for each policy year shall be an amount equal to a percentage of the adjusted premium for the policy year, as defined in section 2532 or 2532-A, whichever is applicable. Except as is required by subsection 4, that percentage:

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

B. Must be such that no percentage after the later of the 2 policy anniversaries, specified in paragraph A, may apply to fewer than 5 consecutive policy years.

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

5. All adjusted premiums and present values referred to in this section shall for a particular policy be calculated on the same mortality and interest bases as are used in demonstrating the policy's compliance with the other sections of the Standard Nonforfeiture Law for life insurance. The cash surrender values referred to in this section shall include any endowment benefits provided for by the policy.

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

Sec. 17. 24-A MRSA §2534, as enacted by PL 1969, c. 132, §1, is repealed and the following enacted in its place:

§2534. Exceptions

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

1. Reinsurance;

2. Group insurance;

3. Pure endowment;

4. Annuity or reversionary annuity contract;

5. Any term policy of uniform amount, which provides no guaranteed nonforfeiture or endowment benefits, or renewal thereof, of 20 years or less expiring before age 71, for which uniform premiums are payable during the entire term of the policy;

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

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

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

For purposes of the Standard Nonforfeiture Law for life insurance, the age at expiry for a joint term life insurance policy shall be the age at expiry of the oldest life.

Effective September 23, 1983.

CHAPTER 347

H.P. 1180 - L.D. 1572

AN ACT Relating to Attendants for Power Boilers.

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