CHAPTER NO. 346

SENATE BILL NO. 94

INTRODUCED BY HAZELBAKER, DOVER

BY REQUEST OF THE COMMISSIONER OF INSURANCE

IN THE SENATE

January 12,	1979	Introduced and referred to Committee on Business and Industry.
January 30,	1979	Committee recommend bill do pass. Report adopted.
January 31,	1979	Printed and placed on members' desks.
February l,	1979	Second reading, do pass.
February 2,	1979	Considered correctly engrossed.
February 3,	1979	Third reading, passed. Transmitted to second house.

IN THE HOUSE

February 5, 1979

March 9, 1979

Committee on Business and Industry. Committee recommend bill

Introduced and referred to

be concurred in. Report adopted.

March 13, 1979 Second reading, concurred in.

Third reading, concurred in.

IN THE SENATE

March 16, 1979

March 15, 1979

Returned from second house. Concurred in. Sent to enrolling.

Reported correctly enrolled.

INTRODUCED BY

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Senter BILL NO. 94

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BY REQUEST OF THE COMMISSIONER OF INSURANCE

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE LAW 5 RELATING TO STANDARD VALUATION AND STANDARD NONFORFEITURE 6 7 IN LIFE INSURANCE: PROVIDING FOR ADOPTION OF ANNUITY MURTALITY TABLES AND PERMISSIBLE INTEREST RATES IN VALUATION 8 ANNUITY AND INSURANCE CONTRACTS; ADDING PROVISIONS 9 OF. RELATING TO NONFORFEITURE IN INDIVIDUAL DEFERRED ANNUITIES: 10 11 AND AMENDING SECTIONS 33-2-523 THROUGH 33-2-526, 33-20-201, 12 33-20-206, AND 33-70-207, HCA.*

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14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 Section 1. Section 33-2-523, MCA, is amended to read: 16 #33-2-523. Contracts on or after the operative dute of 17 33-20-213 -- valuation. (1) This section shall apply to only 18 those policies and contracts issued on or after the 19 operative date of 33-20-213, except as otherwise provided in 20 33-2-524 for group annuity and pure endowment contracts 21 issued prior to that date.

22 (2) Except as otherwise provided in 33-2-5'4+ the
23 minimum standard for the valuation of all such policies and
24 contracts shall be the commissioner's reserve valuation
25 method methods defined in 33-2-525y and 32-2-526(3)+ 53

interest for group annuity and pure endowment contracts and 3 1/2% interesty for all other such policies and contracts or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after March 17, 1973, and-prior-to-January-1v-1986, 4% interest for such policies issued prior to July 1, 1979, and 4 1/2% interest for such policies issued on or after July 1, 1979, and the following tables:

(a) for all ordinary policies of life insurance issued 9 the standard basis, excluding any disability and 10 on 11 accidental death benefits in such policies. the compissioner's 1941 standard ordinary mortality table for 12 13 such policies issued prior to the operative date of 33-20-206, as amended, and the commissioner's 1958 standard 14 15 ordinary mortality table for such policies issued on or 16 after that operative date, except that for any category of 17 such policies issued on female risks, modified net premiums 18 and present values, referred to in 33-2-525 and 33-2-526, 19 may be calculated, at the option of the insurer with the 20 approval of the commissioner, according to an age younger 21 than the actual age of the insured;

(b) for all industrial life insurance policies issued
on the standard basis, excluding any disability and
accidental death benefits in such policies, the 1941
standard industrial mortality table for such policies issued

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1 prior to the operative date of 33-20-207, as amended, and 2 the commissioner's 1961 standard industrial mortality table 3 for such policies issued on or after that operative date; 4 (c) for individual annuity and pure endowment contracts, excluding any disability and accidental death 5 6 benefits in such policies, the 1937 standard annuity 7 mortality table or, at the option of the insurer, the R annuity mortality table for 1949, ultimate, or any modification of either of these tables approved by the 9 10 commissioner:

11 (d) for group annuity and pure endowment contracts. 12 excluding any disability and accidental death benefits in 13 such policies. the group annuity mortality table for 1951. 14 any modification of such table approved by the commissioner. 15 or. at the option of the insurer. any of the tables or 16 modifications of tables specified for individual annuity and 17 pure endowment contracts;

18 (e) (i) for total and permanent disability benefits in
19 or supplementary to ordinary policies or contracts:

20 (A) for policies or contracts issued on or after 21 January 1, 1966, the tables of period 2 disablement rates 22 and the 1930 to 1950 termination rates of the 1952 23 disability study of the society of actuaries, with due 24 regard to the type of benefit;

25 (B) for policies or contracts issued on or after

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1 January 1, 1961, and prior to January 1, 1966, either such Z tables or, at the option of the insurer, the class 3 3 disability table (1926); and (C) for policies issued prior to January 1, 1961, the 4 class 3 disability table (1926); 5 (ii) any such table shall, for active lives, be 6 7 combined with a mortality table permitted for calculating the reserves for life insurance policies; 8 9 (f) (i) for accidental death benefits in or 10 supplementary to policies: 11 (A) for policies issued on or after January 1, 1966, the 1959 accidental death benefits table; 12 13 (B) for policies issued on or after January 1, 1961, 14 and prior to January 1, 1966, either such table or, at the 15 option of the insurer, the intercompany double indemnity 16 mortality table; and 17 (C) for policies issued prior to January 1, 1961, the 18 intercompany double indemnity mortality table; 19 (ii) either table shall be combined with a mortality 20 table permitted for calculating the reserves for life 21 insurance policies; 22 (g) for group life insurance, life insurance issued on 23 the substandard basis and other special benefits, such 24 tables as may be approved by the commissioner." 25 Section 2. Section 33-2-524, MCA, is amended to read:

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ı *33-2-524. Individual and group annuity and pure 2 endowment contracts -- valuation. (1) The minimum standard з for the valuation of all individual annuity and pure 4 endowment contracts issued on or after fthe operative date 5 of this section-1, as defined herein, and for all annulties 6 and pure endowments purchased on or after that operative 7 date, under group annuity and pure endowment contracts shall R be the commissioner's reserve valuation method methods 9 defined in 33-2-525 and the following tables and interest 10 rates:

11 (a) for individual annuity and pure endowment contracts issued prior to denuary-ly-1986 July 1. 1979, 12 13 excluding any disability and accidental death benefits in such contracts, the 1971 individual annuity mortality table 14 any modification of this table approved by the 15 or commissioner and 62 interest for single premium immediate 16 annuity contracts and 4% interest for all other individual 17 annuity and pure endowment contracts: 18

19 (b) for--individual---annuity---and---pure---endowment 20 contracts--issued-on-or-after-danuary-ly-1986y-excluding-any 21 disability-and-accidental-death-banefits-in-such--contractsy 22 the---1971---individual---annuity--mortality--table-or--any 23 modification-of-the-table-approved-by-the--commissioner--and 24 3-1/28--interest; for__individual__single_premium_immediate 25 annuity_contracts_issued_on_or_after_July_1s_1979s_excluding

1 any disability and accidental death benefits in such 2 contracts, the 1971 individual annuity mortality table or 3 any modification of this table approved by the commissioner and 7 1/2% interest: 5 [c] for individual annuity and pure andowment contracts issued on or after July 1. 1979, other than single 6 premium immediate annuity contracts, excluding any 7 disability and accidental death benefits in such contracts: 8 g the 1971 individual annuity mortality table or any 10 modification of this table approved by the commissioner and 5. 1/2% interest for single premium deferred annuity and pure 11 endowment contracts and 4 1/2% interest for all other such 12 13 individual annuity and pure endowment contracts: tel(d) for all annuities and pure endowments purchased 14 15 prior to denuery-ly-1986 July 1: 1979, under group annuity and pure endowment contracts, excluding any disability and 16 17 accidental death benefits purchased under such contracts, the 1971 group annuity mortality table or any modification 18 19 of the table approved by the commissioner and 6% interest; 20 tel for all annuities and pure endowments purchased on or after denuary-ly-1986 July 1: 1979, under group 21 annuity and pure endowment contracts, excluding any 22 disability and accidental death benefits purchased under 23 such contracts, the 1971 group annuity mortality table or 24 25 any modification of this table approved by the commissioner

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1 and 3-1/2% 7_1/2% interest.

2 (2) After March 17, 1973, any insurer may file with 3 the commissioner a written notice of its election to comply with the provisions of subsection (1) after a specified date 4 5 before January 1, 1979, which shall be the operative date of ь subsection (1) for such insurer. An insurer may elect a different operative date for individual annuity and pure 7 8 endowment contracts from that elected for group annuity and pure endowment contracts. If an insurer makes no such 9 10 election, the operative date of this section for such 11 insurer shall be January 1, 1979."

12 Section 3. Section 33-2-525, MCA, is amended to read: 13 "33-2-525. Commissioner's reserve valuation method. 14 (1) Reserves Except as otherwise provided in subsection. (3) 15 and 33-2-526(3), reserves according to the commissioner's 16 reserve valuation method, for the life insurance and 17 endowment benefits of policies providing for a uniform 18 amount of insurance and requiring the payment of uniform 19 premiums, shall be the excess, if any, of the present value, 20 at the date of valuation, of such future guaranteed benefits 21 provided for by such policies, over the then present value of any future modified net premiums therefor. The modified 22 net premiums for any such policy shall be such uniform 23 percentage of the respective contract premiums for such 24 benefits that the present value, at the date of issue of the 25

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 (a) over (b). as
 follows:

5 (a) a net level annual premium equal to the present ٨ value, at the date of issue, of such benefits provided for 7 after the first policy year, divided by the present value, 8 at the date of issue of an annuity of one per annum payable 9 on the first and each subsequent anniversary of such policy 10 on which a premium falls due: provided, however, that such 11 net level annual premium shall not exceed the net level annual premium on the 19-year premium whole life plan for 12 13 insurance of the same amount at an age 1 year higher than 14 the age at issue of such policy;

15 (b) a net 1-year term premium for such benefits
16 provided for in the first policy year.

17 (2) Reserves according to the commissioner's reserve
18 valuation method for the following shall be calculated by a
19 method consistent, with the principles of this sections
20 axcept that any extra premiums charged because of
21 impairments or special bazards shall be disregarded in the
22 determination of modified net premiums:
23 (a) life insurance policies providing for a varying

24 amount of insurance or requiring the payment of varying 25 premiumsy:

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1 (b) group annuity and pure endowment contracts+ 2 purchased under a retirement plan or plan of deferred 3 concensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an 5 employee organization, or by both, other than a plan providing individual retirement accounts or individual 6 7 retirement annuities under section 408 of the Internal R Revenue Code: as now or hereafter amended: 9 (c) disability and accidental death benefits in all 10 policies and contractsvi and 11 (d) all other benefits, except life insurance and

12 endowment benefits in life insurance policiesy--shall--be 13 catcutated--by--s--method--consistent-with-the-principles-of 14 this-sectiony-except-that-any-extra-premiums-charged-because of-impairments-or-special-hazards-shall--be--disregarded--in 15 16 the--determination--of--modified--net--premiums and benefits 17 provided by all other annuity and ours endowment contracts-18 (3) (a) Subsection (3)(b) anolies to any annuity and 19 pure endowment contracts other than group annuity, and pure 20 endowment contracts purchased under a retirement plan or 21 plan of deferred compensation established or maintained by 22 an eaployer (including a partnership or sole proprietorship) 23 or by an employee erganizations or by boths other than a plan providing individual retirement accounts or individual 24 25 retirement annuities under section 408 of the Internal 1 Revenue Code, as now or hereafter amended.

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Z (b) Reserves according to the commissioner's annuity 3 reserve method for benefits under annuity or pure endowment contracts. excluding any disability and accidental death 4 benefits in such contracts, shall be the greatest of the 5 respective excesses of the present values, at the date of 6 7 valuation. of the future guaranteed benefits. including 8 guaranteed nonforfeiture benefits, provided for by such 9 contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future 10 11 valuation considerations derived from future gross 12 considerations required by the terms of such contract that 13 become payable prior to the end of such respective contract 14 year. The future ouaranteed benefits shall be determined by 15 using the mortality table, if any, and the interest rate or 16 rates specified in such contracts for determining guaranteed 17 benefits. The valuation considerations are the portions of 18 the respective gross considerations applied under the terms 19 of such contracts to determine nonforfeiture values." 20 Section 4. Section 33-2-526, MCA, is amended to read: 21 *33-2-526. Limits -- options -- deficiency minimum 22 reserves. (1) In no event shall an insurer's aggregate 23 reserves for all life insurance policies, excluding 24 disability and accidental death benefits, be less than the aggregate reserves calculated in accordance with the method

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methods set forth in 33-2-525 and subsection (3) of this
 section and the mortality table or tables and rate or rates
 of interest used in calculating nonforfeiture benefits for
 such policies.

5 (2) Reserves for any category of policies, contracts. or benefits as established by the commissioner may be 6 7 calculated at the option of the insurer according to any 8 standards which produce greater aggregate reserves for such Q category than those calculated according to the minimum 10 standard herein provided, but the rate or rates of interest 11 used for policies and contracts, other than annuity and pure 12 endowment contracts, shall not be higher than the 13 corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein. Providedy 14 howevery-that--reserves--for--participating--life--insurance 15 16 policies--mayy--with--the--consent--of--the-commissionery-be 17 esteutsted-according-to-a-rate-of-interest--tower--than--the 18 rate--of--interest--used--in--calculating--the-nonforfeiture 19 benefits-in-such-policiesu-lf-such-lower-rate--differs--from 20 the--rate--used--in--the--calculation--of--the-nonforfeiture 21 benefits-by-more-than-1/2-of-1%y-the--insurer--issuing--such policies--shall--file-with-the-commissioner-a-plan-providing 22 23 for-such-equitable-increasesy-if-anyy-in-the-cash--surrender velues--end--nonforfeiture--benefits-in-such-policies-as-the Z4 25 commissioner-shall-approves

1 (3) If in any contract year the cross premium charged 2 by any life insurer on any policy or contract is less than 3 the valuation net premium for the policy or contract 4 sccording--to--the--mortality--tablev--rate-of-interesty-and 5 calculated by the method used in calculating the reserve 6 therean. there--shell--be--mainteined--on--such--policy--or 7 contract-a-deficiency--reserve--in--addition--to--all--ather 8 reserves--required--by-law-for-each-such-policy-or-contract 9 the-deficiency-reserve-shall-be-the-present-valuey-according to-such-standards-of-an-annuity-of--tha--difference--between 10 11 such---net-presius-and-the-presius-charged-for-such-policy-or 12 contracty-running-for-the-remainder-of-the--premium-paying 13 period but using the minimum valuation standards of 14 mortality and rate of interest. the sinimum reserve required for such policy or contract shall be the greater of either 15 the reserve calculated according to the mortality tables 16 rate of interest, and method actually used for such policy 17 18 or contract or the reserve calculated by the sethod actually 19 used for such policy or contract but using the siginum standards of mortality and rate of interest and replacing 20 the valuation net premium by the actual gross premium in 21 each contract year for which the valuation net premium 22 23 exceeds the actual gross presium." Section 5. Section 33-20-201. MCA. is amended to read: 24

- 25 "33-20-201. Short title. This part shall be known as
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"The the "Standard Nonforfeiture Law for Life Insurance"."" 1 2 Section 6. Section 33-20-206, MCA, is amended to read: э, *33-20-206. Mortality tables -- policies issued after 4 operative date. (1) In the case of ordinary policies issued on or after the operative date of this section as defined 5 6 herein. all adjusted premiums and present values referred to in this part shall be calculated on the basis of the 7 commissioners commissioner's 1958 standard ordinary 8 mortality table and the rate of interest specified in the 9 policy for calculating cash surrender values and paid-up 10 11 nonforfeiture benefits, provided that:

12 (a) such rate of interest shall not exceed 3 1/2% per
13 annum, except that a rate of interest not exceeding 4% per
14 annum may be used for policies issued on or after March 17,
15 1973, and prior to donuary-ly-1966 July 1, 1979, and a rate
16 of interest not exceeding 5 1/2% a year may be used for
17 policies issued on or after July 1, 1979;

(b) 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 <u>6</u> years
younger than the actual age of the insured;

(c) 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

1 commissioners commissioner's 1958 extended term insurance
2 table;

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3 (d) for insurance issued on a substandard basis. the calculation of any such adjusted premiums and present values 4 5 may be based on such other table of mortality as may be specified by the company and approved by the commissioner. 6 7 (2) After July 1, 1961, any insurer may file with the commissioner a written notice of its election to comply with A o the provisions of this section after a specified date before 10 January 1, 1966. After the filing of such notice, then upon 11 such specified date (which shall be the operative date of 12 this section for such insurer), this section shall become 13 operative with respect to the ordinary policies thereafter 14 issued by such insurer. If an insurer makes no such 15 election, the operative date of this section for such 16 insurer shall be January 1, 1966."

17 Section 7. Section 33~20~207, MCA, is amended to read: 16 "33-20-207. Industrial policies -- mortality tables. 19 (1) In the case of industrial policies issued on or after 20 the operative date of this section as defined herein, all 21 adjusted premiums and present values referred to in this 22 part shall be calculated on the basis of commissioners 23 commissioner's 1961 standard industrial mortality table and the rate of interest specified in the policy for calculating 24 25 cash surrender values and paid-up nonforfeiture benefits

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1 provided that:

2 (a) such rate of interest shall not exceed 3 1/2% per
3 annum except that a rate of interest not exceeding 4% per
4 annum may be used for policies issued on or after March 17,
5 1973, and prior to Jonuary-1y-1986 July 1, 1979, and a rate
6 of interest not exceeding 5 1/2% a year may be used for
7 policies issued on or after July 1, 1979;

8 (b) in calculating the present value of any paid-up 9 term insurance with accompanying pure endowment, if any, 10 offered as a nonforfeiture benefit, the rates of mortality 11 assumed may be not more than those shown in the 12 commissioners commissioner's 1961 industrial extended term 13 insurance table;

14 (c) for insurance issued on a substandard basis the 15 calculations of any such adjusted premiums and present 16 values may be based on such other table of mortality is may 17 be specified by the company and approved by the 18 commissioner.

19 (2) After February 22, 1965, any insurer may file with 20 the commissioner a written notice of its election to comply 21 with the provisions of this section after a specified date 22 before January 1, 1968. After the filing of such notice, 23 then upon such specified date (which shall be the operative 24 date of this section for such insurer), this section shall 25 become operative with respect to the industrial policies thereafter issued by such insurer. If an insurer makes no
 such election, the operative date of this section for such
 insurer shall be January 1, 1968.^m

NEW SECTION Section 8. Short title. [Sections 8
through 20] shall be known as the "Standard Nonforfeiture
Law for Individual Deferred Annuities".

7 NEW SECTION. Section 9. Application. [Sections 8 8 through 20] do not apply to any reinsurance, group annuity a purchased under a retirement plan, or plan of deferred 10 compensation established or maintained by an employer (including a partnership or sole proprietorship) or by an 11 12 employee organization, or by both, other than a plan 13 providing individual retirement accounts or individual 14 retirement annuities under section 408 of the Internal 15 Revenue Code, as now or hereafter amended, premium deposit 16 fund, variable annuity, investment annuity, immediate 17 annuity, any deferred annuity contract after annuity 18 payments have commenced, or reversionary annuity or to any contract which is delivered outside this state through an 19 agent or other representative of the company issuing the 20 21 contract.

22 <u>NEW SECTIONs</u> Section 10. Nonforfeiture provisions. In 23 the case of contracts issued on or after the operative date 24 of [sections 8 through 20] as defined in [section 20], no 25 contract of annuity except as stated in [section 9] shall be

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delivered or issued for delivery in this state unless it
 contains in substance the following provisions or
 corresponding provisions which in the opinion of the
 commissioner are at least as favorable to the contract
 holder, upon cessation of payment of considerations under
 the contract:

7 (1) that upon cessation of payment of considerations
8 under a contract the company will grant a paid~up annuity
9 benefit on a plan stipulated in the contract of such value
10 as is specified in [sections 13 through 16, and 18];

11 (2) that if a contract provides for a lump-sum 12 settlement at maturity or at any other time, than upon surrender of the contract at or prior to the commencement of 13 any annuity payments, the company will pay in lieu of any 14 paid-up annuity benefit a cash surrender benefit of such 15 amount as is specified in fsections 13, 14, 16, and 18]. The 16 17 company shall reserve the right to defer the payment of such cash surrender benefit for a period of 6 months after demand 18 19 therefor with surrender of the contract.

(3) a statement of the mortality table, if any, and
interest rates used in calculating any minimum paid-up
annuity, cash surrender, or death benefits that are
guaranteed under the contract, together with sufficient
information to determine the amounts of such benefits;
(4) a statement that any paid-up annuity, cash

1 surrender, or death benefits that may be available under the 2 contract are not less than the minimum benefits required by ٦ any statute of the state in which the contract is delivered 4 and an explanation of the manner in which such benefits are 5 altered by the existence of any additional amounts credited * by the company to the contract, any indebtedness to the 7 company on the contract, or any prior withdrawals from or 8 partial surrenders of the contract.

9 NEW SECTION. Section 11. Exception. Notwithstanding 10 the requirements of [section 10], any deferred annuity 11 contract may provide that if no consideration has been 12 received under a contract for a period of 2 full years and 13 the portion of the paid-up annuity benefit at maturity on 14 the plan stipulated in the contract arising from 15 consideration paid prior to such period would be less than 16 \$20 monthly; the company may at its option terminate such 17 contract by payment in cash of the then present value of 18 such portion of the paid-up annuity benefit, calculated on 19 the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up 20 21 annuity benefit, and by such payment shall be relieved of 22 any further obligation under such contract.

23 <u>NEW SECTION</u> Section 12. Minimum nonforfeiture
 24 amounts. (1) The minimum values as specified in [sections 13
 25 through 16, and 18] of any paid-up annuity, cash surrender.

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or death benefits available under an annuity contract shall
 be based upon minimum nonforfeiture amounts as defined in
 this section.

4 (2) (a) With respect to contracts providing for 5 flexible considerations, the minimum nonforfeiture amount at 6 any time at or prior to the commencement of any annuity 7 payments shall be equal to an accumulation up to such time 8 at a rate of interest of 3% a year of percentages of the net 9 considerations (as hereinafter defined) paid prior to such 10 time, decreased by the sum of any prior withdrawals from or 11 partial surrenders of the contract accumulated at a rate of 12 interest of 3% a year and the amount of any indebtedness to 13 the company on the contract, including interest due and 14 accrued, and increased by existing additional amounts 15 credited by the company to the contract.

(b) The net consideration for a given contract year 16 used to define the minisum nonforfeiture amount shall be an 17 18 amount not less than zero and shall be equal to the 19 corresponding gross considerations credited to the contract 20 during that contract year less an annual contract charge of \$30 and less a collection charge of \$1.25 per consideration 21 22 credited to the contract during that contract year. The percentages of net consideration shall be 65% of the net 23 24 consideration for the first contract year and 87 1/2% of the 25 net consideration for the second and later contract years.

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Notwithstanding the provisions of the preceding sentence.
the percentage shall be 65% of the portion of the total net consideration for any renewal contract year which exceeds by not more than two times the sum of those portions of the net consideration in all prior contract years for which the percentage was 65%.

7 (3) With respect to contracts providing for fixed 8 schedule consideration, minimum nonforfeiture amounts shall 9 be calculated on the assumption that consideration is paid 10 annually in advance and shall be defined as for contracts 11 with flexible payments of consideration which are paid 12 annually with two exceptions:

(a) The portion of the net consideration for the first
contract year to be accumulated shall be the sum of 65% of
the net consideration for the first contract year plus
22 1/2% of the excess of the net consideration for the first
contract year over the lesser of the net considerations for
the second and third contract years.

19 {b} The annual contract charge shall be the lesser of
20 \$30 or 10% of the gross annual consideration.

(4) With respect to contracts providing for a single consideration, minimum nonforfeiture amounts shall be defined as for contracts with flexible payments of consideration except that the percentage of net consideration used to determine the minimum nonforfeiture

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1 amount shall be equal to 90% and the net consideration shall 2 be the gross consideration less a contract charge of \$75. 3 NEW SECTION. Section 13. Present value to equal minimum nonforfeiture amount. Any paid-up annuity benefit 4 5 available under a contract shall be such that its present 6 value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that 7 8 date. Such present value shall be computed using the 9 mortality table, if any, and the interest rate specified in 10 the contract for determining the minimum paid-up annuity 11 benefits guaranteed in the contract.

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12 NEW SECTION, Section 14. Cash surrender benefits. For 13 contracts which provide cash surrender benefits, such cash 14 surrender benefits available prior to waturity shall not be 15 less than the present value as of the date of surrender of 16 that portion of the maturity value of the paid-up annuity 17 benefit which would be provided under the contract at 18 maturity arising from considerations paid prior to the time 19 of cash surrender reduced by the amount appropriate to 20 reflect any prior withdrawals from or partial surrenders of the contract, such present value being calculated on the 21 basis of an interest rate not more than 1% higher than the 22 23 interest rate specified in the contract for accumulating the 24 net considerations to determine such maturity value, 25 decreased by the amount of any indebtedness to the company

1 on the contract, including interest due and accrued, and 2 increased by any existing additional amounts credited by the 3 company to the contract. No cash surrender benefit may be 4 less than the minimum nonforfeiture amount at that time. The 5 death benefit under such contracts shall be at least equal 6 to the cash surrender benefit.

NEW SECTION. Section 15. Paid-up annuity benefits. 7 8 For contracts which do not provide cash surrender benefits. 9 the present value of any paid-up annuity benefit available 10 as a nonforfeiture option at any time prior to maturity may 11 not be less than the present value of that portion of the 12 maturity value of the paid-up annuity benefit provided under 13 the contract arising from considerations paid prior to the 14 time the contract is surrendered in exchange for or changed 15 to a deferred paid-up annuity, such present value being 16 calculated for the period prior to the maturity date on the 17 basis of the interest rate specified in the contract for 18 accumulating the net considerations to determine such 19 maturity value and increased by any existing additional 20 amounts credited by the company to the contract. For contracts which do not provide any death benefits prior to 21 22 the commencement of any annuity payments, such present 23 values shall be calculated on the basis of such interest rate and the mortality table specified in the contract for 24 25 determining the maturity value of the paid-up annuity

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benefit. However, the present value of a paid-up annuity
 benefit may not be less than the minimum nonforfeiture
 amount at that time.

4 NEW_SECTION. Section 16. Maturity date. For the purpose of determining the benefits calculated under 5 6 [sections 14 and 15], in the case of annuity contracts under 7 which an election may be made to have annuity payments 8 commence at optional maturity dates, the maturity date is 9 the latest date for which election is permitted by the 10 contract but may not be later than the anniversary of the contract next following the annuitant's 70th birthday or the 11 12 10th anniversary of the contract, whichever is later.

13 NEW SECTION: Section 17. Statement of noninclusion of 14 certain death benefits. Any contract which does not provide 15 cash surrender benefits or does not provide death benefits 16 at least equal to the minimum nonforfeiture amount prior to 17 the commencement of any annuity payments shall include a 18 statement in a prominent place in the contract that such 19 benefits are not provided.

NEW SECTION: Section 18. Adjusted benefit. Any paid-up annuity. cash surrender. or death benefits available at any time other than on the contract anniversary under any contract with fixed scheduled consideration shall be calculated with allowance for the lapse of time and the payment of any scheduled consideration beyond the beginning of the contract year in which cessation of payment of
 consideration under the contract occurs.

3 NEW SECIION: Section 19. Calculation of benefits ---4 special benefits excluded. For any contract which provides. 5 within the same contract by rider or supplemental contract provision, both annuity benefits and life insurance benefits 6 7 that are in excess of the greater of cash surrender benefits 8 or a return of the gross consideration paid with interest. 9 the minisum nonforfeiture benefits shall be equal to the sum 10 of the minimum nonforfeiture benefits for the annuity 11 portion and the minimum nonforfaiture benefits, if any, for 12 the life insurance portion computed as if each portion were 13 a separate contract. Notwithstanding the provisions of 14 [sections 13 through 16, and 18], additional benefits payable in the event of total and permanent disability or as 15 reversionary annuity or deferred reversionary annuity 16 benefits or as other policy benefits additional to life 17 insurance. and annuity benefits, and 18 endowment. considerations for all such additional benefits shall be 19 20 disregarded in ascertaining the minimum nonforfeiture 21 amounts, paid-up annuity, cash surrender, and death benefits 22 that may be required by this section. The inclusion of such 23 additional benefits shall not be required in any paid-up benefits, unless such additional benefits separately would 24 25 require minimum nonforfeiture amount paid-up annuity, cash

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1 surrender, and death benefits.

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2 NEW SECTION. Section 20. Operative date. After July 1, 1979, any company may file with the commission a written 3 notice of its election to comply with the provisions of this 4 5 section after a specified date before July 1, 1981. After 6 the filing of such notice, then upon such specified date, 7 which shall be the operative date of this section for such 8 company, this section shall become operative with respect to 9 annuity contracts thereafter issued by such company. If a 10 company makes no such election, the operative date of this 11 section for such company shall be July 1, 1981.

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46th Legislature

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Approved by Committee on <u>Business</u> and Industry

nete BILL NO. 94 INTRODUCED BY

BY REQUEST OF THE COMMISSIONER OF INSURANCE

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE LAW 5 RELATING TO STANDARD VALUATION AND STANDARD NONFORFEITURE 6 IN LIFE INSURANCE; PROVIDING FOR ADOPTION OF ANNUTTY 7 MURTALITY TABLES AND PERMISSIBLE INTEREST RATES IN VALUATION я ANNUITY AND INSURANCE CONTRACTS; ADDING PROVISIONS 9 OF. RELATING TO NONFORFEITURE IN INDIVIDUAL DEFERRED ANNUITIES: 10 AND AMENDING SECTIONS 33-2-523 THROUGH 33-2-526, 33-20-201, 11 12 33-20-206, AND 33-70-207, MCA.*

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 14 Section 1. Section 33-2-523, MCA, is amended to read: 15 "33-2-523. Contracts on or after the operative date of 16 17 33-20-213 -- valuation. (1) This section shall apply to only 1.8 those policies and contracts issued on or after the operative date of 33-20-213, except as otherwise provided in 19 20 33-2-524 for group annuity and pure endowment contracts 21 issued prior to that date.

(2) Except as otherwise provided in 33-2-524, the
 minimum standard for the valuation of all such policies and
 contracts shall be the commissioner's reserve valuation
 method methods defined in 33-2-525, and 32-2-526(3), 53

1 interest for group anouity and pure endowment contracts and 2 3 1/2% interesty for all other such policies and contracts or in the case of policies and contracts, other than annuity 3 4 and pure endowment contracts, issued on or after March 17. 5 1973, and-prior-to-January-ly-1986, 4% interest for such policies issued prior to July 1, 1979, and 4 1/2% interest 6 7 for such policies issued on or after July 1. 1979. and the following tables: 8

9 (a) for all ordinary policies of life insurance issued 10 standard basis, excluding any disability and 00 the 11 accidental death benefits in such policies. the 12 commissioner's 1941 standard ordinary mortality table for 13 such policies issued prior to the operative date of 14 33-20-206, as amended, and the commissioner's 1958 standard 15 ordinary mortality table for such policies issued on or 16 after that operative date, except that for any category of 17 such policies issued on female risks, modified net premiums 18 and present values, referred to in 33-2-525 and 33-2-526, 19 may be calculated, at the option of the insurer with the 20 approval of the commissioner, according to an age younger 21 than the actual age of the insured;

(b) for all industrial life insurance policies issued
on the standard basis, excluding any disability and
accidental death benefits in such policies; the 1941
standard industrial mortality table for such policies issued

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prior to the operative date of 33-20-207, as amended, and
 the commissioner's 1961 standard industrial mortality table
 for such policies issued on or after that operative date;
 (c) for individual annuity and pure endowment

5 contracts, excluding any disability and accidental death 6 benefits in such policies, the 1937 standard annuity 7 mortality table or, at the option of the insurer, the 8 annuity mortality table for 1949, ultimate, or any 9 modification of either of these tables approved by the 10 commissioner;

11 (d) for group annuity and pure endowment contracts.
12 excluding any disability and accidental death benefits in
13 such policies. the group annuity mortality table for 1951.
14 any modification of such table approved by the commissioner.
15 or, at the option of the insurer. any of the tables or
16 modifications of tables specified for individual annuity and
17 pure endowment contracts;

18 (e) (i) for total and permanent disability benefits in
 19 or supplementary to ordinary policies or contracts:

20 (A) for solicies or contracts issued on or after
21 January 1, 1966, the tables of period 2 disablement rates
22 and the 1930 to 1950 termination rates of the 1952
23 disability study of the society of actuaries, with due
24 regard to the type of benefit;

25 (B) for policies or contracts issued on or after

January 1v 1961, and prior to January 1, 1966, either such
 tables or, at the option of the insurer, the class 3
 disability table (1926); and
 (C) for policies issued prior to January 1, 1961, the
 class 3 disability table (1926);
 (ii) any such table shall, for active lives, be

7 combined with a mortality table permitted for calculating
8 the reserves for life insurance policies;

9 (f) (i) for accidental death benefits in or 10 supplementary to policies:

(A) for policies issued on or after January 1, 1966,
 the 1959 accidental death benefits table;

(B) for policies issued on or after January 1, 1961.
and prior to January 1, 1966. either such table or. at the
option of the insurer, the intercompany double indemnity
mortality table; and

17 (C) for policies issued prior to January 1, 1961, t

18 intercompany double indemnity mortality table;

(ii) either table shall be combined with a mortality
table permitted for calculating the reserves for life
insurance policies;

22 (g) for group life insurance, life insurance issued on

23 the substandard basis and other special benefits, such

24 tables as may be approved by the commissioner."

25 Section 2. Section 33-2-524, MCA, is amended to read:

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1 #33-2-524. Individual and group annuity and pure endowment contracts -- valuation. (1) The minimum standard 2 for the valuation of all individual annuity and pure 3 endowment contracts issued on or after fthe operative date 4 of this section], as defined herein, and for all annuities 5 and pure endowments purchased on or after that operative 6 date, under group annuity and pure endowment contracts shall 7 в be the commissioner's reserve valuation method methods defined in 33-2-525 and the following tables and interest 9 10 rates:

11 (a) for individual annuity and pure endowment contracts issued prior to danuary-ly-1986 July 1, 1979. 12 excluding any disability and accidental death benefits in 13 such contracts, the 1971 individual annuity mortality table 14 any modification of this table approved by the 15 or commissioner and 6% interest for single premium immediate 15 annuity contracts and 4% interest for all other individual 17 18 annuity and pure endowment contracts;

(b) for--individual---annuity---and---pure---endowment contracts--issued-on-or-after-January-ly-1986y-excluding-any disability-ond-accidental-death-benefits-in-such--contractsy the---1971---individual---annuity--mortality--table--or--any modification-of-the-table-approved-by-the--commissioner--and 3-1724--interest; for__individual__single_premium_immediate annuity_contracts_issued_on_or_after_suly_1s_1979s_excluding

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1	any disability and accidental death benefits in such
2	contracts, the 1971 individual annuity mortality table or
3	any modification of this table approved by the commissioner
4	and 7.1/2% interest:
5	(c) for individual annuity and pure endowment
6	contracts issued on or after July 1. 1979, other than single
7	premium immediate annuity contracts, excluding any
8	disability_and_accidental_death_benefits_in_such_contracts*
9	the 1971 individual annuity mortality table or any
10	modification of this table approved by the commissioner and
11	5 1/2% interest for single premium deferred annuity and pure
12	andowment contracts and 4 1/2% interest for all other such
13	individual annuity and pure endowment contracts:
14	<pre>tet(d) for all annuities and pure endowments purchased</pre>
15	prior to demony-ly-1986 July 1, 1979, under group annuity
16	and pure endowment contracts, excluding any disability and
17	accidental death benefits purchased under such contracts,
18	the 1971 group annuity mortality table or any modification
19	of the table approved by the commissioner and 6% interest;
20	<pre>{d}(e) for all annuities and pure endowments purchased</pre>
21	on or after Jonuary-1v-1986 July le 1979 , under group
22	annuity and pure endowment contracts, excluding any
23	disability and accidental death benefits purchased under
24	such contracts, the 1971 group annuity mortality table or
25	any modification of this table approved by the commissioner
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1 and 3-1/2% 7 1/2% interest.

(2) After Harch 17, 1973, any insurer may file with 2 3 the commissioner a written notice of its election to comply 4 with the provisions of subsection (1) after a specified date 5 before January 1, 1979, which shall be the operative date of 6 subsection (1) for such insurer. An insurer may elect a 7 different operative date for individual annuity and pure 8 endowment contracts from that elected for group annuity and 9 pure endowment contracts. If an insurer makes no such 10 elaction, the operative date of this section for such 11 insurer shall be January 1, 1979.*

12 Section 3. Section 33-2-525, MCA, is amended to read: 13 *33-2-525. Commissioner's reserve valuation method. 14 (1) Reserves Except as otherwise provided in subsection (3) 15 and 33-2-526(3). reserves according to the commissioner's reserve valuation method, for the life insurance and 16 17 endowment benefits of policies providing for a uniform 18 amount of insurance and requiring the payment of uniform 19 premiums, shall be the excess, if any, of the present value, 20 at the date of valuation, of such future guaranteed benefits 21 provided for by such policies, over the then present value of any future modified net premiums therefor. The modified 22 net premiums for any such policy shall be such uniform 23 percentage of the respective contract premiums for such 24 25 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 (a) over (b), as
 follows:

5 (a) a net level annual premium equal to the present 6 value, at the date of issue, of such benefits provided for 7 after the first policy year, divided by the present value. 8 at the date of issue of an annuity of one per annum payable 9 on the first and each subsequent anniversary of such policy 10 on which a premium falls due; provided, however, that such 11 net level annual premium shall not exceed the net level annual premium on the 19-year premium whole life plan for 12 insurance of the same amount at an age 1 year higher than 13 the age at issue of such policy; 14

15 (b) a net 1-year term premium for such benefits
16 provided for in the first policy year.

(2) Reserves according to the commissioner's reserve 17 18 valuation method for the following shall be calculated by a 19 method consistent with the principles of this sections 20 except that any extra premiums charged because of ispairments or special hazards shall be disregarded in the 21 22 determination of modified net premiums: (a) life insurance policies providing for a varying 23 24 amount of insurance or requiring the payment of varying

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(b) uroup annuity and pure endowment contractsy 1 2 purchased under a retirement plan or plan of deferred compensation. established or maintained by an employer 3 (including a partnership or sole proprietorship) or by an 4 5 employee organization, or by both, other than a plan providing individual retirement accounts or individual 6 7 retirement annuities under section 408 of the Internal 8 Revenue Code: as now or hereafter amended:

9 <u>(c)</u> disability and accidental death benefits in all
 policies and contractsy; and

(d) all other benefits. except life insurance and 11 12 endowment benefits in life insurance policiesy--shall-be 13 catcutated--by--a--method--consistent-with-the-principles-of this-sectiony-except-that-any-extra-preaiums-charged-because 14 15 of-impairments-or-special-hezards-shall-be--disregarded--in the--determination--of--modified--net--premiums and banefits 16 17 provided by all other annuity and pure endowment contracts. (3) (a) Subsection (3)(b) anolies to any annuity and 18 pure endowment contracts other than group annuity and pure 19 20 endowment contracts purchased under a retirement plan or 21 plan of deferred compensation established or maintained by 22 an employer (including a partnership or sole proprietorship) 23 or by an employee organizations or by boths other than a 24 plan providing individual retirement accounts or individual 25 retirement annuities under section 408 of the Internal

Revenue Code, as now or hereafter amended. (b) Reserves according to the commissioner's annuity contracts, excluding any disability and accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation. of the future guaranteed benefits. including quaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations required by the terms of such contract that become payable prior to the end of such respective contract year. The future quaranteed benefits shall be determined by using the mortality table, if any, and the interest rate or rates specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms

19 of such contracts to determine nonforfeiture values."

20 Section 4. Section 33-2-526. MCA, is amended to read: 21 "33-2-526. Limits -- options -- deficiency minimum 22 reserves. (1) In no event shall an insurer's aggregate 23 reserves for all life insurance policies, excluding 24 disability and accidental death benefits, be less than the 25 aggregate reserves calculated in accordance with the method

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methods set forth in 33-2-525 and subsection (3) of this
 section and the mortality table or tables and rate or rates
 of interest used in calculating nonforfeiture benefits for
 such policies.

5 (2) Reserves for any category of policies, contracts, 6 or benefits as established by the commissioner may be 7 calculated at the option of the insurer according to any R standards which produce greater aggregate reserves for such 9 category than those calculated according to the minimum 10 standard herein provided, but the rate or rates of interest used for policies and contracts, other than annuity and pure 11 12 endowment contracts, shall not be higher than the 13 corresponding rate or rates of interest used in calculating 14 any nonforfeiture benefits provided for therein. Providedy 15 hewevery-chet--reserves--for--participating--life--insurance 16 policies-- scy--with-- the-- consent-- of-- the-consistency-be 17 calculated-according-to-s-rate-of-interest--lower--then---the 18 rate--of--interest--used--in--catcutating--the-nonforfeiture 19 banefits-in-such-policiesu-If-such-lower-rate--differs--from 20 the--rate--used---in---the---calculation--of---the-nonforfeiture 21 benefits-by-more-than-1/2-of-14y-tha--insurer--issuing---such 22 policies--shall--file-with-the-commissioner-a-plan-providing 23 for-such-aquitable-increasesy-if-anyy-in-the-cash--surrender 24 25 commissioner-shall-approve.

1 (3) If in any contract year the gross premium charged 2 by any life insurer on any policy or contract is less than 3 the valuation net premium for the policy or contract 4 according---to--the--mortality--tobley--rate-of-interesty-and 5 calculated by the method used in calculating the reserve thereon. there--shall--be--maintained--on--such--policy--or 6 7 contract-s-deficiency--reserve--in--addition--to--sil--other reserves--required--by-law-For-each-such-policy-or-contract A 9 the-deficiency-reserve-shall-be-the-present-yelvey-according 10 to-such-standardy-of-an-annuity-of--the--difference--between 11 such--net-premium-ond-the-premium-charged-for-such-policy-or 12 contracty-running-for-the-remainder--of--the--premium-paying 13 period but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required 14 15 for such policy or contract shall be the greater of either 16 the reserve calculated according to the mortality tables rate of interest, and method actually used for such policy 17 18 or contract or the reserve calculated by the method actually used for such policy or contract but using the minimum 19 20 standards of mortality and rate of interest and replacing 21 the valuation pet premium by the actual gross premium in 22 each contract year for which the valuation net premium 23 exceeds the actual gross premium." 24 Section 5. Section 33-20-201. MCA, is amended to read: #33-20-201. Short title. This part shall be known as 25

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"The the "Standard Nonforfeiture Law for Life Insurance"."" 1 Section 6. Section 33-20-206, MCA, is amended to read: 2 #33-20-206. Mortality tables -- policies issued after 3 4 operative date. (1) In the case of ordinary policies issued on or after the operative date of this section as defined 5 6 herein, all adjusted premiums and present values referred to 7 in this part shall be calculated on the basis of the 8 commissioners commissioner's 1958 standard ordinary 9 mortality table and the rate of interest specified in the 10 policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that: 11

12 (a) such rate of interest shall not exceed 3 1/2% per
13 annum, except that a rate of interest not exceeding 4% per
14 annum may be used for policies issued on or after March 17,
15 1973, and prior to donuary to 1986 July 1s 1979, and a rate
16 of interest not exceeding 5 1/2% a year may be used for
17 policies issued on or after July 1s 1979;

(b) 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 6 years
younger than the actual age of the insured;

(c) 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

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1 commissioners commissioner's 1958 extended term insurance 2 table;

3 (d) for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values 4 5 may be based on such other table of mortality as may be specified by the company and approved by the commissioner. 6 7 (2) After July 1, 1961, any insurer may file with the 8 commissioner a written notice of its election to comply with 9 the provisions of this section after a specified date before 10 January 1, 1966. After the filing of such notice, then upon 11 such specified date (which shall be the operative date of 12 this section for such insurer), this section shall become 13 operative with respect to the ordinary policies thereafter 14 issued by such insurer. If an insurer makes no such election, the operative date of this section for such 15 16 insurer shall be January 1, 1966.*

17 Section 7. Section 33-20-207, MCA, is amended to read: 19 *33-20-207. Industrial policies -- mortality tables. 19 (1) In the case of industrial policies issued on or after 20 the operative date of this section as defined herein, all 21 adjusted premiums and present values referred to in this 22 part shall be calculated on the basis of commissioners 23 commissioner's 1961 standard industrial mortality table and 24 the rate of interest specified in the policy for calculating 25 cash surrender values and paid-up nonforfeiture benefits

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provided that: 1 2 (a) such rate of interest shall not exceed 3 1/2% per 3 annum except that a rate of interest not exceeding 41 per annum may be used for policies issued on or after Harch 17. 4 5 1973, and prior to January-1y-1986 July 1, 1979, and a rate 6 of interest not exceeding 5 1/2% a year may be used for 7 policies issued on or after July 1, 1979; 8 (b) in calculating the present value of any paid-up 9 term insurance with accompanying pure endowment, if any, 10 offered as a nonforfeiture benefit, the rates of mortality 11 assumed may be not more than those shown in the commissioners commissioner's 1961 industrial extended term 12 13 insurance table: (C) for insurance issued on a substandard basis the 14

15 calculations of any such adjusted premiums and present 16 values may be based on such other table of mortality as may 17 be specified by the company and approved by the 18 commissioner.

19 (2) After February 22. 1965, any insurer may file with 20 the commissioner a written notice of its election to comply 21 with the provisions of this section after a specified date 22 before January 1, 1968. After the filing of such notice, 23 then upon such specified date (which shall be the operative 24 date of this section for such insurer), this section shall 25 become operative with respect to the industrial policies 1 thereafter issued by such insurer. If an insurer makes no
2 such election, the operative date of this section for such
3 insurer shall be January 1, 1968."

4 <u>NEW SECTION</u> Section 8. Short title. [Sections 8
5 through 20] shall be known as the "Standard Nonforfeiture
6 Law for Individual Deferred Annuities".

7 NEW SECTION. Section 9. Application. [Sections 8 8 through 20) do not apply to any reinsurance, group annuity 9 purchased under a retirement plan, or plan of deferred 10 compensation established or maintained by an employer (including a partnership or sole proprietorship) or by an 11 employee organization, or by both, other than a plan 12 providing individual retirement accounts or individual 13 retirement annuities under section 408 of the Internal 14 Revenue Code, as now or hereafter amended, premium deposit 15 fund, variable annuity, investment annuity, immediate 16 annuity any deferred annuity contract after annuity 17 payments have commenced, or reversionary annuity or to any 18 19 contract which is delivered outside this state through an agent or other representative of the company issuing the 20 21 contract.

22 <u>NEW SECTION</u> Section 10. Nonforfeiture provisions. In 23 the case of contracts issued on or after the operative date 24 of [sections 8 through 20] as defined in [section 20], no 25 contract of annuity except as stated in [section 9] shall be

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delivered or issued for delivery in this state unless it
 contains in substance the following provisions or
 corresponding provisions which in the opinion of the
 commissioner are at least as favorable to the contract
 holder, upon cessation of payment of considerations under
 the contract:

7 (1) that upon cessation of payment of considerations 8 under a contract the company will grant a paid-up annuity 9 benefit on a plan stipulated in the contract of such value 10 as is specified in [sections 13 through 16; and 18];

11 (2) that if a contract provides for a lump-sum settlement at maturity or at any other time, than upon 12 surrender of the contract at or prior to the commencement of 13 any annuity payments, the company will pay in lieu of any 14 paid-up annuity benefit a cash surrender benefit of such 15 amount as is specified in [sections, 13, 14, 16, and 18]. The 16 company shall reserve the right to defer the payment of such 17 cash surrender benefit for a period of 6 months after demand 18 therefor with surrender of the contract. 19

(3) a statement of the mortality table, if any, and
interest rates used in calculating any minimum paid-up
annuity, cash surrender, or death benefits that are
guaranteed under the contract, together with sufficient
information to determine the amounts of such benefits;

25 (4) a statement that any paid-up annuity, cash

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1 surrender, or death benefits that may be available under the 2 contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered 3 4 and an explanation of the manner in which such benefits are 5 altered by the existence of any additional amounts credited 6 by the company to the contract, any indebtedness to the 7 company on the contract, or any prior withdrawals from or 8 partial surrenders of the contract.

9 NEW SECTION. Section 11. Exception. Notwithstanding 10 the requirements of [section 10], any deferred annuity 11 contract may provide that if no consideration has been 12 received under a contract for a period of 2 full years and 13 the portion of the paid-up annuity benefit at maturity on 14 plan stipulated in the contract arising from the 15 consideration paid prior to such period would be less than \$20 monthly, the company may at its option terminate such 16 17 contract by payment in cash of the then present value of 18 such portion of the paid-up annuity benefit, calculated on 19 the basis of the mortality table, if any, and interest rate 20 specified in the contract for determining the paid-up 21 annuity benefit, and by such payment shall be relieved of 22 any further obligation under such contract.

 23
 NEW SECTION:
 Section 12.
 Minimum
 nonforfeiture

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 amounts. (1) The minimum values as specified in [sections 13

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 through 16, and 18] of any paid-up annuity, cash surrender,

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or death benefits available under an annuity contract shall
 be based upon minimum nonforfeiture amounts as defined in
 this section.

(2) (a) With respect to contracts providing for 4 5 flexible considerations, the minimum nonforfeiture amount at 6 any time at or prior to the commencement of any annuity 7 payments shall be equal to an accumulation up to such time at a rate of interest of 3% a year of percentages of the net 8 considerations (as hereinafter defined) paid prior to such 9 10 time, decreased by the sum of any prior withdrawals from or partial surrenders of the contract accumulated at a rate of 11 12 interest of 3% a year and the amount of any indebtedness to the company on the contract, including interest due and 13 14 accrued. and increased by existing additional amounts 15 credited by the company to the contract.

16 (b) The net consideration for a given contract year 17 used to define the minimum nonforfeiture amount shall be an 18 amount not less than zero and shall be equal to the 19 corresponding gross considerations credited to the contract 20 during that contract year less an annual contract charge of 21 \$30 and less a collection charge of \$1.25 per consideration 22 credited to the contract during that contract year. The 23 percentages of net consideration shall be 65% of the net Z4 consideration for the first contract year and 87 1/2% of the net consideration for the second and later contract years. 25

Notwithstanding the provisions of the preceding sentence.
 the percentage shall be 65% of the portion of the total net
 consideration for any renewal contract year which exceeds by
 not more than two times the sum of those portions of the net
 consideration in all prior contract years for which the
 percentage was 65%.

7 (3) With respect to contracts providing for fixed 8 schedule consideration, minimum nonforfeiture amounts shall 9 be calculated on the assumption that consideration is paid 10 annually in advance and shall be defined as for contracts 11 with flexible payments of consideration which are paid 12 annually with two exceptions:

13 (a) The portion of the net consideration for the first
14 contract year to be accumulated shall be the sum of 65% of
15 the net consideration for the first contract year plus
16 22 1/2% of the excess of the net consideration for the first
17 contract year over the lesser of the net considerations for
18 the second and third contract years.

19 (b) The annual contract charge shall be the lesser of20 \$30 or 10% of the gross annual consideration.

21 (4) With respect to contracts providing for a single
22 consideration, minimum nonforfeiture amounts shall be
23 defined as for contracts with flexible payments of
24 consideration except that the percentage of net
25 consideration used to determine the minimum nonforfeiture

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amount shall be equal to 90% and the net consideration shall 1 be the gross consideration less a contract charge of \$75. 2 NEW SECTION. Section 13. Present value to equal 3 minimum nonforfeiture amount. Any paid-up annuity benefit 4 available under a contract shall be such that its present 5 value on the date annuity payments are to commence is at 6 7 least equal to the minimum nonforfeiture amount on that 8 date. Such present value shall be computed using the mortality table, if any, and the interest rate specified in 9 10 the contract for determining the minimum paid-up annuity benefits guaranteed in the contract. 11

12 NEW SECTION. Section 14. Cash surrender benefits. For contracts which provide cash surrender benefits, such cash 13 surrender benefits available prior to maturity shall not be 14 less than the present value as of the date of surrender of 15 that portion of the maturity value of the paid-up annuity 16 benefit which would be provided under the contract at 17 maturity arising from considerations paid prior to the time 18 of cash surrender reduced by the amount appropriate to 19 20 reflect any prior withdrawals from or partial surrenders of the contract, such present value being calculated on the 21 basis of an interest rate not more than 1% higher than the 22 interest rate specified in the contract for accumulating the 23 net considerations to determine such maturity value. 24 decreased by the amount of any indebtedness to the company 25

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1 on the contract, including interest due and accrued, and 2 increased by any existing additional amounts credited by the 3 company to the contract. No cash surrender benefit may be 4 less than the minimum nonforfeiture amount at that time. The 5 death benefit under such contracts shall be at least equal 6 to the cash surrender benefit.

7 NEW SECTION. Section 15. Paid-up annuity benefits. For contracts which do not provide cash surrender benefits. 8 9 the present value of any paid-up annuity benefit available 10 as a nonforfeiture option at any time prior to maturity may 11 not be less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under 12 13 the contract arising from considerations paid prior to the time the contract is surrendered in exchange for or changed 14 to a deferred paid-up annuity, such present value being 15 calculated for the period prior to the maturity date on the 16 17 basis of the interest rate specified in the contract for accumulating the net considerations to determine such 18 maturity value and increased by any existing additional 19 amounts credited by the company to the contract. For 20 21 contracts which do not provide any death benefits prior to the commencement of any annuity payments, such present 22 23 values shall be calculated on the basis of such interest rate and the mortality table specified in the contract for 24 determining the maturity value of the paid-up annuity 25

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benefit. However, the present value of a paid-up annuity
 benefit may not be less than the minimum nonforfeiture
 amount at that time.

NEW SECTION. Section 16. Maturity date. For 4 the 5 purpose of determining the benefits calculated under 6 [sections 14 and 15], in the case of annuity contracts under 7 which an election may be made to have annuity payments 8 commence at optional maturity dates, the maturity date is 9 the latest date for which election is permitted by the 10 contract but may not be later than the anniversary of the 11 contract next following the annuitant's 70th birthday or the 12 10th anniversary of the contract, whichever is later.

13 <u>NEW_SECTIONs</u> Section 17. Statement of noninclusion of 14 certain death benefits. Any contract which does not provide 15 cash surrender benefits or does not provide death benefits 16 at least equal to the minimum nonforfeiture amount prior to 17 the commencement of any annuity payments shall include a 18 statement in a prominent place in the contract that such 19 benefits are not provided.

20 <u>NEW_SECTIONs</u> Section 18. Adjusted benefit. Any 21 paid-up annuity. cash surrender. or death benefits available 22 at any time other than on the contract anniversary under any 23 contract with fixed scheduled consideration shall be 24 calculated with allowance for the lapse of time and the 25 payment of any scheduled consideration beyond the beginning of the contract year in which cessation of payment of
 consideration under the contract occurs.

3 NEW SECTION. Section 19. Calculation of benefits -special benefits excluded. For any contract which provides, 4 5 within the same contract by rider or supplemental contract 6 provision, both annuity benefits and life insurance benefits 7 that are in excess of the greater of cash surrender benefits A or a return of the gross consideration paid with interest. 9 the minimum nonforfeiture benefits shall be equal to the sum 10 of the minimum nonforfeiture benefits for the annuity 11 portion and the minimum nonforfeiture benefits, if any, for 12 the life insurance portion computed as if each portion were 13 a separate contract. Notwithstanding the provisions of [sections 13 through 16, and 18], additional benefits 14 15 payable in the event of total and permanent disability or as reversionary annuity or deferred reversionary annuity 16 benefits or as other policy benefits additional to life 17 and annuity benefits, and 18 insurance endowment. considerations for all such additional benefits shall be 19 disregarded in ascertaining the minimum nonforfeiture 20 21 amounts, paid-up annuity, cash surrender, and death benefits that may be required by this section. The inclusion of such 22 additional benefits shall not be required in any paid-up 23 benefits, unless such additional benefits separately would 24 25 require minimum nonforfeiture amount paid-up annuity, cash

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1 surrender, and death benefits.

NEW SECTION. Section 20. Operative date. After July 2 1, 1979, any company may file with the commission a written 3 notice of its election to comply with the provisions of this 4 5 section after a specified date before July 1, 1981. After the filing of such notice, then upon such specified date, 6 7 which shall be the operative date of this section for such 8 company, this section shall become operative with respect to 9 annuity contracts thereafter issued by such company. If a 10 company makes no such election, the operative date of this section for such company shall be July 1, 1981. 11

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Sente BILL NO. 94 1 INTRODUCED BY L 2

BY REQUEST OF THE COMMISSIONER OF INSURANCE

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE LAW 5 RELATING TO STANDARD VALUATION AND STANDARD NONFORFEITURE 6 IN LIFE INSURANCE; PROVIDING FOR ADOPTION OF ANNUITY 7 MORTALITY TABLES AND PERMISSIBLE INTEREST RATES IN VALUATION 8 ANNUITY AND INSURANCE CONTRACTS; ADDING PROVISIONS 9 GE. RELATING TO NONFORFEITURE IN INDIVIDUAL DEFERRED ANNUITIES: 10 AND AMENDING SECTIONS 33-2-523 THROUGH 33-2-526, 33-20-201, 11 33-20-206. AND 33-70-207. MCA.* 12

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 14 Section 1. Section 33-2-523, MCA, is agended to read: 15 #33-2-523. Contracts on or after the operative date of 16 33-20-213 -- valuation. (1) This section shall apply to only 17 those policies and contracts issued on or after the 18 operative date of 33-20-213, except as otherwise provided in 19 33-2-524 for group annuity and pure endowment contracts 20 21 issued prior to that date.

(2) Except as otherwise provided in 33-2-524, the
 minimum standard for the valuation of all such policies and
 contracts shall be the commissioner's reserve valuation
 method methods defined in 33-2-525, and 32-2-526(3), 53

i interest for group annuity and pure endowment contracts and 3 1/2% interesty for all other such policies and contracts or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after March 17, 1973, and prior to January 2v-1986v 4% interest for such policies issued prior to July 1s 1979s and 4 1/2% interest for such policies issued on or after July 1s T979, and the following tables:

(a) for all ordinary policies of life insurance issued 9 standard basis, excluding any disability and 10 the 11 accidental death benefits in such policies, the 12 commissioner's 1941 standard ordinary mortality table for 13 such policies issued prior to the operative date of 33-20-206, as amended, and the commissioner's 1958 standard 14 ordinary mortality table for such policies issued on or 15 after that operative date, except that for any category of 16 such policies issued on female risks, modified net premiums 17 and present values, referred to in 33-2-525 and 33-2-526, 18 may be calculated, at the option of the insurer with the 19 approval of the commissioner, according to an age younger 20 21 than the actual age of the insured;

(b) for all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies, the 1941 standard industrial mortality table for such policies issued

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1 prior to the operative date of 33-20-207. as anended, and z the commissioner's 1961 standard industrial mortality table for such policies issued on or after that operative date; 3 (c) for individual annuity and pure endowment 4 contracts, excluding any disability and accidental death 5 benefits in such policies, the 1937 standard annuity 6 7 mortality table or, at the option of the insurer, the 8 annuity mortality table for 1949, ultimate, or any . 9 wodification of either of these tables approved by the 10 commissioner:

11 (d) for group annuity and pure endowment contracts.
12 excluding any disability and accidental death benefits in
13 such policies. the group annuity mortality table for 1951.
14 any modification of such table approved by the commissioner.
15 or. at the option of the insurer. any of the tables or
16 modifications of tables specified for individual annuity and
17 pure endowment contracts;

18 (e) (i) for total and permanent disability benefits in
 19 or supplementary to ordinary policies or contracts:

20 (A) for solicies or contracts issued on or after
21 January 1. 1968. the tables of period 2 disablement rates
22 and the 1930 to 1950 termination rates of the 1952
23 disability study of the society of actuaries. with due
24 regard to the type of benefit;

25 (B) for policies or contracts issued on or after

January 1, 1961, and prior to January 1, 1966, either such
 tables or, at the option of the insurer, the class 3
 disability table (1926); and

4 (C) for policies issued prior to January 1, 1961, the
5 class 3 disability table (1926);

6 (1i) any such table shall, for active lives, be
7 combined with a mortality table permitted for calculating
8 the reserves for life insurance policies;

9 (f) (i) for accidental death benefits in or 10 supplementary to policies:

(A) for policies issued on or after January 1, 1966,
 the 1959 accidental death benefits table;

13 (B) for policies issued on or after January 1, 1961,
14 and prior to January 1, 1966, either such table or, at the
15 option of the insurer, the intercompany double indemnity
16 mortality table; and

17 (C) for policies issued prior to January 1, 1961, th

18 intercompany double indemnity mortality table;

(ii) either table shall be combined with a mortality
 table permitted for calculating the reserves for life
 insurance policies;

22 (g) for group life insurance, life insurance issued on

23 the substandard basis and other special benefits, such

24 tables as may be approved by the commissioner."

25 Section 2. Section 33-2-524, MCA, is amended to 1930:

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"33-2-524. Individual and group annuity and pure 1 endowment contracts --- valuation. (1) The minimum standard 2 3 for the valuation of all individual annuity and pure endowment contracts issued on or after fthe operative date 4 of this section], as defined herein, and for all annuities 5 and pure endowments purchased on or after that operative 6 date, under group annuity and pure endowment contracts shall 7 be the commissioner's reserve valuation method methods 8 defined in 33-2-525 and the following tables and interest 9 10 rates:

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(a) for individual annuity and pure endowment 11 contracts issued prior to danuary-iv-1986 July 1. 1979. 12 excluding any disability and accidental death benefits in 13 such contracts, the 1971 individual annuity mortality table 14 modification of this table approved by the anv 15 or commissioner and 6% interest for single premium immediate 15 annuity contracts and 4% interest for all other individual 17 annuity and pure endowment contracts; 16

19 (b) for--individual---ennuity---and---pure---endowment 20 controcts--issued-on-or-efter-January-ly-1986y-excluding-any 21 disability-and-accidental-death-benefits-in-such--contractsy 22 the---1971---individual---annuity--mortality--table--or--any 23 modification-of-the-table-approved-by-the--commissioner--and 24 3-1/2%--interest; for__individual__single_premium_immediate 25 annuity_contracts_issued_on_or_after_July_ls_1979%_excluding LC 0385/01

1	anydisabilityandaccidentaldeathbenefitsinsuch
2	contracts. the 1971 individual annuity mortality table or
3	any modification of this table approved by the commissioner
4	and 7 1/2% interest:
5	(c) for individual annuity and pure endowment
6	contracts issued on or after July 1, 1979, other than single
7	premium immediate anouity contracts. excluding any
8	disability and accidental death benefits in such contracts:
9	the 1971 individual annuity mortality table or any
10	modification of this table approved by the commissioner and
11	5.1/2% interest for single premium deferred annuity and pure
12	endowment contracts and 4 1/2% interest for all other such
13	individual amouity and pure endowment contracts:
14	<pre>tetrain for all annuities and pure endowments purchased</pre>
15	prior to demonry 1-1986 <u>July 1-1979</u>, under group a nnuity
16	and pure endowment contracts, excluding any disability and
17	accidental death benefits purchased under such contracts,
18	the 1971 group annuity mortality table or any modification
19	of the table approved by the commissioner and 6% interest;
20	<pre>td)(e) for all annuities and pure endowments purchased</pre>
21	on or after January-1y-1986 <u>July 1. 1979</u> , under group
22	annuity and pure endowment contracts, excluding any
23	disability and accidental death benefits purchased under
24	such contracts, the 1971 group annuity mortality table or
25	any modification of this table approved by the commissioner

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1 and 3-1/2% 7 1/2% interest.

2 (2) After Harch 17, 1973, any insurer may file with 3 the commissioner a written notice of its election to comply with the provisions of subsection (1) after a specified date 4 5 before January 1, 1979, which shall be the operative date of 6 subsection (1) for such insurer. An insurer may elect a 7 different operative date for individual annuity and pure endowment contracts from that elected for group annuity and a 9 pure endowment contracts. If an insurer makes no such 10 election, the operative date of this section for such 11 insurer shall be January 1, 1979."

12 Section 3. Section 33-2-525, MCA, is amended to read: 13 "33-2-525. Commissioner's reserve valuation method. 14 (1) Reserves Except as otherwise provided in subsection .(3) 15 and 33-2-526(3). reserves according to the commissioner's 16 reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform 17 18 amount of insurance and requiring the payment of uniform 19 premiums, shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits 20 provided for by such policies, over the then present value 21 of any future modified net premiums therefor. The modified 22 net premiums for any such policy shall be such uniform 23 percentage of the respective contract premiums for such 24 25 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 (a) over (b): as
 follows:

(a) a net level annual premium equal to the present 5 value. at the date of issue, of such benefits provided for 6 7 after the first policy year, divided by the present value, at the date of issue of an annuity of one per annum payable 8 9 on the first and each subsequent anniversary of such policy on which a premium falls due; provided, however, that such 10 11 net level annual premium shall not exceed the net level annual premium on the 19-year premium whole life plan for 12 insurance of the same amount at an age 1 year higher than 13 the age at issue of such policy; 14

15 (b) a net 1-year term premium for such benefits
 16 provided for in the first policy year.

17 (2) Reserves according to the commissioner's reservent
18 valuation method for the following shall be calculated by a
19 method consistent with the principles of this sections
20 except that any extra premiums charged because of
21 impairments or special hazards shall be disregarded in the
22 determination of modified net premiums:
23 (a) life insurance policies providing for a varying

24 amount of insurance or requiring the payment of varying 25 premiumsvi

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1 (b) group annuity and pure endowment contractsy 2 purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer 3 4 (including a partnership or sole proprietorship) or by an 5 employee organization, or by both, other than a plan 6 providing individual retirement accounts or individual 7 retirement annuities under section 408 of the Internal 8 Revenue Code. as now or hereafter amended: 9 (c) disability and accidental death benefits in all

10 policies and contractsvi and 11 <u>(d)</u> ail other benefits, except life insurance and

12 endowment benefits in life insurance policiesy--shall-be 13 catcutated--by--a--method--consistent-with-the-principles-of this-sectiony-except-thet-any-extra-presiuss-charged-because 14 15 of-ispairments-or-special-hazards-shall--be--disregarded--in the--determination--of--modified--net--premiums and benefits 16 17 provided by all other annuity and pure endowment contracts. 18 (3) (a) Subsection (3)(b) applies to any annuity and 19 pure endowment contracts other than group annuity and pure 20 endowment contracts purchased under a retirement plan or 21 plan of deferred compensation established or maintained by 22 an employer (including a partnership or sole proprietorship) 23 or by an employee organization, or by both, other than a 24 plan providing individual retirement accounts or individual 25 retirement annuities under section 408 of the Internal

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1 Revenue Lode, as now or hereafter amended. 2 (b) Reserves according to the commissioner's annuity 3 reserve method for benefits under annuity or pure endowment 4 CONTRACTS, excluding any disability and accidental death 5 benefits in such contracts, shall be the greatest of the 6 respective excesses of the present values, at the date of 7 valuation, of the future guaranteed benefits, including 8 quaranteed ponforfeiture benefits. provided for by such 9 contracts at the end of each respective contract years over 10 the present values at the date of valuations of any future 11 valuation considerations derived from future gross 12 considerations required by the terms of such contract that 13 become payable prior to the end of such respective contract 14 year. The future guaranteed benefits shall be determined by 15 using the portality table, if any, and the interest rate or 16 rates specified in such contracts for determining quaranteed 17 benefits. The valuation considerations are the portions of 18 the respective gross considerations applied under the terms 19 of such contracts to determine monforfeiture values." 20 Section 4. Section 33-2-526. NCA. is amended to read: 21 *33-2-526. Limits -- options -- deficiency minimum 22 reserves. (1) In no event shall an insurer's acgregate 23 reserves for all life insurance policies, excluding

disability and accidental death benefits, be less than the

aggregate reserves calculated in accordance with the method

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methods set forth in 33-2-525 and subsection (3) of this
 section and the mortality table or tables and rate or rates
 of interest used in calculating nonforfaiture benefits for
 such policies.

5 (2) Reserves for any category of policies, contracts, or benefits as established by the commissioner may be 6 7 calculated at the option of the insurer according to any A standards which produce greater aggregate reserves for such 9 category than those calculated according to the minimum 10 standard herein provided, but the rate or rates of interest 11 used for policies and contracts, other than acouity and pure 12 endowment contracts, shall not be higher than the 13 corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein. Providedy 14 howevery-that-reserves-for-participating-life-insurance 15 policies-mayy--with--the--consent--of--the-commissionery-be 16 17 calculated-according-to-p-rate-of-interest--lower--then--the 18 rote--of--interest--used--in--colculating--the-nonforfelture 19 benefits-in-such-policiesu-if-such-lower-roto--differs--from 20 the--rete--used---in--the--cateulation--of---the-nonforfeiture 21 benefits-by-more-than-1/2-of-15--the--insurer--issuing--such 22 policies--shall--file-with-the-commissioner-a-plan-providing 23 for-such-equitable-increasesy-if-anyv-in-the-cash--surrender 24 values---and--nonforfeiture--banefits-in-such-policies-as-the 25 commissioner-shall-approves

1 (3) If in any contract year the gross premium charged 2 by any life insurer on any policy or contract is less than 3 the valuation net premium for the policy or contract 4 eccording--to--the--mortality--tabley--rate-of-interesty-and calculated by the method used in calculating the reserve 5 * thereon, there-~shall--be--gaintained--on--such--policy--or 7 contract-a-deficiency-reserve--in--addition--to--all--other reserves -- required -- by-laws-For-each-such-policy-or-contract 8 the deficiency reserve shall be the present values according 9 10 to-such-standardy-of-an-annuity-of--the--difference--between 11 such--net-presive-and-the-presive-charged-for-such-policy-or 12 contracty-running-for-the-remainder--of--the--premium-paying 13 period but using the minimum valuation standards of mortality and rate of interest. the minimum reserve required 14 15 for such policy or contract shall be the greater of either 16 the reserve calculated according to the portality tables rate of interest, and method actually used for such policy 17 or contract or the reserve calculated by the method actual y 18 used for such policy or contract but using the minimum 19 standards of mortality and rate of interest and replacing 20 the valuation net premium by the actual gross premium in 21 each contract year for which the valuation net premium 22 exceeds the actual gross premium." 23 Section 5. Section 33-20-201, MCA, is amended to read: 24 25 **33-20-201.** Short title. This part shall be known as

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"The the "Standard Nonforfeiture Law for Life_ Insurance"."" 1 2 Section 6. Section 33-20-206. MCA. is amended to read: з *33-20-206. Mortality tables -- policies issued after 4 operative date. (1) In the case of ordinary policies issued 5 on or after the operative date of this section as defined herein, all adjusted premiums and present values referred to 6 7 in this part shall be calculated on the basis of the commissioners commissioner's 1958 standard ordinary 8 9 mortality table and the rate of interest specified in the policy for calculating cash surrender values and paid-up 10 11 nonforfeiture benefits, provided that:

12 (a) such rate of interest shall not exceed 3 1/2% per
13 annum, except that a rate of interest not exceeding 4% per
14 annum may be used for policies issued on or after March 17,
15 1973, and prior to donuary ly-1986 July is 1979, and a rate
16 of interest not exceeding 5 1/2% a year may be used for
17 policies issued on or after July is 1979;

(b) 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 6 years
vouncer than the actual age of the insured;

(c) 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

1 commissioners commissioner's 1958 extended term insurance 2 table;

3 (d) for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values 4 5 may be based on such other table of mortality as may be specified by the company and approved by the commissioner. 6 7 (2) After July 1, 1961, any insurer may file with the я commissioner a written notice of its election to comply with the provisions of this section after a specified date before 9 10 January 1, 1966. After the filing of such notice, then upon 11 such specified date (which shall be the operative date of this section for such insurer), this section shall become 12 operative with respect to the ordinary policies thereafter 13 issued by such insurer. If an insurer makes no such 14 election, the operative date of this section for such 15 insurer shall be January 1, 1966." 16

Section 7. Section 33-20-207, MCA, is amended to read: 17 18 #33-20-207. Industrial policies -- mortality tables. (1) In the case of industrial policies issued on or after 19 the operative date of this section as defined herein, all 20 adjusted premiums and present values referred to in this 21 part shall be calculated on the basis of commissioners 22 commissionerts 1961 standard industrial mortality table and 23 the rate of interest specified in the policy for calculating 24 cash surrender values and paid-up nonforfeiture benefits 25

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Z (a) such rate of interest shall not exceed 3 1/2% per annum except that a rate of interest not exceeding 42 per 3 annum may be used for policies issued on or after March 17. 4 1973, and prior to denuery-ly-1966 July 1, 1979, and a rate 5 6 of interest not exceeding 5 1/23 a year say be used for 7 policies issued on or after July 1. 1979; (b) in calculating the present value of any paid-up 8 9 term insurance with accompanying pure endowments if any. 10 offered as a nonforfeiture benefit, the rates of mortality 11 assumed may be not more than those shown in the commissioners commissioner's 1961 industrial extended term 12 insurance table: 13 14 (c) for insurance issued on a substandard basis the

provided that:

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15 calculations of any such adjusted premiums and present 16 values may be based on such other table of mortality as may 17 be specified by the company and approved by the 18 commissioner.

19 (2) After February 22, 1965, any insurer may file with 20 the commissioner a written notice of its election to comply 21 with the provisions of this section after a specified date 22 before January 1, 1968. After the filing of such notice, 23 then upon such specified date (which shall be the operative 24 date of this section for such insurer), this section shall 25 become operative with respect to the industrial policies thereafter issued by such insurer. If an insurer makes no
 such election, the operative date of this section for such
 insurer shall be January 1, 1968."

4 <u>NEW_SECTIONs</u> Section 8. Short title. [Sections 8
5 through 20] shall be known as the "Standard Nonforfeiture
6 Law for Individual Deferred Annuities".

7 NEW SECTION, Section 9. Application. [Sections 8 8 through 20] do not apply to any reinsurance, group annuity 9 purchased under a retirement plan, or plan of deferred 10 compensation established or maintained by an employer 11 (including a partnership or sole proprietorship) or by an 12 employee organization, or by both, other than a plan 13 providing individual retirement accounts or individual 14 retirement annuities under section 408 of the Internal Revenue Code, as now or hereafter amended, premium deposit 15 fund, variable annuity, investment annuity, immediate 16 17 annuity any deferred annuity contract after annuity 18 payments have commenced, or reversionary annuity or to any contract which is delivered outside this state through an 19 20 agent or other representative of the company issuing the 21 contract.

22 <u>NEW SECTION.</u> Section 10. Nonforfeiture provisions. In 23 the case of contracts issued on or after the operative date 24 of [sections 8 through 20] as defined in [section 20], no 25 contract of annuity except as stated in [section 9] shall be

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delivered or issued for delivery in this state unless it
 contains in substance the following provisions or
 corresponding provisions which in the opinion of the
 commissioner are at least as favorable to the contract
 holder, upon cessation of payment of considerations under
 the contract:

7 (1) that upon cessation of payment of considerations 8 under a contract the company will grant a paid-up annuity 9 benefit on a plan stipulated in the contract of such value 10 as is specified in [sections 13 through 16, and 18];

(2) that if a contract provides for a lump-sum 11 settlement at maturity or at any other time, than upon 12 13 surrender of the contract at or prior to the commencement of any annuity payments, the company will pay in lieu of any 14 paid-up annuity benefit a cash surrender benefit of such 15 16 amount as is specified in [sections 13, 14, 16, and 18]. The company shall reserve the right to defer the payment of such 17 cash surrender benefit for a period of 6 months after demand 16 19 therefor with surrender of the contract.

(3) a statement of the mortality table, if any, and
interest rates used in calculating any minimum paid-up
annuity, cash surrender, or death benefits that are
guaranteed under the contract, together with sufficient
information to determine the amounts of such benefits;

25 (4) a statement that any paid-up annuity, cash

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surrender, or death benefits that may be available under the 1 2 contract are not less than the minimum benefits required by 3 any statute of the state in which the contract is delivered and an explanation of the manner in which such benefits are 4 5 altered by the existence of any additional amounts credited 6 by the company to the contract, any indebtedness to the 7 company on the contract, or any prior withdrawals from or A partial surrenders of the contract.

9 NEW SECTION. Section 11. Exception. Notwithstanding 10 the requirements of [section 10], any deferred annuity 11 contract may provide that if no consideration has been received under a contract for a period of 2 full years and 12 13 the portion of the paid-up annuity benefit at maturity on plan stipulated in the contract arising from 14 the consideration paid prior to such period would be less than 15 \$20 monthly, the company may at its option terminate such 16 17 contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on 18 19 the basis of the mortality table, if any, and interest rate 20 specified in the contract for determining the paid-up annuity benefit, and by such payment shall be relieved of 21 22 any further obligation under such contract.

23 <u>NEW_SECTION</u>. Section 12. Minimum nonforfeiture
 24 amounts. (1) The minimum values as specified in [sections 13
 25 through 16, and 18] of any paid-up annuity, cash surrender,

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or death benefits available under an annuity contract shall
 be based upon minimum nonforfeiture amounts as defined in
 this section.

4 (2) (a) With respect to contracts providing for 5 flexible considerations, the minimum nonforfeiture amount at 6 any time at or prior to the commencement of any annuity 7 payments shall be equal to an accumulation up to such time R at a rate of interest of 3% a year of percentages of the net 9 considerations (as hereinafter defined) paid prior to such time. decreased by the sum of any prior withdrawals from or 10 11 partial surrenders of the contract accumulated at a rate of interest of 3% a year and the amount of any indebtedness to 12 the company on the contract, including interest due and 13 14 accrued, and increased by existing additional amounts 15 credited by the company to the contract.

16 (b) The net consideration for a given contract year 17 used to define the minimum nonforfeiture amount shall be an amount not less than zero and shall be equal to the 18 19 corresponding gross considerations credited to the contract during that contract year less an annual contract charge of 20 21 \$30 and less a collection charge of \$1.25 per consideration 22 credited to the contract during that contract year. The percentages of net consideration shall be 65% of the net 23 consideration for the first contract year and 87 1/2% of the 24 net consideration for the second and later contract years. 25

Notwithstanding the provisions of the preceding sentence.
the percentage shall be 65% of the portion of the total net consideration for any renewal contract year which exceeds by not more than two times the sum of those portions of the net consideration in all prior contract years for which the percentage was 65%.

7 (3) With respect to contracts providing for fixed 8 schedule consideration, minimum nonforfeiture amounts shall 9 be calculated on the assumption that consideration is paid 10 annually in advance and shall be defined as for contracts 11 with flexible payments of consideration which are paid 12 annually with two exceptions:

(a) The portion of the net consideration for the first
contract year to be accumulated shall be the sum of 65% of
the net consideration for the first contract year plus
22 1/2% of the excess of the net consideration for the first
contract year over the lesser of the net considerations for
the second and third contract years.

19 (b) The annual contract charge shall be the lesser of20 \$30 or 10% of the gross annual consideration.

21 (4) With respect to contracts providing for a single
22 consideration, minimum nonforfeiture amounts shall be
23 defined as for contracts with flexible payments of
24 consideration except that the percentage of net
25 consideration used to determine the minimum nonforfeiture

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amount shall be equal to 90% and the net consideration shall 1 be the gross consideration less a contract charge of \$75. 2 3 NEW SECTION. Section 13. Present value to equal minimum nonforfeiture amount. Any paid-up annuity benefit 4 available under a contract shall be such that its present 5 value on the date annuity payments are to commence is at 6 7 least equal to the minimum nonforfeiture amount on that date. Such present value shall be computed using the 8 9 nortality table, if any, and the interest rate specified in the contract for determining the minimum paid-up annuity 10 benefits guaranteed in the contract. 11

NEW SECTION. Section 14. Cash surrender benefits. For 12 contracts which provide cash surrender benefits, such cash 13 surrender benefits available prior to maturity shall not be 14 less than the present value as of the date of surrender of 15 that portion of the maturity value of the paid-up annuity 16 henefit which would be provided under the contract at 17 maturity arising from considerations paid prior to the time 18 of cash surrender reduced by the amount appropriate to 19 reflect any prior withdrawals from or partial surrenders of 20 the contract, such present value being calculated on the 21 basis of an interest rate not more than 1% higher than the 22 interest rate specified in the contract for accumulating the 23 net considerations to determine such maturity value, 24 decreased by the amount of any indebtedness to the company 25

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on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract. No cash surrender benefit may be less than the minimum nonforfeiture amount at that time. The death benefit under such contracts shall be at least equal to the cash surrender benefit.

7 MEM_SECTION. Section 15. Paid-up annuity benefits. 8 For contracts which do not provide cash surrender benefits, 9 the present value of any paid-up annuity benefit available as a nonforfeiture option at any time prior to maturity may 10 11 not be less than the present value of that portion of the 12 maturity value of the paid-up annuity benefit provided under 13 the contract arising from considerations paid prior to the time the contract is surrendered in exchange for or changed 14 to a deferred paid-up annuity, such present value being 15 16 calculated for the period prior to the maturity date on the basis of the interest rate specified in the contract for 17 accumulating the net considerations to determine such 18 19 maturity value and increased by any existing additional amounts credited by the company to the contract. For 20 contracts which do not provide any death benefits prior to 21 the commencement of any annuity payments, such present 22 values shall be calculated on the basis of such interest 23 24 rate and the mortality table specified in the contract for determining the maturity value of the paid-up annuity 25

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benefit. However, the present value of a paid-up annuity
 benefit may not be less than the minimum nonforfeiture
 amount at that time.

4 NEW SECTION. Section 16. Naturity date. For the 5 purpose of determining the benefits calculated under 6 [sections 14 and 15], in the case of annuity contracts under which an election may be made to have annuity payments 7 commence at optional maturity dates, the maturity date is 8 the latest date for which election is permitted by the 9 contract but may not be later than the anniversary of the 10 contract next following the annuitant's 70th birthday or the 11 10th anniversary of the contract, whichever is later. 12

13 <u>NEW SECTIONs</u> Section 17. Statement of noninclusion of 14 certain death benefits. Any contract which does not provide 15 cash surrender benefits or does not provide death benefits 16 at least equal to the minimum nonforfeiture amount prior to 17 the commencement of any annuity payments shall include a 18 statement in a prominent place in the contract that such 19 benefits are not provided.

20 <u>NEW_SECTIONs</u> Section 18. Adjusted benefit. Any 21 paid-up annuity. cash surrender, or death benefits available 22 at any time other than on the contract anniversary under any 23 contract with fixed scheduled consideration shall be 24 calculated with allowance for the lapse of time and the 25 payment of any scheduled consideration beyond the beginning of the contract year in which cessation of payment of
 consideration under the contract occurs.

3 NEW SECTION: Section 19. Calculation of benefits --4 special benefits excluded. For any contract which provides. 5 within the same contract by rider or supplemental contract 6 provision, both annuity benefits and life insurance benefits 7 that are in excess of the greater of cash surrender benefits 8 or a return of the gross consideration paid with interest, 9 the minimum nonforfeiture benefits shall be equal to the sum 10 of the minimum nonforfeiture benefits for the annuity 11 portion and the minimum nonforfeiture benefits, if any, for 12 the life insurance portion computed as if each portion were 13 a separate contract. Notwithstanding the provisions of 14 fsections 13 through 16, and 18], additional benefits 15 payable in the event of total and permanent disability or as 16 reversionary annuity or deferred reversionary annuity benefits or as other policy benefits additional to life 17 and annuity benefits, 18 insurance. endowment. a.id considerations for all such additional benefits shall be 19 disregarded in ascertaining the minimum nonforfeiture 20 amounts, paid-up annuity, cash surrender, and death benefits 21 that may be required by this section. The inclusion of such 22 23 additional benefits shall not be required in any paid-up 24 benefits, unless such additional benefits separately would 25 require minimum nonforfeiture amount paid-up annuity, cash

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* * * *

1 surrender, and death benefits.

14 **b**

2 NEW SECTION. Section 20. Operative date. After July 3 1. 1979, any company may file with the commission a written notice of its election to comply with the provisions of this 4 section after a specified date before July 1, 1981. After 5 6 the filing of such notice, then upon such specified date, 7 which shall be the operative date of this section for such 8 company, this section shall become operative with respect to 9 annuity contracts thereafter issued by such company. If a 10 company makes no such election, the operative date of this 11 section for such company shall be July 1, 1981.

-End-

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ı SENATE BILL NO. 94 1 interest_for_uroup_annuity_and_pure_endowment_contracts_and INTRODUCED BY HAZELBAKER, DOVER 2 Z 3 1/2% interesty for all other such policies and contracts BY REQUEST OF THE COMMISSIONER OF INSURANCE 3 3 or in the case of policies and contracts, other than annuity 4 and pure endowment contracts, issued on or after March 17, A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE LAW 5 5 1973, and-prior-to-donuery-ly-1986, 4% interest for__such RELATING TO STANDARD VALUATION AND STANDARD NONFORFEITURE 6 6 policies_issued_prior_to_July_1+_1979+_and_4_1/23_interest IN LIFE INSURANCE; PROVIDING FOR ADOPTION OF ANNUITY 7 7 for such policies issued on or after July 1, 1979, and the MORTALITY TABLES AND PERMISSIBLE INTEREST RATES IN VALUATION 8 8 following tables: OF ANNUITY AND INSURANCE CONTRACTS; ADDING PROVISIONS 9 9 (a) for all ordinary policies of life insurance issued RELATING TO NONFORFEITURE IN INDIVIDUAL DEFERRED ANNUITIES; 10 10 00 the standard basis, excluding any disability and AND AMENDING SECTIONS 33-2-523 THROUGH 33-2-526, 33-20-201+ 11 11 accidental death benefits in such policies, 12 33-20-206, AND 33-20-207, MCA." 12 commissioner's 1941 standard ordinary mortality table for 13 13 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 14 15 Section 1. Section 33-2-523, MCA, is amended to read: 15 #33-2-523. Contracts on or after the operative date of 16 16 33-20-213 -- valuation. (1) This section shall apply to only 17 17 18 those policies and contracts issued on or after the 18 operative date of 33-20-213, except as otherwise provided in 19 19 20 20 33-2-524 for group annuity and pure endowment contracts 21 issued prior to that date. 21 22 22 (2) Except as otherwise provided in 33-2-524, the minimum standard for the valuation of all such policies and 23 23 on the standard basis, excluding any disability and 24 contracts shall be the commissioner's reserve valuation 24 method methods defined in 33-2-525v and 32-2-526(3)+ 53 25

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the

such policies issued prior to the operative date of 33-20-206, as amended, and the commissioner's 1958 standard ordinary mortality table for such policies issued on or after that operative date, except that for any category of such policies issued on female risks, modified net premiums and present values, referred to in 33-2-525 and 33-2-526, may be calculated, at the option of the insurer with the approval of the commissioner, according to an age younger than the actual age of the insured; (b) for all industrial life insurance policies issued

accidental death benefits in such policies, the 1941 standard industrial mortality table for such policies issued 25

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prior to the operative date of 33-20-2071 as amended, and
 the commissioner's 1961 standard industrial mortality table
 for such policies issued on or after that operative date;

5 (c) for individual annuity and pure endowment 5 contracts, excluding any disability and accidental death 6 benefits in such policies, the 1937 standard annuity 7 mortality table or, at the option of the insurer, the 8 annuity mortality table for 1949, ultimate, or any 9 godification of either of these tables approved by the 10 commissioner;

11 (d) for group annuity and pure endowment contracts, 12 excluding any disability and accidental death benefits in 13 such policies, the group annuity mortality table for 1951, 14 any modification of such table approved by the commissioner, 15 or, at the option of the insurer, any of the tables or 16 modifications of tables specified for individual annuity and 17 pure endowment contracts;

18 (e) (i) for total and permanent disability benefits in
19 or supplementary to ordinary policies or contracts:

20 (A) for policies or contracts issued on or after 21 January 1, 1966, the tables of period 2 disablement rates 22 and the 1930 to 1950 termination rates of the 1952 23 disability study of the society of actuaries, with due 24 regard to the type of benefit;

25 (8) for policies or contracts issued on or after

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January 1, 1961, and prior to January 1, 1966, either such
 tables or, at the option of the insurer, the class 3
 disability table (1926); and

4 (C) for policies issued prior to January 1+ 1961; the
5 class 3 disability table (1926);

6 (ii) any such table shally for active lives, be 7 combined with a mortality table permitted for calculating 8 the reserves for life insurance policies:

9 (f) (i) for accidental death benefits in or 10 supplementary to policies:

11 (A) for policies issued on or after January 1, 1966.

12 the 1959 accidental death benefits table;

13 (8) for policies issued on or after January 1, 1961,
14 and prior to January 1, 1966, either such table or, at the
15 option of the insurer, the intercompany double indemnity
16 mortality table; and

17 (C) for policies issued prior to January 1, 1961, the
18 intercompany double indemnity mortality table;

(ii) either table shall be combined with a mortality
 table permitted for calculating the reserves for life
 insurance policies;

(g) for group life insurance. life insurance issued on
the substandard basis and other special benefits, such
tables as may be approved by the commissioner."

25 Section 2. Section 33-2-524, MCA, is amended to read:

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#33-2-524. Individual and group annuity and pure 1 endowment contracts -- valuation. (1) The minimum standard 2 for the valuation of all individual annuity and pure 3 endowment contracts issued on or after fthe operative date 4 5 of this section-1, as defined herein, and for all annuities and pure endowments purchased on or after that operative 6 date, under group annuity and pure endowment contracts shall 7 be the commissioner's reserve valuation method methods 8 defined in 33-2-525 and the following tables and interest 9 10 rates:

(a) for individual annuity and pure endowment 11 12 contracts issued prior to danuary--ty--1986 July_1; 1979. excluding any disability and accidental death benefits in 13 such contracts, the 1971 individual annuity mortality table 14 any modification of this table approved by the 15 or commissioner and 6% interest for single premium immediate 16 17 annuity contracts and 4% interest for all other individual 18 annuity and pure endowment contracts;

 19
 (b) for--individual---annuity---and---pure---endowment

 20
 contracts--issued-on-or-after-danuary-iv-1986v-excluding-any

 21
 disability-and-accidental-death-benefits-in-such--contractsv

 22
 the---i971---individual---annuity--mortality--table--or--any

 23
 modification-of-the-table-approved-by-the--commissioner--and

 24
 3-1/2%--interest;
 for__individual_single_premium_immediate

 25
 annuity_contracts_issued_on_or_after_July_ls_1979s_excluding

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1	<u>any_disability_and_accidental_death_benefits_insucb</u>
2	<u>contracts, the 1971 individual annuity mortality table or</u>
3	any_modification_of_this_table_approved_by_thecommissioner
4	and <u>7 1/2% interest:</u>
5	<pre>(c)forindividualannuityandpureendowment</pre>
6	<u>contracts_issued_on_or_after_July_1x_1979+_other_than_single</u>
7	previumimmediateanouitycontracts+excludingany
8	<u>disability_and_accidental_death_benefits_in_such_contracts</u>
9	the_1971_individual_annuity_mortalitytableoraoy
10	modification_of_this_table_approved_by_the_commissioner_and
11	5_1/2%_interest_for_single_premium_deferred_annuity_and_pure
12	endowment contracts and <u>4 1/2% interest for all other such</u>
13	individual_annuity_and_pure_endowment_contracts:
14	<pre>fcf(d) for all annuities and pure endowments purchased</pre>
15	prior to denuery-ly-1986 <u>July 1+ 1979</u> , under group annuity
16	and pure endowment contracts, excluding any disability and
17	accidental death benefits purchased under such contracts,
18	the 1971 group annuity mortality table or any modification
19	of the table approved by the commissioner and 6% interest;
20	<pre>tdt(e) for all annuities and pure endowments purchased</pre>
21	on or after January1v1986 <u>July 1; 1979</u>, under group
22	annuity and pure endowment contracts, excluding any
23	disability and accidental death benefits purchased under
24	such contracts, the 1971 group annuity mortality table or
25	any modification of this table approved by the commissioner

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1 and 3-1/2% 7_1/2% interest,

2 (2) After March 17, 1973, any insurer may file with 3 the commissioner a written notice of its election to comply 4 with the provisions of subsection (1) after a specified date 5 before January 1, 1979, which shall be the operative date of subsection (1) for such insurer. An insurer may elect a 6 7 different operative date for individual annuity and pure 8 endowment contracts from that elected for group annuity and 9 pure endowment contracts. If an insurer makes no such 10 election, the operative date of this section for such insurer shall be January 1, 1979." 11

12 Section 3. Section 33-2-525. MCA. is amended to read: 13 #33-2-525. Commissioner's reserve valuation methods 14 (1) Asserves Except as otherwise provided in subsection (3) 15 and 33-2-526(3), reserves according to the commissioner's 16 reserve valuation method, for the life insurance and 17 endowment benefits of policies providing for a uniform 18 amount of insurance and requiring the payment of uniform 19 premiums, shall be the excess, if any, of the present value, 20 at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value 21 of any future modified net premiums therefor. The modified 22 net premiums for any such policy shall be such uniform 23 24 percentage of the respective contract premiums for such 25 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 (a) over (b); as
 follows:

(a) a net level annual premium equal to the present 5 value, at the date of issue, of such benefits provided for 6 7 after the first policy year, divided by the present value, . at the date of issue of an anouity of one per annum payable 9 on the first and each subsequent anniversary of such policy on which a premium falls due; provided, however, that such 10 11 net level annual premium shall not exceed the net level annual premium on the 19-year premium whole life plan for 12 insurance of the same amount at an age 1 year higher than 13 14 the age at issue of such policy:

(b) a net L-year term premium for such benefits
provided for in the first policy year.

17 (2) Reserves according to the commissioner's reserve
valuation method for the following shall be calculated by a
method consistent with the principles of this sections
except that any extre premiums charged because of
impairments of special hazards shall be disregarded in the
determination of modified net premiums:
23 (a) life insurance policies providing for a varying

24 amount of insurance or requiring the payment of varying 25 premiumsvi

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1 (b) group annuity and pure endowment contracts+ z purchased under _a_retirement_plan_or_plan_of_deferred 3 compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an 4 5 employee organization. or by boths other than a plan providing individual retirement accounts or individual 6 7 retirement_annuities_under_section_408_of_the_Internal 8 Revenue_Code: as now or hereafter_amended: 9 (c) disability and accidental death benefits in all 10 policies and contractsy; and (d) all other benefits, except life insurance and 11 12 endowment benefits in life insurance policiesy--shall--be calculated--by--a--method--consistent-with-the-printiples-of 13 this-section-except-that-any-extra-premiums-charged-because 14 of-impoirments-or-special-hazards-shall--be--disregarded--in 15 16 the--determination--of--modified--net--premiums and benefits 17 provided by all other annuity and pure endowment contracts. 18 (3) (a) Subsection (3)(b) applies to any annuity and 19 pure_endowment_contracts_other_than_group_annuity__and__pure 20 endowment__contracts_purchased_under__a_retirement_plan_or 21 plan of deferred compensation established or _____aintained__by 22 an employer (including a partnership or sole proprietorship) 23 or by an employee organizations or by boths other than a 24 plan_providing_individual_retirement_accounts_or__individual 25 retirement annuities under section 408 of the Internal

1	Revenue_Code:_as_now_or_bereafter_amended.
z	<pre>(b) Reserves according to the commissioner's annuity</pre>
3	reservemethod_for_benefits_under_annuity_or_pure_endowment
4	contracts.excluding_anydisabilityandaccidentaldeath
5	benefitsinsuchcontracts;shall_be_the_greatest_of_the
6	respective_excesses_of_the_present_valuess_atthedateof
۲	<u>xaluations_of_the_future_guaranteed_benefitss_including</u>
8	guaranteed_nonforfeiturebenefits+providedforbysucb
9	contracts_at_the_end_of_each_respective_contract_years_over
10	the present_values_at_the_date_of_valuations_ofanyfuture
11	<u>valuationconsiderationsderivedfromfuturegross</u>
12	considerations_required_by_the_teres_of_such_contract_tbat
13	becomepayable_prior_to_the_end_of_such_respective_contract
14	<pre>year. The future guaranteed benefits shall be determined by</pre>
15	using_the_mortality_table.if_any.and_the_interest_cate_or
16	<u>rates_specified_in_such_contracts_for_determining_guaranteed</u>
17	benefits. The valuation considerations are the portions of
18	the respective gross considerations applied under the terms
19	of_such_contracts_to_determine_nonforfeiture_values.*
20	Section 4. Section 33-2-526. MCA+ is amended to read:
21	#33-2-526. Limits options deficiency <u>minim</u>um
22	reserves. (1) In no event shall an insurer's aggregate
23	reserves for all life insurance policies, excluding
24	disability and accidental death benefits, be less than the

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aggregate reserves calculated in accordance with the method

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methods set forth in 33-2-525 and subsection (3) of this
 section and the mortality table or tables and rate or rates
 of interest used in calculating nonforfeiture benefits for
 such policies.

5 (2) Reserves for any category of policies, contracts, 6 or benefits as established by the commissioner may be 7 calculated at the option of the insurer according to any 8 standards which produce greater aggregate reserves for such category than those calculated according to the minimum 9 10 standard herein provided, but the rate or rates of interest 11 used for policies and contracts, other than annuity, and pure 12 andowmant___contracts. shall not be higher than the 13 corresponding rate or rates of interest used in calculating 14 any nonforfeiture benefits provided for therein. Providedy 15 houevery-that--reserves--for--perticipating--life--insurance 16 poticies--mayy--with--the--consent--of--the-compissionery-be 17 colculated-according-to-a-rate-of-interest--lower--thon--the 18 rate---af---faterest--used---in--cafeulating--the-nonforfeiture 19 benefits-in-such-policies-if-such-lever-rete--differs--from 20 the--rete--used--in--the--cateulation--ef--the-nonferfeiture 21 benefits-by-more-thon-t/2-of-tty-the--insurer--issuing--such 22 poticies--sheit--fite-with-the-commissioner-a-ptan-providing 23 for-such-equitable-increasesy-if-anyy-in-the-cash--surrander 24 vatues--and--nonforfeiture--benefits-in-such-policies-as-the 25 commissioner-shall-approver

1 (3) If in any contract year the gross premium charged 2 by any life insurer on any policy or contract is less than 3 the valuation net premium for the policy or contract according--to--the--mortality--tabley--rate-of-interesty-and calculated by the method used in calculating the reserve 5 thereon. there--shatt--be--stinteined--on--such--poticy--or ٨ contract-s-deficiency--reserve--in--eddition--to--sil--ather 7 . reserves--reautrad--by-faw-fer-each-such-sett-cr-contract . the-deficiency-reserve-shell-be-the-present-velue-secording 10 to-such-standardr-of-an-annuity-of--the--difference--between 11 such--net-presius-and-the-presius-charged-for-such-potter-or 12 contracty-running-for-the-readinger-of--the--presiun-paying 13 period but using the sinima valuation standards of 14 mortality and rate of interests the minimum reserve required 15 for such policy or contract shall be the dreater of sither the reserve calculated according to the sortality tables 16 17 rate of interest, and method actually used for such policy 18 or contract or the reserve calculated by the method actually 19 used for such policy or contract but using the minimum 20 standards of mortality and rate of interest and replacing 21 the valuation net premium by the actual gross premium in 22 each contract year for which the valuation net presium 23 exceeds the actual gross premium." 24 Section 5. Section 33-20-201, MCA, is amended to read: 25 "33-20-201. Short title. This part shall be known as

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#The the "Standard Nonforfeiture Law for Life_Insurance"."" 1 2 Section 6. Section 33-20-206. MCA. is amended to read: 3 "33-20-206. Mortality tables -- policies issued after operative date. (1) In the case of ordinary policies issued 4 5 on or after the operative date of this section as defined herein, all adjusted premiums and present values referred to 6 in this part shall be calculated on the basis of the 7 8 commissioners commissioner's 1958 standard ordinary 9 mortality table and the rate of interest specified in the 10 policy for calculating cash surrender values and paid-up 11 nonforfeiture benefits, provided that:

12 (a) such rate of interest shall not exceed 3 1/23 per 13 annum, except that a rate of interest not exceeding 43 per 14 annum may be used for policies issued on or after March 17, 15 1973, and prior to denuery-ty-1986 July 1: 1979; and a rate 16 of interest not exceeding 5 1/23 a year may be used for 17 policies issued on or after July 1: 1979;

(b) 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 6 years
younger than the actual age of the insured;

(c) 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

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1 commissioners commissioner's 1958 extended term insurance
2 table:

(d) for insurance issued on a substandard basis, the а. 4 calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be 5 6 specified by the company and approved by the commissioner. (2) After July 1, 1961, any insurer may file with the 7 8 commissioner a written notice of its election to comply with 9 the provisions of this section after a specified date before 10 January 1, 1966. After the filing of such notice, then upon such specified date (which shall be the operative date of 11 12 this section for such insurer), this section shall become 13 operative with respect to the ordinary policies thereafter 14 issued by such insurer. If an insurer makes no such 15 election, the operative date of this section for such 16 insurer shall be January 1, 1966."

17 Section 7. Section 33-20-207, MCA, is amended to read: "33-20-207. Industrial policies -- mortality tables. 18 (1) In the case of industrial policies issued on or after 19 20 the operative date of this section as defined herein, all 21 adjusted premiums and present values referred to in this 22 part shall be calculated on the basis of commissioners 23 commissioner's 1961 standard industrial mortality table and 24 the rate of interest specified in the policy for calculating 25 cash surrender values and paid-up nonforfeiture benefits

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2 (a) such rate of interest shall not exceed 3 1/2% per
3 annum except that a rate of interest not exceeding 4% per
4 annum may be used for policies issued on or after March 17.
5 1973, and prior to denumry-ty-1986 July 1, 1979, and a rate
6 of interest not exceeding 5 1/2% a year may be used for
7 policies issued on or after July 1, 1979;

8 (b) in calculating the present value of any paid-up
9 term insurance with accompanying pure endowment, if any;
10 offered as a nonforfeiture benefit, the rates of mortality
11 assumed may be not more than those shown in the
12 commissioners commissioner:s 1961 industrial extended term
13 insurance table;

14 (c) for insurance issued on a substandard basis the 15 calculations of any such adjusted premiums and present 16 values may be based on such other table of mortality as may 17 be specified by the company and approved by the 18 commissioner.

19 (2) After February 22, 1965, any insurer may file with 20 the commissioner a written notice of its election to comply 21 with the provisions of this section after a specified date 22 before January 1, 1968, After the filing of such notice, 23 then upon such specified date (which shall be the operative 24 date of this section for such insurer), this section shall 25 become operative with respect to the industrial policies

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thereafter issued by such insurer. If an insurer makes no
 such elections the operative date of this section for such
 insurer shall be January 1, 1968.*

MEN_SECTION: Section 8. Short title. [Sections 8
 through 20] shall be known as the "Standard Nonforfeiture
 Law for Individual Deferred Annuities".

1 NEW_SECIION: Section 9. Application. [Sections 8 8 through 20] do not apply to any reinsprance, group annuity 9 purchased under a retirement plan, or plan of deferred 10 compensation established or maintained by an employer 11 (including a partnership or sole proprietorship) or by an 12 employee organization, or by both, other than a plan 13 providing individual retirement accounts or individual 14 retirement annuities under section 408 of the Internal 15 Revenue Code, as now or hereafter amended, premium deposit 16 fund, variable annuity, investment annuity, immediate 17 annuity, any deferred annuity contract after annuity 18 payments have commenced, or reversionary annuity or to any 19 contract which is delivered outside this state through an 20 agent or other representative of the company issuing the 21 contract.

22 <u>NEW_SECTIONs</u> Section 10. Nonförfeiture provisions. In 23 the case of contracts issued on or after the operative date 24 of (sections 8 through 20) as defined in [section 20], no 25 contract of annuity except as stated in [section 9] shall be

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delivered or issued for delivery in this state unless it
 contains in substance the following provisions or
 corresponding provisions which in the opinion of the
 commissioner are at least as favorable to the contract
 holder, upon cessation of payment of considerations under
 the contract:

7 (1) that upon cessation of payment of considerations 8 under a contract the company will grant a paid-up annuity 9 benefit on a plan stipulated in the contract of such value 10 as is specified in fsections 13 through 16, and 18];

(2) that if a contract provides for a lump-sum 11 12 settlement at maturity or at any other time, than upon surrender of the contract at or prior to the commencement of 13 any annuity payments, the company will pay in lieu of any 14 15 paid-up annuity benefit a cash surrender benefit of such 16 amount as is specified in [sections 13+ 14+ 16+ and 18]. The company shall reserve the right to defer the payment of such 17 cash surrender benefit for a period of 6 months after demand 16 19 therefor with surrender of the contract.

(3) a statement of the mortality table, if any, and
interest rates used in calculating any minimum paid-up
annuity, cash surrender, or death benefits that are
guaranteed under the contract, together with sufficient
information to determine the amounts of such benefits;

25 (4) a statement that any paid-up annuity: cash

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1 surrender, or death benefits that may be available under the contract are not less than the minimum benefits required by 2 3 any statute of the state in which the contract is delivered 4 and an explanation of the manner in which such benefits are 5 altered by the existence of any additional amounts credited 6 by the company to the contract, any indebtedness to the 7 company on the contract, or any prior withdrawals from or 8 partial surrenders of the contract.

9 NEW SECTION. Section 11. Exception. Notwithstanding the requirements of [section 10], any deferred annuity 10 11 contract may provide that if no consideration has been 12 received under a contract for a period of 2 full years and 13 the portion of the paid-up annuity benefit at maturity on 14 plan stipulated in the contract arising from the 15 consideration paid prior to such period would be less than 16 \$20 monthly, the company may at its option terminate such 17 contract by payment in cash of the then present value of 18 such portion of the paid-up annuity benefit, calculated on 19 the basis of the mortality table, if any, and interest rate 20 specified in the contract for determining the paid-up 21 annuity benefit, and by such payment shall be relieved of 22 any further obligation under such contract.

 23
 NEW_SECIIONA
 Section 12.
 Minimum
 nonforfeiture

 24
 amounts. (1) The minimum values as specified in [sections 13

 25
 through 16. and 18] of any paid-up annuity. cash surrender.

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or death benefits available under an annuity contract shall
 be based upon minimum nonforfeiture amounts as defined in
 this section.

4 (2) (a) With respect to contracts providing for 5 flexible considerations, the minimum nonforfeiture amount at 6 any time at or prior to the commencement of any annuity 7 payments shall be equal to an accumulation up to such time 8 at a rate of interest of 3% a year of percentages of the net 9 considerations (as hereinafter defined) paid prior to such 10 time, decreased by the sum of any prior withdrawals from or partial surrenders of the contract' accumulated at a rate of 11 12 interest of 3% a year and the amount of any indebtedness to 13 the company on the contract, including interest due and 14 accrued, and increased by existing additional amounts 15 credited by the company to the contract.

16 (b) The net consideration for a given contract year 17 used to define the minimum nonforfeiture amount shall be an amount not less than zero and shall be equal to the 18 19 corresponding gross considerations credited to the contract 20 during that contract year less an annual contract charge of \$30 and less a collection charge of \$1.25 per consideration 21 22 credited to the contract during that contract year. The 23 percentages of net consideration shall be 65% of the net 24 consideration for the first contract year and 87 1/2% of the net consideration for the second and later contract years. 25

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Notwithstanding the provisions of the preceding sentence, the percentage shall be 65% of the portion of the total net consideration for any renewal contract year which exceeds by not more than two times the sum of those portions of the net consideration in all prior contract years for which the percentage was 65%.

7 (3) With respect to contracts providing for fixed 8 schedule consideration, minimum nonforfelture amounts shall 9 be calculated on the assumption that consideration is paid 10 annually in advance and shall be defined as for contracts 11 with flexible payments of consideration which are paid 12 annually with two exceptions:

13 (a) The portion of the net consideration for the first 14 contract year to be accumulated shall be the sum of 65% of 15 the net consideration for the first contract year plus 16 22 1/2% of the excess of the net consideration for the first 17 contract year over the lesser of the net considerations for 18 the second and third contract years.

19 (b) The annual contract charge shall be the lesser of20 \$30 or 10% of the gross annual consideration.

(4) with respect to contracts providing for a single consideration, minimum nonforfeiture amounts shall be defined as for contracts with flexible payments of consideration except that the percentage of net consideration used to determine the minimum nonforfeiture

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amount shall be equal to 90% and the net consideration shall 1 be the gross consideration less a contract charge of \$75. 2 NEW SECTION. Section 13. Present value to equal 3 minimum nonforfeiture amount. Any paid-up annuity benefit 4 5 available under a contract shall be such that its present value on the date annuity payments are to commence is at 6 7 least equal to the minimum nonforfeiture amount on that date. Such present value shall be computed using the я Q mortality table, if any, and the interest rate specified in the contract for determining the minimum paid-up annuity 10 benefits guaranteed in the contract. 11

NEW SECTION. Section 14. Cash surrender benefits. For 12 contracts which provide cash surrender benefits, such cash 13 14 surrender benefits available prior to maturity shall not be less than the present value as of the date of surrender of 15 that portion of the maturity value of the paid-up annuity 16 17 benefit which would be provided under the contract at maturity arising from considerations paid prior to the time 18 19 of cash surrender reduced by the amount appropriate to 20 reflect any prior withdrawals from or partial surrenders of the contract, such present value being calculated on the 21 basis of an interest rate not more than 1% higher than the 22 23 interest rate specified in the contract for accumulating the 24 net considerations to determine such maturity value, 25 decreased by the amount of any indebtedness to the company on the contract, including interest due and accrued, and
 increased by any existing additional amounts credited by the
 company to the contract. No cash surrender benefit may be
 less than the minimum nonforfeiture amount at that time. The
 death benefit under such contracts shall be at least equal
 to the cash surrender benefit.

7 NEW_SECTION. Section 15. Paid-up annuity benefits. 8 For contracts which do not provide cash surrender benefits, 9 the present value of any paid-up annuity benefit available 10 as a nonforfeiture option at any time prior to maturity may 11 not be less than the present value of that portion of the 12 maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid prior to the 13 time the contract is surrendered in exchange for or changed 14 15 to a deferred paid-up annuity, such present value being 16 calculated for the period prior to the maturity date on the 17 basis of the interest rate specified in the contract for 19 accumulating the net considerations to determine such 19 maturity value and increased by any existing additional 20 amounts credited by the company to the contract. For 21 contracts which do not provide any death benefits prior to 22 the commencement of any annuity payments, such present 23 values shall be calculated on the basis of such interest rate and the mortality table specified in the contract for 24 25 determining the maturity value of the paid-up annuity

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benefit. However, the present value of a paid-up annuity 1 2 benefit may not be less than the minimum nonforfeiture amount at that time. 3

4 NEW_SECTION. Section 16. Maturity date. For the purpose of determining the benefits calculated under 5 6 [sections 14 and 15], in the case of annuity contracts under 7 which an election may be made to have annuity payments commence at optional maturity dates, the maturity date is . 9 the latest date for which election is permitted by the 10 contract but may not be later than the anniversary of the 11 contract next following the annuitant's 70th birthday or the 12 10th anniversary of the contract, whichever is later.

13 NEW SECTION. Section 17. Statement of noninclusion of 14 certain death benefits. Any contract which does not provide 15 cash surrender benefits or does not provide death benefits 16 at least equal to the minimum nonforfeiture amount prior to 17 the commencement of any annuity payments shall include a 18 statement in a prominent place in the contract that such benefits are not provided. 19

20 NEW_SECTION. Section 18. Adjusted benefit. Any 21 paid-up annuity, cash surrender, or death benefits available 22 at any time other than on the contract anniversary under any 23 contract with fixed scheduled consideration shall be calculated with allowance for the lapse of time and the 24 25 payment of any scheduled consideration beyond the beginning

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of the contract year in which cessation of payment of 1 consideration under the contract occurs. 2

3 NEW SECTION. Section 19. Calculation of benefits -special benefits excluded. For any contract which provides, 4 within the same contract by rider or supplemental contract 5 6 provision, both annuity benefits and life insurance benefits 7 that are in excess of the greater of cash surrender benefits A or a return of the gross consideration paid with interest. • the minimum nonforfeiture benefits shall be equal to the sum 10 of the minimum nonforfeiture benefits for the annuity 11 portion and the minimum nonforfeiture benefits, if any, for 12 the life insurance portion computed as if each portion were 13 a separate contract. Notwithstanding the provisions of 14 [sections 13 through 16, and 18], additional benefits 15 payable in the event of total and permanent disability or as 16 reversionary annuity or deferred reversionary annuity 17 benefits or as other policy benefits additional to life 18 annuity benefits, and insurance. endowment, and 19 considerations for all such additional benefits shall be 20 disregarded in ascertaining the minimum nonforfeiture 21 amounts, paid-up annuity, cash surrender, and death benefits 22 that may be required by this section. The inclusion of such 23 additional benefits shall not be required in any paid-up benefits, unless such additional benefits separately would 24 25 require minimum nonforfeiture amount paid~up annuity, cash

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1 surrender. and death benefits.

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2 NEW_SECTION. Section 20. Operative date. After July 3 1, 1979, any company may file with the commission a written 4 notice of its election to comply with the provisions of this 5 section after a specified date before July 1+ 1981. After the filing of such notice, then upon such specified date. 6 7 which shall be the operative date of this section for such company, this section shall become operative with respect to 8 9 annuity contracts thereafter issued by such company. If a 10 company makes no such election, the operative date of this 11 section for such company shall be July 1, 1981.

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