

HOUSE BILL NO. 592

INTRODUCED BY KITSELMAN, HARPER, YARDLEY

IN THE HOUSE

February 1, 1983	Introduced and referred to Committee on Business and Industry.
February 8, 1983	Committee recommend bill do pass. Report adopted.
February 9, 1983	Bill printed and placed on members' desks.
February 10, 1983	Second reading, do pass.
February 11, 1983	Considered correctly engrossed.
February 12, 1983	Third reading, passed. Transmitted to Senate.

IN THE SENATE

February 12, 1983	Introduced and referred to Committee on Business and Industry.
March 19, 1983	Committee recommend bill be concurred in. Report adopted. Statement of Intent attached.
March 23, 1983	Second reading, concurred in.
March 25, 1983	Third reading, concurred in. Ayes, 46; Noes, 3.

IN THE HOUSE

March 25, 1983	Returned to House with Statement of Intent.
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March 31, 1983

Second reading, Statement of
Intent concurred in.

April 1, 1983

Third reading, Statement of
Intent concurred in.

Sent to enrolling.

Reported correctly enrolled.

1 HOUSE BILL NO. 592
 2 INTRODUCED BY Kirkland Rep. [Signature]
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
 5 MONTANA INSURANCE CODE STANDARD NONFORFEITURE LAW FOR LIFE
 6 INSURANCE; AMENDING SECTIONS 33-20-202 THROUGH 33-20-204,
 7 33-20-206, 33-20-207, 33-20-211, AND 33-20-212, MCA."
 8

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

10 Section 1. Section 33-20-202, MCA, is amended to read:

11 "33-20-202. Nonforfeiture provisions. (1) In the case
 12 of policies issued on or after the operative date of this
 13 part as defined in 33-20-213, no policy of life insurance,
 14 except as set forth in 33-20-212, shall be delivered or
 15 issued for delivery in this state unless it shall contain in
 16 substance the following provisions or corresponding
 17 provisions which in the opinion of the commissioner are at
 18 least as favorable to the defaulting or surrendering
 19 policyholder as are the minimum requirements specified in
 20 this section and are essentially in compliance with [section
 21 21]:

22 (a) that in the event of default in any premium
 23 payment after premiums have been paid for at least 1 full
 24 year, the insurer will grant, upon proper request not later
 25 than 60 days after the due date of the premium in default, a

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

11 (b) that upon surrender of the policy within 60 days
 12 after the due date of any premium payment in default after
 13 premiums have been paid for at least 3 full years in the
 14 case of ordinary insurance and 5 full years in the case of
 15 industrial insurance, the insurer will pay, in lieu of any
 16 paid-up nonforfeiture benefit, a cash surrender value of
 17 such amount as may be specified in this part;

18 (c) that a specified paid-up nonforfeiture benefit
 19 shall become effective as specified in the policy unless the
 20 person entitled to make such election elects another
 21 available option not later than 60 days after the due date
 22 of the premium in default;

23 (d) that if the policy shall have become paid up by
 24 completion of all premium payments or if it is continued
 25 under any paid-up nonforfeiture benefit which became

1 effective on or after the third policy anniversary in the
 2 case of ordinary insurance or the fifth policy anniversary
 3 in the case of industrial insurance, the insurer will pay,
 4 upon surrender of the policy within 30 days after any policy
 5 anniversary, a cash surrender value of such amount as may be
 6 specified in this part;

7 ~~(e) for a policy that has on a basis guaranteed in the~~
 8 ~~policy unscheduled changes in benefits or premiums or that~~
 9 ~~provides an option for changes in benefits or premiums other~~
 10 ~~than a change to a new policy, a statement of the mortality~~
 11 ~~tables, interest rate, and method used in calculating cash~~
 12 ~~surrender values and the paid-up nonforfeiture benefits~~
 13 ~~available under the policy. For each other policy a~~
 14 ~~statement of the mortality table and interest rate used in~~
 15 ~~calculating the cash surrender values and the paid-up~~
 16 ~~nonforfeiture benefits available under the policy, together~~
 17 ~~with a table showing the cash surrender value, if any, and~~
 18 ~~paid-up nonforfeiture benefit, if any, available under the~~
 19 ~~policy on each policy anniversary, either during the first~~
 20 ~~20 policy years or during the term of the policy, whichever~~
 21 ~~is shorter, such values and benefits to be calculated upon~~
 22 ~~the assumption that there are no dividends or paid-up~~
 23 ~~additions credited to the policy and that there is no~~
 24 ~~indebtedness to the insurer on the policy;~~

25 (f) a statement that the cash surrender values and the

1 paid-up nonforfeiture benefits available under the policy
 2 are not less than the minimum values and benefits required
 3 by or pursuant to the insurance law of this state;

4 (g) an explanation of the manner in which the cash
 5 surrender values and the paid-up nonforfeiture benefits are
 6 altered by the existence of any paid-up additions credited
 7 to the policy or any indebtedness to the insurer on the
 8 policy;

9 (h) if a detailed statement of the method of
 10 computation of the values and benefits shown in the policy
 11 is not stated therein, a statement that such method of
 12 computation has been filed with the insurance supervisory
 13 official of the state in which the policy is delivered; and

14 (i) a statement of the method to be used in
 15 calculating the cash surrender value and paid-up
 16 nonforfeiture benefit available under the policy on any
 17 policy anniversary beyond the last anniversary for which
 18 such values and benefits are consecutively shown in the
 19 policy.

20 (2) Any of the provisions or portions thereof set
 21 forth in subsections (a) through (i) which are not
 22 applicable by reason of the plan of insurance may, to the
 23 extent inapplicable, be omitted from the policy. The insurer
 24 shall reserve the right to defer the payment of any cash
 25 surrender value for a period of 6 months after demand

1 therefor with surrender of the policy."

2 Section 2. Section 33-20-203, MCA, is amended to read:

3 "33-20-203. Cash surrender value -- paid-up
4 nonforfeiture benefit -- life. (1) ~~Any Except as provided in~~
5 ~~subsection (2), any~~ cash surrender value available under the
6 policy in the event of default in the premium payment due on
7 any policy anniversary, whether or not required by
8 33-20-202, shall be an amount not less than the excess, if
9 any, of the present value on such anniversary of the future
10 guaranteed benefits which would have been provided for by
11 the policy, including any existing paid-up additions if
12 there had been no default, over the sum of:

13 (a) the then present value of the adjusted premiums as
14 defined in [33-20-204 through 33-20-207 ~~and section 6~~],
15 corresponding to premiums which would have fallen due on and
16 after such anniversary; and

17 (b) the amount of any indebtedness to the insurer on
18 account of or secured by the policy.

19 ~~(2). For any policy issued on or after the operative~~
20 ~~date of [section 6] that provides supplemental life~~
21 ~~insurance or annuity benefits at the option of the insured~~
22 ~~and for an identifiable additional premium by rider or~~
23 ~~supplemental policy provision, the cash surrender value~~
24 ~~referred to in subsection (1) is an amount not less than the~~
25 ~~sum of the cash surrender value as defined in subsection (1)~~

1 ~~for an otherwise similar policy issued at the same age~~
2 ~~without such rider or supplemental policy provision and the~~
3 ~~cash surrender value as defined in subsection (1) for a~~
4 ~~policy that provides only the benefits otherwise provided by~~
5 ~~such rider or supplemental policy provision.~~

6 ~~(2)(2)~~ Any cash surrender value available within 30
7 days after any policy anniversary under any policy paid up
8 by completion of all premium payments or any policy
9 continued under any paid-up nonforfeiture benefits, whether
10 or not required by 33-20-202, shall be an amount not less
11 than the present value, on such anniversary, of the future
12 guaranteed benefits provided for by the policy, including
13 any existing paid-up additions, decreased by any
14 indebtedness to the insurer on account of or secured by the
15 policy.

16 ~~(3)(4)~~ Any paid-up nonforfeiture benefit available
17 under the policy in the event of default in the premium
18 payment due on any policy anniversary shall be such that its
19 present value as of such anniversary shall be at least equal
20 to the cash surrender value then provided for by the policy
21 or, if none is provided for, that cash surrender value which
22 would have been required by this part in the absence of the
23 conditions that premiums shall have been paid for at least a
24 specified period.

25 ~~(5). For any family policy issued on or after the~~

~~operative date of [section 6] that defines a primary insured and provides term insurance on the life of the spouse of the primary insured expiring before the spouse reaches 71 years of age; the cash surrender value referred to in subsection (1) is an amount not less than the sum of the cash surrender value as defined in subsection (1) for an otherwise similar policy issued at the same age without such term insurance on the life of the spouse and the cash surrender value as defined in subsection (1) for a policy that provides only the benefits otherwise provided by such term insurance on the life of the spouse."~~

Section 3. Section 33-20-204, MCA, is amended to read:

"33-20-204. Adjusted premium. ~~(1) This section does not apply to policies issued on or after the operative date of [section 6].~~

~~(1)(2)~~ (a) Except as provided in subsection ~~(2)(3)~~, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding extra premiums on a substandard policy, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of:

(i) the then present value of the future guaranteed benefits provided for by the policy;

(ii) 2% of the amount of the insurance if the insurance

be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with the duration of the policy;

(iii) 40% of the adjusted premium for the first policy year;

(iv) 25% of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less.

(b) In applying the percentages specified in subsections (iii) and (iv) above, no adjusted premiums shall be deemed to exceed 4% of the amount of insurance or uniform amount equivalent thereto.

(c) Whenever the plan or term of a policy has been changed, either by request of the insured or automatically in accordance with the provisions of the policy, the date of inception of the changed policy for the purposes of determining a nonforfeiture benefit or cash surrender value shall be the date as of which the age of the insured is determined for the purposes of the changed policy. The date of issue of a policy for the purposes of this subsection shall be the date as of which the rated age of the insured is determined.

(d) (i) In the case of a policy providing an amount of

insurance varying with the duration of the policy, the equivalent uniform amount thereof for the purpose of the preceding subsections (a) and (b) shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy.

(ii) In the case of a policy for a varying amount of insurance issued on the life of a child under age 10, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age 10 were the amount provided by such policy at age 10.

~~††~~131 (a) The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (i) the adjusted premiums for an otherwise similar policy issued at the same age without such term insurance benefits, increased, during the period for which premiums for such term insurance benefits are payable, by (ii) the adjusted premiums for such term insurance.

(b) The foregoing items (a)(i) and (a)(ii) being calculated separately and as specified in subsection ~~††~~ 121

except that, for the purposes of (ii), (iii), and (iv) of subsection ~~††~~ 121, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (a)(ii) of this subsection shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (a)(i) of this subsection."

Section 4. Section 33-20-206, MCA, is amended to read:

"33-20-206. Mortality tables -- policies issued after operative date. ~~(1) This section does not apply to ordinary policies issued on or after the operative date of [section 6].~~

~~††~~121 In the case of ordinary policies issued on or after the operative date of this section as defined herein, all adjusted premiums and present values referred to in this part shall be calculated on the basis of the commissioner's 1958 standard ordinary mortality table and the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that:

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

1 exceeding 5 1/2% a year may be used for policies issued on
2 or after July 1, 1979;

3 (b) for any category of ordinary insurance issued on
4 female risks, adjusted premiums and present values may be
5 calculated according to an age not more than 6 years younger
6 than the actual age of the insured;

7 (c) in calculating the present value of any paid-up
8 term insurance with accompanying pure endowment, if any,
9 offered as a nonforfeiture benefit, the rates of mortality
10 assumed may be not more than those shown in the
11 commissioner's 1958 extended term insurance table;

12 (d) for insurance issued on a substandard basis, the
13 calculation of any such adjusted premiums and present values
14 may be based on such other table of mortality as may be
15 specified by the company and approved by the commissioner.

16 ~~(2)(3)~~ After July 1, 1961, any insurer may file with
17 the commissioner a written notice of its election to comply
18 with the provisions of this section after a specified date
19 before January 1, 1966. After the filing of such notice,
20 then upon such specified date (which shall be the operative
21 date of this section for such insurer), this section shall
22 become operative with respect to the ordinary policies
23 thereafter issued by such insurer. If an insurer makes no
24 such election, the operative date of this section for such
25 insurer shall be January 1, 1966."

1 Section 5. Section 33-20-207, MCA, is amended to read:

2 "33-20-207. Industrial policies -- mortality tables.
3 ~~(1) This section does not apply to industrial policies~~
4 ~~issued on or after the operative date of [section 6].~~

5 ~~(1)(2)~~ In the case of industrial policies issued on or
6 after the operative date of this section as defined herein,
7 all adjusted premiums and present values referred to in this
8 part shall be calculated on the basis of commissioner's 1961
9 standard industrial mortality table and the rate of interest
10 specified in the policy for calculating cash surrender
11 values and paid-up 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 July 1, 1979, and a rate of interest not
16 exceeding 5 1/2% a year may be used for policies issued on
17 or after July 1, 1979;

18 (b) in calculating the present value of any paid-up
19 term insurance with accompanying pure endowment, if any,
20 offered as a nonforfeiture benefit, the rates of mortality
21 assumed may be not more than those shown in the
22 commissioner's 1961 industrial extended term insurance
23 table;

24 (c) for insurance issued on a substandard basis the
25 calculations of any such adjusted premiums and present

1 values may be based on such other table of mortality as may
2 be specified by the company and approved by the
3 commissioner.

4 {2}(3) After February 22, 1965, any insurer may file
5 with the commissioner a written notice of its election to
6 comply with the provisions of this section after a specified
7 date before January 1, 1968. After the filing of such
8 notice, then upon such specified date (which shall be the
9 operative date of this section for such insurer), this
10 section shall become operative with respect to the
11 industrial policies thereafter issued by such insurer. If an
12 insurer makes no such election, the operative date of this
13 section for such insurer shall be January 1, 1968."

14 NEW SECTION. Section 6. Mortality tables -- interest
15 rate adjusted premiums. (1) (a) This section applies to all
16 policies issued on or after the operative date of this
17 section. Except as provided in subsection (7), the adjusted
18 premiums for any policy are calculated on an annual basis
19 and must be such a uniform percentage of the respective
20 premiums specified in the policy for each policy year,
21 excluding amounts payable as extra premiums to cover
22 impairments, special hazards, and any uniform annual
23 contract charge or policy fee specified in the policy in a
24 statement of the method to be used in calculating the cash
25 surrender values and paid-up nonforfeiture benefits, that

1 the present value, at the date of issue of the policy, of
2 all adjusted premiums is equal to the sum of:

3 (i) the then present value of the future guaranteed
4 benefits provided for by the policy;

5 (ii) 1% of either the amount of insurance, if the
6 insurance is uniform in amount, or the average amount of
7 insurance at the beginning of each of the first 10 policy
8 years; and

9 (iii) 125% of the nonforfeiture net level premium as
10 provided in subsection (2). No nonforfeiture net level
11 premium is considered to exceed 4% of either the amount of
12 insurance, if the insurance is uniform in amount, or the
13 average amount of insurance at the beginning of each of the
14 first 10 policy years.

15 (b) The date of issue of a policy for the purpose of
16 this subsection is the date as of which the rated age of the
17 insured is determined.

18 (2) The nonforfeiture net level premium is equal to
19 the present value, at the date of issue of the policy, of
20 the guaranteed benefits provided for by the policy divided
21 by the present value, at the date of issue of the policy, of
22 an annuity of one per annum payable on the date of issue of
23 the policy and on each anniversary of such policy on which a
24 premium falls due.

25 (3) For policies that have on a basis guaranteed in

1 the policy unscheduled changes in benefits or premiums or
 2 that provide an option for changes in benefits or premiums
 3 other than a change to a new policy, the adjusted premiums
 4 and present values are initially calculated on the
 5 assumption that future benefits and premiums do not change
 6 from those stipulated at the date of issue of the policy.
 7 At the time of any such change in the benefits or premiums,
 8 the future adjusted premiums, nonforfeiture net level
 9 premiums, and present values must be recalculated on the
 10 assumption that future benefits and premiums do not change
 11 from those stipulated by the policy immediately after the
 12 change.

13 (4) Except as otherwise provided in subsection (7),
 14 the recalculated future adjusted premiums for any such
 15 policy shall be such uniform percentage of the respective
 16 future premiums specified in the policy for each policy
 17 year, excluding amounts payable as extra premiums to cover
 18 impairments, special hazards, and any uniform annual
 19 contract charge or policy fee specified in the policy in a
 20 statement of the method to be used in calculating the cash
 21 surrender values and paid-up nonforfeiture benefits, that
 22 the present value, at the time of change to the newly
 23 defined benefits or premiums, of all such future adjusted
 24 premiums shall be equal to the excess of:

25 (a) the sum of:

1 (i) the then present value of the then future
 2 guaranteed benefits provided for by the policy; and
 3 (ii) the additional expense allowance, if any; over
 4 (b) the then cash surrender value, if any, or present
 5 value of any paid-up nonforfeiture benefit under the policy.
 6 (5) The additional expense allowance, at the time of
 7 the change to the newly defined benefits or premiums, is the
 8 sum of:
 9 (a) 1% of the excess, if positive, of the average
 10 amount of insurance at the beginning of each of the first 10
 11 policy years subsequent to the change, over the average
 12 amount of insurance prior to the change at the beginning of
 13 each of the first 10 policy years subsequent to the time of
 14 the most recent previous change or, if there has been no
 15 previous change, the date of issue of the policy; and
 16 (b) 125% of the increase, if positive, in the
 17 nonforfeiture net level premium.
 18 (6) The recalculated nonforfeiture net level premium
 19 is equal to the result obtained by dividing the product of
 20 subsection (a) by the product of subsection (b):
 21 (a) (i) the nonforfeiture net level premium applicable
 22 prior to the change multiplied by the present value of an
 23 annuity of one per annum payable on each anniversary of the
 24 policy on or subsequent to the date of the change on which a
 25 premium would have fallen due had the change not occurred;

1 and

2 (ii) the present value of the increase in future

3 guaranteed benefits provided for by the policy;

4 (b) the present value of an annuity of one per annum

5 payable on each anniversary of the policy on or subsequent

6 to the date of change on which a premium falls due.

7 (7) Notwithstanding any other provisions of this

8 section for a policy issued on a substandard basis that

9 provides reduced graded amounts of insurance so that, in

10 each policy year, such policy has the same tabular mortality

11 cost as an otherwise similar policy issued on the standard

12 basis that provides higher uniform amounts of insurance,

13 adjusted premiums and present values for such substandard

14 policy may be calculated as if it were issued to provide

15 such higher uniform amounts of insurance on the standard

16 basis.

17 (8) Except as provided below, all adjusted premiums

18 and present values referred to in [this section, section 7,

19 and Title 33, chapter 20, part 2] are for policies of

20 ordinary insurance calculated on the basis of the

21 commissioner's 1980 standard ordinary mortality table or, at

22 the election of the insurer for any one or more specified

23 plans of life insurance, the commissioner's 1980 standard

24 ordinary mortality table with 10-year select mortality

25 factors. All adjusted premiums and present values for

1 policies of industrial insurance are calculated on the basis

2 of the commissioner's 1961 standard industrial mortality

3 table. All adjusted premiums and present values for all

4 policies issued in a particular calendar year are calculated

5 on the basis of a rate of interest not exceeding the

6 nonforfeiture interest rate as provided in this subsection

7 for policies issued in that calendar year; with the

8 following exceptions and conditions:

9 (a) At the option of the insurer, calculations for all

10 policies issued in a particular calendar year may be made on

11 the basis of a rate of interest not exceeding the

12 nonforfeiture interest rate, as provided in this subsection

13 for policies issued in the immediately preceding calendar

14 year.

15 (b) Under any paid-up nonforfeiture benefit, including

16 any paid-up dividend additions, any cash surrender value

17 available, whether or not required by 33-20-202, is

18 calculated on the basis of the mortality table and rate of

19 interest used in determining the amount of such paid-up

20 nonforfeiture benefit and paid-up dividend additions, if

21 any.

22 (c) An insurer may calculate the amount of any

23 guaranteed paid-up nonforfeiture benefit, including any

24 paid-up additions under the policy, on the basis of an

25 interest rate no lower than that specified in the policy for

1 calculating cash surrender values.

2 (d) In calculating the present value of any paid-up
3 term insurance with accompanying pure endowment, if any,
4 offered as a nonforfeiture benefit, the rates of mortality
5 assumed may be not more than those shown in the
6 commissioner's 1980 extended term insurance table for
7 policies of ordinary insurance and not more than the
8 commissioner's 1961 industrial extended term insurance table
9 for policies of industrial insurance.

10 (e) For insurance issued on a substandard basis, the
11 calculation of any such adjusted premiums and present values
12 may be based on appropriate modifications of the tables set
13 forth in subsection (8).

14 (f) Any ordinary mortality tables adopted after 1980
15 by the national association of insurance commissioners that
16 are approved by the commissioner by rule for use in
17 determining the minimum nonforfeiture standard may be
18 substituted for the commissioner's 1980 standard ordinary
19 mortality table with or without 10-year select mortality
20 factors or for the commissioner's 1980 extended term
21 insurance table.

22 (g) Any industrial mortality tables adopted after 1980
23 by the national association of insurance commissioners that
24 are approved by the commissioner by rule for use in
25 determining the minimum nonforfeiture standard may be

1 substituted for the commissioner's 1961 standard industrial
2 mortality table or the commissioner's 1961 industrial
3 extended term insurance table.

4 (9) The nonforfeiture interest rate per annum for any
5 policy issued in a particular calendar year must be equal to
6 125% of the calendar year statutory valuation interest rate
7 for such policy as defined in the standard valuation law,
8 Title 33, chapter 2, part 5, rounded to the nearer 1/4 of
9 1%.

10 (10) Notwithstanding any other provision in this code
11 to the contrary, any refiling of nonforfeiture values or
12 their methods of computation for any previously approved
13 policy form that involves only a change in the interest rate
14 or mortality table used to compute nonforfeiture values does
15 not require refiling of any other provisions of that policy
16 form.

17 (11) After October 1, 1983, any insurer may file with
18 the commissioner a written notice of its election to comply
19 with the provisions of this section after a specified date,
20 before January 1, 1989, which is the operative date of this
21 section for such insurer. If an insurer makes no such
22 election, the operative date of this section for such
23 insurer is January 1, 1989.

24 NEW SECTION. Section 7. Determination of
25 nonforfeiture values for special plans. For a plan of life

1 insurance that provides for future premium determination the
2 amounts of which are to be determined by the insurer based
3 on then estimates of future experience or for a plan of life
4 insurance that is of such a nature that minimum values
5 cannot be determined by the methods described in [33-20-204
6 through 33-20-207 and section 6]:

7 (1) the commissioner must be satisfied that the
8 benefits provided under the plan are substantially as
9 favorable to policyholders and insureds as the minimum
10 benefits otherwise required by [33-20-204 through 33-20-207
11 and section 6];

12 (2) the commissioner must be satisfied that the
13 benefits and the pattern of premiums of that plan are not
14 such as to mislead prospective policyholders or insureds;
15 and

16 (3) the cash surrender values and paid-up
17 nonforfeiture benefits provided by such plan may not be less
18 than the minimum values and benefits required for the plan
19 computed by a method consistent with the principles of this
20 part, as determined by rules promulgated by the
21 commissioner.

22 Section 8. Section 33-20-211, MCA, is amended to read:

23 "33-20-211. Calculation of values -- other requisites.

24 (1) Any cash surrender value and any paid-up nonforfeiture
25 benefit available under the policy in the event of default

1 in a premium payment due at any time other than on the
2 policy anniversary shall be calculated with allowance for
3 the lapse of time and the payment of fractional premiums
4 beyond the last preceding policy anniversary.

5 (2) All values referred to in [33-20-203 through
6 33-20-207 and ~~section 6~~] may be calculated upon the
7 assumption that any death benefit is payable at the end of
8 the policy year of death.

9 (3) The net value of any paid-up additions, other than
10 paid-up term additions, shall be not less than the ~~dividends~~
11 amounts used to provide such additions.

12 (4) Notwithstanding the provisions of subsections (1)
13 and ~~(2)~~ (3) of 33-20-203, additional benefits payable under
14 the following circumstances shall be disregarded in
15 ascertaining cash surrender values and nonforfeiture
16 benefits required by this part, and no such additional
17 benefits shall be required to be included in any paid-up
18 nonforfeiture benefits:

19 (a) in the event of death or dismemberment by accident
20 or accidental means;

21 (b) in the event of total and permanent disability;

22 (c) as reversionary annuity or deferred reversionary
23 annuity benefits;

24 (d) as term insurance benefits provided by a rider or
25 supplemental policy provision to which, if issued as a

1 separate policy, this part would not apply;

2 (e) as term insurance on the life of a child or on the
3 lives of children provided in a policy on the life of a
4 parent of the child, if such term insurance expires before
5 the child's age is 26, is uniform in amount after the
6 child's age is 1, and has not become paid up by reason of
7 the death of a parent of the child; and

8 (f) as other policy benefits additional to life
9 insurance and endowment benefits and premiums for all such
10 additional benefits."

11 NEW SECTION. Section 9. Additional rules for
12 calculating cash surrender values. (1) This section, in
13 addition to all other applicable sections of this chapter,
14 applies to all policies issued on or after January 1, 1987.
15 Any cash surrender value available under the policy upon
16 default in a premium payment due on any policy anniversary
17 is an amount that does not differ by more than 2/10 of 1% of
18 either the amount of insurance, if the insurance is uniform
19 in amount, or the average amount of insurance at the
20 beginning of each of the first 10 policy years subtracted
21 from the sum of:

22 (a) the greater of zero and the basic cash value
23 specified in subsection (2); and

24 (b) the present value of any existing paid-up
25 additions less the amount of any indebtedness to the insurer

1 under the policy.

2 (2) The basic cash value is equal to the present
3 value, on such anniversary, of the future guaranteed
4 benefits that would have been provided for by the policy,
5 excluding any existing paid-up additions and before
6 deduction of any indebtedness to the insurer, if there had
7 been no default less the then present value of the
8 nonforfeiture factors, as provided in subsection (3),
9 corresponding to premiums that would have fallen due on and
10 after such anniversary date. However, the effects on the
11 basic cash value of supplemental life insurance or annuity
12 benefits or of family coverage, as described in 33-20-203 or
13 33-20-204, whichever is applicable, are the same as the
14 effects specified in 33-20-203 or 33-20-204, whichever is
15 applicable, on the cash surrender values defined in that
16 section.

17 (3) The nonforfeiture factor for each policy year is
18 an amount equal to a percentage of the adjusted premium for
19 the policy year, as defined in 33-20-204 or [section 6],
20 whichever is applicable. Except as is required by subsection
21 (4), the percentage:

22 (a) must be the same percentage for each policy year
23 between the second policy anniversary date and the later of
24 the fifth policy anniversary date and the first policy
25 anniversary date at which there is available under the

1 policy a cash surrender value in an amount, before including
2 any paid-up additions and before deducting any indebtedness,
3 of at least 2/10 of 1% of either the amount of insurance, if
4 the insurance is uniform in amount, or the average amount of
5 insurance at the beginning of each of the first 10 policy
6 years; and

7 (b) must be such that no percentage after the later of
8 the two policy anniversary dates specified in subsection
9 (3)(a) applies to less than 5 consecutive policy years.

10 (4) No basic cash value may be less than the value
11 that would be obtained if the adjusted premiums for the
12 policy, as provided in 33-20-204 or [section 6], whichever
13 is applicable, were substituted for the nonforfeiture
14 factors in the calculation of the basic cash value.

15 (5) Adjusted premiums and present values referred to
16 in this section must, for a particular policy, be calculated
17 on the same mortality and interest bases as are used in
18 demonstrating the policy's compliance with the other
19 sections of this part. The cash surrender values referred to
20 in this section include any endowment benefits provided for
21 by the policy.

22 (6) A cash surrender value available other than upon
23 default in a premium payment due on a policy anniversary
24 date and the amount of any paid-up nonforfeiture benefit
25 available under the policy in the event of default in a

1 premium payment are determined consistently with provisions
2 specified for determining the analogous minimum amounts in
3 33-20-202 through 33-20-204, [section 6], and 33-20-211. The
4 amounts of any cash surrender values and of any paid-up
5 nonforfeiture benefits granted in connection with additional
6 benefits such as those listed in 33-20-211(4) must conform
7 with the principles of this section.

8 Section 10. Section 33-20-212, MCA, is amended to
9 read:

10 "33-20-212. Exceptions. ~~11~~ This part ~~shall~~ does not
11 apply to: any

12 (a) reinsurance;

13 (b) group insurance;

14 (c) ~~a~~ pure endowment;

15 (d) ~~an~~ annuity or reversionary annuity contract;

16 (e) ~~or to any~~ a term policy of uniform amount ~~that~~
17 ~~provides no guaranteed nonforfeiture or endowment benefits,~~
18 or renewal thereof, of ~~15~~ 20 years or less expiring before
19 age ~~66~~ 71 for which uniform premiums are payable during the
20 entire term of the policy;

21 (f) ~~or to any~~ a term policy of decreasing amount ~~that~~
22 ~~provides no guaranteed nonforfeiture or endowment benefits,~~
23 on which each adjusted premium, calculated as specified in
24 [33-20-204 through 33-20-207 and section 6], is less than
25 the adjusted premiums so calculated on a ~~term~~ policy of

1 uniform amount, or renewal thereof, which provides no
 2 guaranteed nonforfeiture or endowment benefits, issued at
 3 the same age and for the same initial amount of insurance
 4 for a term defined as follows and for a term of 20 years, or
 5 less, expiring before age 71, for which uniform premiums are
 6 payable during the entire term of the policy:

7 (1) For ages at issue 50 and under, the term shall be
 8 15 years;

9 (2) Thereafter, the term shall decrease 1 year for
 10 each year of age beyond 50;

11 (g) a policy which provides no guaranteed
 12 nonforfeiture or endowment benefits for which the cash
 13 surrender value, if any, or present value of any paid-up
 14 nonforfeiture benefit at the beginning of any policy year,
 15 calculated as specified in [33-20-203 through 33-20-207 and
 16 section 6], does not exceed 2.5% of the amount of insurance
 17 at the beginning of the same policy year;

18 (h) a policy that is delivered outside this state
 19 through an agent or other representative of the insurer
 20 issuing the policy;

21 (2) For purposes of subsection (1), the age at expiry
 22 for a joint term life insurance policy is the age at expiry
 23 of the oldest life."

24 NEW SECTION. Section 11. Codification instruction.
 25 Sections 6, 7, and 9 are intended to be codified as an

1 Integral part of Title 33, chapter 20, part 2, and the
 2 provisions of Title 33 apply to sections 6, 7, and 9.

-End-

Approved by Committee
on Business and Industry

1 HOUSE BILL NO. 592
2 INTRODUCED BY Kite Raymond
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
5 MONTANA INSURANCE CODE STANDARD NONFORFEITURE LAW FOR LIFE
6 INSURANCE; AMENDING SECTIONS 33-20-202 THROUGH 33-20-204,
7 33-20-206, 33-20-207, 33-20-211, AND 33-20-212, MCA."
8
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
10 Section 1. Section 33-20-202, MCA, is amended to read:
11 "33-20-202. Nonforfeiture provisions. (1) In the case
12 of policies issued on or after the operative date of this
13 part as defined in 33-20-213, no policy of life insurance,
14 except as set forth in 33-20-212, shall be delivered or
15 issued for delivery in this state unless it shall contain in
16 substance the following provisions or corresponding
17 provisions which in the opinion of the commissioner are at
18 least as favorable to the defaulting or surrendering
19 policyholder as are the minimum requirements specified in
20 this section and are essentially in compliance with [section
21 2]]:
22 (a) that in the event of default in any premium
23 payment after premiums have been paid for at least 1 full
24 year, the insurer will grant, upon proper request not later
25 than 60 days after the due date of the premium in default, a

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

11 (b) that upon surrender of the policy within 60 days
12 after the due date of any premium payment in default after
13 premiums have been paid for at least 3 full years in the
14 case of ordinary insurance and 5 full years in the case of
15 industrial insurance, the insurer will pay, in lieu of any
16 paid-up nonforfeiture benefit, a cash surrender value of
17 such amount as may be specified in this part;

18 (c) that a specified paid-up nonforfeiture benefit
19 shall become effective as specified in the policy unless the
20 person entitled to make such election elects another
21 available option not later than 60 days after the due date
22 of the premium in default;

23 (d) that if the policy shall have become paid up by
24 completion of all premium payments or if it is continued
25 under any paid-up nonforfeiture benefit which became

1 effective on or after the third policy anniversary in the
 2 case of ordinary insurance or the fifth policy anniversary
 3 in the case of industrial insurance, the insurer will pay,
 4 upon surrender of the policy within 30 days after any policy
 5 anniversary, a cash surrender value of such amount as may be
 6 specified in this part;

7 ~~(e) for a policy that has on a basis guaranteed in the~~
 8 ~~policy unscheduled changes in benefits or premiums or that~~
 9 ~~provides an option for changes in benefits or premiums other~~
 10 ~~than a change to a new policy, a statement of the mortality~~
 11 ~~tables, interest rate, and method used in calculating cash~~
 12 ~~surrender values and the paid-up nonforfeiture benefits~~
 13 ~~available under the policy, for each other policy a~~
 14 statement of the mortality table and interest rate used in
 15 calculating the cash surrender values and the paid-up
 16 nonforfeiture benefits available under the policy, together
 17 with a table showing the cash surrender value, if any, and
 18 paid-up nonforfeiture benefit, if any, available under the
 19 policy on each policy anniversary, either during the first
 20 20 policy years or during the term of the policy, whichever
 21 is shorter, such values and benefits to be calculated upon
 22 the assumption that there are no dividends or paid-up
 23 additions credited to the policy and that there is no
 24 indebtedness to the insurer on the policy;

25 (f) a statement that the cash surrender values and the

1 paid-up nonforfeiture benefits available under the policy
 2 are not less than the minimum values and benefits required
 3 by or pursuant to the insurance law of this state;

4 (g) an explanation of the manner in which the cash
 5 surrender values and the paid-up nonforfeiture benefits are
 6 altered by the existence of any paid-up additions credited
 7 to the policy or any indebtedness to the insurer on the
 8 policy;

9 (h) if a detailed statement of the method of
 10 computation of the values and benefits shown in the policy
 11 is not stated therein, a statement that such method of
 12 computation has been filed with the insurance supervisory
 13 official of the state in which the policy is delivered; and

14 (i) a statement of the method to be used in
 15 calculating the cash surrender value and paid-up
 16 nonforfeiture benefit available under the policy on any
 17 policy anniversary beyond the last anniversary for which
 18 such values and benefits are consecutively shown in the
 19 policy.

20 (2) Any of the provisions or portions thereof set
 21 forth in subsections (a) through (i) which are not
 22 applicable by reason of the plan of insurance may, to the
 23 extent inapplicable, be omitted from the policy. The insurer
 24 shall reserve the right to defer the payment of any cash
 25 surrender value for a period of 6 months after demand

therefor with surrender of the policy."

Section 2. Section 33-20-203, MCA, is amended to read:

"33-20-203. Cash surrender value -- paid-up nonforfeiture benefit -- life. (1) Any Except as provided in subsection (2), any cash surrender value available under the policy in the event of default in the premium payment due on any policy anniversary, whether or not required by 33-20-202, shall be an amount not less than the excess, if any, of the present value on such anniversary of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions if there had been no default, over the sum of:

(a) the then present value of the adjusted premiums as defined in [33-20-204 through 33-20-207 and section 6], corresponding to premiums which would have fallen due on and after such anniversary; and

(b) the amount of any indebtedness to the insurer on account of or secured by the policy.

~~(2) For any policy issued on or after the operative date of [section 6] that provides supplemental life insurance or annuity benefits at the option of the insured and for an identifiable additional premium by rider or supplemental policy provisions, the cash surrender value referred to in subsection (1) is an amount not less than the sum of the cash surrender value as defined in subsection (1)~~

~~for an otherwise similar policy issued at the same age without such rider or supplemental policy provision and the cash surrender value as defined in subsection (1) for a policy that provides only the benefits otherwise provided by such rider or supplemental policy provision.~~

~~†2†(3) Any cash surrender value available within 30 days after any policy anniversary under any policy paid up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefits, whether or not required by 33-20-202, shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the insurer on account of or secured by the policy.~~

~~†3†(4) Any paid-up nonforfeiture benefit available under the policy in the event of default in the premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be at least equal to the cash surrender value then provided for by the policy or, if none is provided for, that cash surrender value which would have been required by this part in the absence of the conditions that premiums shall have been paid for at least a specified period.~~

~~(5) For any family policy issued on or after the~~

~~operative date of [section 6] that defines a primary insured and provides term insurance on the life of the spouse of the primary insured expiring before the spouse reaches 71 years of age; the cash surrender value referred to in subsection (1) is an amount not less than the sum of the cash surrender value as defined in subsection (1) for an otherwise similar policy issued at the same age without such term insurance on the life of the spouse and the cash surrender value as defined in subsection (1) for a policy that provides only the benefits otherwise provided by such term insurance on the life of the spouse."~~

Section 3. Section 33-20-204, MCA, is amended to read:

~~"33-20-204. Adjusted premium. (1) This section does not apply to policies issued on or after the operative date of [section 6]."~~

~~(1)(2) (a) Except as provided in subsection (2)(3), the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding extra premiums on a substandard policy, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of:~~

~~(i) the then present value of the future guaranteed benefits provided for by the policy;~~

~~(ii) 2% of the amount of the insurance if the insurance~~

be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with the duration of the policy;

(iii) 40% of the adjusted premium for the first policy year;

(iv) 25% of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less.

(b) In applying the percentages specified in subsections (iii) and (iv) above, no adjusted premiums shall be deemed to exceed 4% of the amount of insurance or uniform amount equivalent thereto.

(c) Whenever the plan or term of a policy has been changed, either by request of the insured or automatically in accordance with the provisions of the policy, the date of inception of the changed policy for the purposes of determining a nonforfeiture benefit or cash surrender value shall be the date as of which the age of the insured is determined for the purposes of the changed policy. The date of issue of a policy for the purposes of this subsection shall be the date as of which the rated age of the insured is determined.

(d) (i) In the case of a policy providing an amount of

insurance varying with the duration of the policy, the equivalent uniform amount thereof for the purpose of the preceding subsections (a) and (b) shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy.

(ii) In the case of a policy for a varying amount of insurance issued on the life of a child under age 10, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age 10 were the amount provided by such policy at age 10.

~~(2)(3)~~ (a) The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (i) the adjusted premiums for an otherwise similar policy issued at the same age without such term insurance benefits, increased, during the period for which premiums for such term insurance benefits are payable, by (ii) the adjusted premiums for such term insurance.

(b) The foregoing items (a)(i) and (a)(ii) being calculated separately and as specified in subsection ~~(2)~~ 121

except that, for the purposes of (ii), (iii), and (iv) of subsection ~~(2)~~ 121, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (a)(ii) of this subsection shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (a)(i) of this subsection."

Section 4. Section 33-20-206, MCA, is amended to read:

"33-20-206. Mortality tables -- policies issued after operative date. ~~(1) This section does not apply to ordinary policies issued on or after the operative date of [section 6].~~

~~(2)~~ 121 In the case of ordinary policies issued on or after the operative date of this section as defined herein, all adjusted premiums and present values referred to in this part shall be calculated on the basis of the commissioner's 1958 standard ordinary mortality table and the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that:

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

1 exceeding 5 1/2% a year may be used for policies issued on
2 or after July 1, 1979;

3 (b) for any category of ordinary insurance issued on
4 female risks, adjusted premiums and present values may be
5 calculated according to an age not more than 6 years younger
6 than the actual age of the insured;

7 (c) in calculating the present value of any paid-up
8 term insurance with accompanying pure endowment, if any,
9 offered as a nonforfeiture benefit, the rates of mortality
10 assumed may be not more than those shown in the
11 commissioner's 1958 extended term insurance table;

12 (d) for insurance issued on a substandard basis, the
13 calculation of any such adjusted premiums and present values
14 may be based on such other table of mortality as may be
15 specified by the company and approved by the commissioner.

16 ~~(2)~~(3) After July 1, 1961, any insurer may file with
17 the commissioner a written notice of its election to comply
18 with the provisions of this section after a specified date
19 before January 1, 1966. After the filing of such notice,
20 then upon such specified date (which shall be the operative
21 date of this section for such insurer), this section shall
22 become operative with respect to the ordinary policies
23 thereafter issued by such insurer. If an insurer makes no
24 such election, the operative date of this section for such
25 insurer shall be January 1, 1966."

1 Section 5. Section 33-20-207, MCA, is amended to read:
2 "33-20-207. Industrial policies -- mortality tables.
3 ~~(1) This section does not apply to industrial policies~~
4 ~~issued on or after the operative date of [section 6].~~

5 ~~†††~~(2) In the case of industrial policies issued on or
6 after the operative date of this section as defined herein,
7 all adjusted premiums and present values referred to in this
8 part shall be calculated on the basis of commissioner's 1961
9 standard industrial mortality table and the rate of interest
10 specified in the policy for calculating cash surrender
11 values and paid-up 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 July 1, 1979, and a rate of interest not
16 exceeding 5 1/2% a year may be used for policies issued on
17 or after July 1, 1979;

18 (b) in calculating the present value of any paid-up
19 term insurance with accompanying pure endowment, if any,
20 offered as a nonforfeiture benefit, the rates of mortality
21 assumed may be not more than those shown in the
22 commissioner's 1961 industrial extended term insurance
23 table;

24 (c) for insurance issued on a substandard basis the
25 calculations of any such adjusted premiums and present

values may be based on such other table of mortality as may be specified by the company and approved by the commissioner.

(2)(3) After February 22, 1965, any insurer may file with the commissioner a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1968. After the filing of such notice, then upon such specified date (which shall be the operative date of this section for such insurer), this section shall 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."

NEW SECTION. Section 6. Mortality tables -- interest rate adjusted premiums. (1) (a) This section applies to all policies issued on or after the operative date of this section. Except as provided in subsection (7), the adjusted premiums for any policy are calculated on an annual basis and must be such a uniform percentage of the respective premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments, special hazards, and any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that

the present value, at the date of issue of the policy, of all adjusted premiums is equal to the sum of:

(i) the then present value of the future guaranteed benefits provided for by the policy;

(ii) 1% of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years; and

(iii) 125% of the nonforfeiture net level premium as provided in subsection (2). No nonforfeiture net level premium is considered to exceed 4% of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years.

(b) The date of issue of a policy for the purpose of this subsection is the date as of which the rated age of the insured is determined.

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

(3) For policies that have on a basis guaranteed in

1 the policy unscheduled changes in benefits or premiums or
 2 that provide an option for changes in benefits or premiums
 3 other than a change to a new policy, the adjusted premiums
 4 and present values are initially calculated on the
 5 assumption that future benefits and premiums do not change
 6 from those stipulated at the date of issue of the policy.
 7 At the time of any such change in the benefits or premiums,
 8 the future adjusted premiums, nonforfeiture net level
 9 premiums, and present values must be recalculated on the
 10 assumption that future benefits and premiums do not change
 11 from those stipulated by the policy immediately after the
 12 change.

13 (4) Except as otherwise provided in subsection (7),
 14 the recalculated future adjusted premiums for any such
 15 policy shall be such uniform percentage of the respective
 16 future premiums specified in the policy for each policy
 17 year, excluding amounts payable as extra premiums to cover
 18 impairments, special hazards, and any uniform annual
 19 contract charge or policy fee specified in the policy in a
 20 statement of the method to be used in calculating the cash
 21 surrender values and paid-up nonforfeiture benefits, that
 22 the present value, at the time of change to the newly
 23 defined benefits or premiums, of all such future adjusted
 24 premiums shall be equal to the excess of:

25 (a) the sum of:

1 (i) the then present value of the then future
 2 guaranteed benefits provided for by the policy; and

3 (ii) the additional expense allowance, if any; over

4 (b) the then cash surrender value, if any, or present
 5 value of any paid-up nonforfeiture benefit under the policy.

6 (5) The additional expense allowance, at the time of
 7 the change to the newly defined benefits or premiums, is the
 8 sum of:

9 (a) 1% of the excess, if positive, of the average
 10 amount of insurance at the beginning of each of the first 10
 11 policy years subsequent to the change, over the average
 12 amount of insurance prior to the change at the beginning of
 13 each of the first 10 policy years subsequent to the time of
 14 the most recent previous change or, if there has been no
 15 previous change, the date of issue of the policy; and

16 (b) 125% of the increase, if positive, in the
 17 nonforfeiture net level premium.

18 (6) The recalculated nonforfeiture net level premium
 19 is equal to the result obtained by dividing the product of
 20 subsection (a) by the product of subsection (b):

21 (a) (i) the nonforfeiture net level premium applicable
 22 prior to the change multiplied by the present value of an
 23 annuity of one per annum payable on each anniversary of the
 24 policy on or subsequent to the date of the change on which a
 25 premium would have fallen due had the change not occurred;

1 and

2 (ii) the present value of the increase in future

3 guaranteed benefits provided for by the policy;

4 (b) the present value of an annuity of one per annum

5 payable on each anniversary of the policy on or subsequent

6 to the date of change on which a premium falls due.

7 (7) Notwithstanding any other provisions of this

8 section for a policy issued on a substandard basis that

9 provides reduced graded amounts of insurance so that, in

10 each policy year, such policy has the same tabular mortality

11 cost as an otherwise similar policy issued on the standard

12 basis that provides higher uniform amounts of insurance,

13 adjusted premiums and present values for such substandard

14 policy may be calculated as if it were issued to provide

15 such higher uniform amounts of insurance on the standard

16 basis.

17 (8) Except as provided below, all adjusted premiums

18 and present values referred to in [this section, section 7,

19 and Title 33, chapter 20, part 2] are for policies of

20 ordinary insurance calculated on the basis of the

21 commissioner's 1980 standard ordinary mortality table or, at

22 the election of the insurer for any one or more specified

23 plans of life insurance, the commissioner's 1980 standard

24 ordinary mortality table with 10-year select mortality

25 factors. All adjusted premiums and present values for

1 policies of industrial insurance are calculated on the basis

2 of the commissioner's 1961 standard industrial mortality

3 table. All adjusted premiums and present values for all

4 policies issued in a particular calendar year are calculated

5 on the basis of a rate of interest not exceeding the

6 nonforfeiture interest rate as provided in this subsection

7 for policies issued in that calendar year; with the

8 following exceptions and conditions:

9 (a) At the option of the insurer, calculations for all

10 policies issued in a particular calendar year may be made on

11 the basis of a rate of interest not exceeding the

12 nonforfeiture interest rate, as provided in this subsection

13 for policies issued in the immediately preceding calendar

14 year.

15 (b) Under any paid-up nonforfeiture benefit, including

16 any paid-up dividend additions, any cash surrender value

17 available, whether or not required by 33-20-202, is

18 calculated on the basis of the mortality table and rate of

19 interest used in determining the amount of such paid-up

20 nonforfeiture benefit and paid-up dividend additions, if

21 any.

22 (c) An insurer may calculate the amount of any

23 guaranteed paid-up nonforfeiture benefit, including any

24 paid-up additions under the policy, on the basis of an

25 interest rate no lower than that specified in the policy for

1 calculating cash surrender values.

2 (d) In calculating the present value of any paid-up
3 term insurance with accompanying pure endowment, if any,
4 offered as a nonforfeiture benefit, the rates of mortality
5 assumed may be not more than those shown in the
6 commissioner's 1980 extended term insurance table for
7 policies of ordinary insurance and not more than the
8 commissioner's 1961 industrial extended term insurance table
9 for policies of industrial insurance.

10 (e) For insurance issued on a substandard basis, the
11 calculation of any such adjusted premiums and present values
12 may be based on appropriate modifications of the tables set
13 forth in subsection (8).

14 (f) Any ordinary mortality tables adopted after 1980
15 by the national association of insurance commissioners that
16 are approved by the commissioner by rule for use in
17 determining the minimum nonforfeiture standard may be
18 substituted for the commissioner's 1980 standard ordinary
19 mortality table with or without 10-year select mortality
20 factors or for the commissioner's 1980 extended term
21 insurance table.

22 (g) Any industrial mortality tables adopted after 1980
23 by the national association of insurance commissioners that
24 are approved by the commissioner by rule for use in
25 determining the minimum nonforfeiture standard may be

1 substituted for the commissioner's 1961 standard industrial
2 mortality table or the commissioner's 1961 industrial
3 extended term insurance table.

4 (9) The nonforfeiture interest rate per annum for any
5 policy issued in a particular calendar year must be equal to
6 125% of the calendar year statutory valuation interest rate
7 for such policy as defined in the standard valuation law,
8 Title 33, chapter 2, part 5, rounded to the nearer 1/4 of
9 1%.

10 (10) Notwithstanding any other provision in this code
11 to the contrary, any refiling of nonforfeiture values or
12 their methods of computation for any previously approved
13 policy form that involves only a change in the interest rate
14 or mortality table used to compute nonforfeiture values does
15 not require refiling of any other provisions of that policy
16 form.

17 (11) After October 1, 1983, any insurer may file with
18 the commissioner a written notice of its election to comply
19 with the provisions of this section after a specified date,
20 before January 1, 1989, which is the operative date of this
21 section for such insurer. If an insurer makes no such
22 election, the operative date of this section for such
23 insurer is January 1, 1989.

24 NEW SECTION. Section 7. Determination of
25 nonforfeiture values for special plans. For a plan of life

1 insurance that provides for future premium determination the
2 amounts of which are to be determined by the insurer based
3 on then estimates of future experience or for a plan of life
4 insurance that is of such a nature that minimum values
5 cannot be determined by the methods described in [33-20-204
6 through 33-20-207 and section 6]:

7 (1) the commissioner must be satisfied that the
8 benefits provided under the plan are substantially as
9 favorable to policyholders and insureds as the minimum
10 benefits otherwise required by [33-20-204 through 33-20-207
11 and section 6];

12 (2) the commissioner must be satisfied that the
13 benefits and the pattern of premiums of that plan are not
14 such as to mislead prospective policyholders or insureds;
15 and

16 (3) the cash surrender values and paid-up
17 nonforfeiture benefits provided by such plan may not be less
18 than the minimum values and benefits required for the plan
19 computed by a method consistent with the principles of this
20 part, as determined by rules promulgated by the
21 commissioner.

22 Section 8. Section 33-20-211, MCA, is amended to read:
23 "33-20-211. Calculation of values -- other requisites.

24 (1) Any cash surrender value and any paid-up nonforfeiture
25 benefit available under the policy in the event of default

1 in a premium payment due at any time other than on the
2 policy anniversary shall be calculated with allowance for
3 the lapse of time and the payment of fractional premiums
4 beyond the last preceding policy anniversary.

5 (2) All values referred to in [33-20-203 through
6 33-20-207 and ~~section 6~~] may be calculated upon the
7 assumption that any death benefit is payable at the end of
8 the policy year of death.

9 (3) The net value of any paid-up additions, other than
10 paid-up term additions, shall be not less than the dividends
11 amounts used to provide such additions.

12 (4) Notwithstanding the provisions of subsections (1)
13 and ~~(2)~~ (3) of 33-20-203, additional benefits payable under
14 the following circumstances shall be disregarded in
15 ascertaining cash surrender values and nonforfeiture
16 benefits required by this part, and no such additional
17 benefits shall be required to be included in any paid-up
18 nonforfeiture benefits:

19 (a) in the event of death or dismemberment by accident
20 or accidental means;

21 (b) in the event of total and permanent disability;

22 (c) as reversionary annuity or deferred reversionary
23 annuity benefits;

24 (d) as term insurance benefits provided by a rider or
25 supplemental policy provision to which, if issued as a

1 separate policy, this part would not apply;

2 (e) as term insurance on the life of a child or on the
3 lives of children provided in a policy on the life of a
4 parent of the child, if such term insurance expires before
5 the child's age is 26, is uniform in amount after the
6 child's age is 1, and has not become paid up by reason of
7 the death of a parent of the child; and

8 (f) as other policy benefits additional to life
9 insurance and endowment benefits and premiums for all such
10 additional benefits."

11 NEW SECTION. Section 9. Additional rules for
12 calculating cash surrender values. (1) This section, in
13 addition to all other applicable sections of this chapter,
14 applies to all policies issued on or after January 1, 1987.
15 Any cash surrender value available under the policy upon
16 default in a premium payment due on any policy anniversary
17 is an amount that does not differ by more than 2/10 of 1% of
18 either the amount of insurance, if the insurance is uniform
19 in amount, or the average amount of insurance at the
20 beginning of each of the first 10 policy years subtracted
21 from the sum of:

22 (a) the greater of zero and the basic cash value
23 specified in subsection (2); and

24 (b) the present value of any existing paid-up
25 additions less the amount of any indebtedness to the insurer

1 under the policy.

2 (2) The basic cash value is equal to the present
3 value, on such anniversary, of the future guaranteed
4 benefits that would have been provided for by the policy,
5 excluding any existing paid-up additions and before
6 deduction of any indebtedness to the insurer, if there had
7 been no default less the then present value of the
8 nonforfeiture factors, as provided in subsection (3),
9 corresponding to premiums that would have fallen due on and
10 after such anniversary date. However, the effects on the
11 basic cash value of supplemental life insurance or annuity
12 benefits or of family coverage, as described in 33-20-203 or
13 33-20-204, whichever is applicable, are the same as the
14 effects specified in 33-20-203 or 33-20-204, whichever is
15 applicable, on the cash surrender values defined in that
16 section.

17 (3) The nonforfeiture factor for each policy year is
18 an amount equal to a percentage of the adjusted premium for
19 the policy year, as defined in 33-20-204 or [section 6],
20 whichever is applicable. Except as is required by subsection
21 (4), the percentage:

22 (a) must be the same percentage for each policy year
23 between the second policy anniversary date and the later of
24 the fifth policy anniversary date and the first policy
25 anniversary date at which there is available under the

1 policy a cash surrender value in an amount, before including
2 any paid-up additions and before deducting any indebtedness,
3 of at least 2/10 of 1% of either the amount of insurance, if
4 the insurance is uniform in amount, or the average amount of
5 insurance at the beginning of each of the first 10 policy
6 years; and

7 (b) must be such that no percentage after the later of
8 the two policy anniversary dates specified in subsection
9 (3)(a) applies to less than 5 consecutive policy years.

10 (4) No basic cash value may be less than the value
11 that would be obtained if the adjusted premiums for the
12 policy, as provided in 33-20-204 or [section 6], whichever
13 is applicable, were substituted for the nonforfeiture
14 factors in the calculation of the basic cash value.

15 (5) Adjusted premiums and present values referred to
16 in this section must, for a particular policy, be calculated
17 on the same mortality and interest bases as are used in
18 demonstrating the policy's compliance with the other
19 sections of this part. The cash surrender values referred to
20 in this section include any endowment benefits provided for
21 by the policy.

22 (6) A cash surrender value available other than upon
23 default in a premium payment due on a policy anniversary
24 date and the amount of any paid-up nonforfeiture benefit
25 available under the policy in the event of default in a

1 premium payment are determined consistently with provisions
2 specified for determining the analogous minimum amounts in
3 33-20-202 through 33-20-204, [section 6], and 33-20-211. The
4 amounts of any cash surrender values and of any paid-up
5 nonforfeiture benefits granted in connection with additional
6 benefits such as those listed in 33-20-211(4) must conform
7 with the principles of this section.

8 Section 10. Section 33-20-212, MCA, is amended to
9 read:

10 "33-20-212. Exceptions. (1) This part ~~shall~~ does not
11 apply to: any

12 (a) reinsurance;

13 (b) group insurance;

14 (c) a pure endowment;

15 (d) an annuity or reversionary annuity contract;

16 (e) ~~or to any~~ a term policy of uniform amount that
17 provides no guaranteed nonforfeiture or endowment benefits,
18 or renewal thereof, of ~~15~~ 20 years or less expiring before
19 age ~~66~~ 71 for which uniform premiums are payable during the
20 entire term of the policy;

21 (f) ~~or to any~~ a term policy of decreasing amount that
22 provides no guaranteed nonforfeiture or endowment benefits,
23 on which each adjusted premium, calculated as specified in
24 [33-20-204 through 33-20-207 and section 6], is less than
25 the adjusted premiums so calculated on a term policy of

~~uniform amount, or renewal thereof, which provides no guaranteed nonforfeiture or endowment benefits, issued at the same age and for the same initial amount of insurance for a term defined as follows and for a term of 20 years or less, expiring before age 71, for which uniform premiums are payable during the entire term of the policy;~~

~~(1) For ages at issue 50 and under, the term shall be 15 years;~~

~~(2) Thereafter, the term shall decrease 1 year for each year of age beyond 50;~~

~~(g) a policy which provides no guaranteed nonforfeiture or endowment benefits for which the cash surrender value, if any, or present value of any paid-up nonforfeiture benefit at the beginning of any policy year, calculated as specified in [33-20-203 through 33-20-207 and section 6], does not exceed 2.5% of the amount of insurance at the beginning of the same policy year;~~

~~(h) a policy that is delivered outside this state through an agent or other representative of the insurer issuing the policy;~~

~~(2) For purposes of subsection (1), the age at expiry for a joint term life insurance policy is the age at expiry of the oldest life;~~

~~NEW SECTION. Section 11. Codification instruction. Sections 6, 7, and 9 are intended to be codified as an~~

1 integral part of Title 33, chapter 20, part 2, and the
2 provisions of Title 33 apply to sections 6, 7, and 9.

-End-

1 HOUSE BILL NO. 592
2 INTRODUCED BY Kirsten Superintendent
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
5 MONTANA INSURANCE CODE STANDARD NONFORFEITURE LAW FOR LIFE
6 INSURANCE; AMENDING SECTIONS 33-20-202 THROUGH 33-20-204,
7 33-20-206, 33-20-207, 33-20-211, AND 33-20-212, MCA."
8

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

10 Section 1. Section 33-20-202, MCA, is amended to read:

11 "33-20-202. Nonforfeiture provisions. (1) In the case
12 of policies issued on or after the operative date of this
13 part as defined in 33-20-213, no policy of life insurance,
14 except as set forth in 33-20-212, shall be delivered or
15 issued for delivery in this state unless it shall contain in
16 substance the following provisions or corresponding
17 provisions which in the opinion of the commissioner are at
18 least as favorable to the defaulting or surrendering
19 policyholder as ~~are the minimum requirements specified in~~
20 ~~this section and are essentially in compliance with (section~~
21 ~~2)]:~~

22 (a) that in the event of default in any premium
23 payment after premiums have been paid for at least 1 full
24 year, the insurer will grant, upon proper request not later
25 than 60 days after the due date of the premium in default, a

THIRD READING

There are no changes on HB 592. Please refer
to introduced (white) or second reading (yellow
for complete text.

HB 592

March 19, 1983

SENATE STANDING COMMITTEE REPORT
(Business & Industry)

Statement of Intent House Bill No. 592

A Statement of Intent is required for this bill in that it delegates rulemaking authority to the Commissioner of Insurance in Section 6 and 7.

Although 33-1-313, MCA, delegates to the Commissioner of Insurance rulemaking authority to effectuate any provisions of the Code, as this bill substantially increases this power, a Statement of Intent is required.

Section 6 (8)(g) empowers the Commissioner of Insurance to approve by regulation new mortality tables.

Section 7 allows the Commissioner of Insurance to promulgate regulations pertaining to those plans of life insurance not included in the original Nonforfeiture Law. Such regulations would define minimum cash values and other nonforfeiture values.

1 STATEMENT OF INTENT

2 HOUSE BILL 592

3 Senate Business and Industry Committee

4
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16 insurance not included in the original Nonforfeiture Law.
17 Such regulations would define minimum cash values and other
18 nonforfeiture values.

REFERENCE BILL

HB 592

HOUSE BILL NO. 592

INTRODUCED BY KITSELMAN, HARPER, YARDLEY

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE MONTANA INSURANCE CODE STANDARD NONFORFEITURE LAW FOR LIFE INSURANCE; AMENDING SECTIONS 33-20-202 THROUGH 33-20-204, 33-20-206, 33-20-207, 33-20-211, AND 33-20-212, MCA."

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

Section 1. Section 33-20-202, MCA, is amended to read:

"33-20-202. Nonforfeiture provisions. (1) In the case of policies issued on or after the operative date of this part as defined in 33-20-213, no policy of life insurance, except as set forth in 33-20-212, shall be delivered or issued for delivery in this state unless it shall contain in substance the following provisions or corresponding provisions which in the opinion of the commissioner are at least as favorable to the defaulting or surrendering policyholder as are the minimum requirements specified in this section and are essentially in compliance with [section 21]:

(a) that in the event of default in any premium payment after premiums have been paid for at least 1 full year, the insurer will grant, upon proper request not later than 60 days after the due date of the premium in default, a

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

(b) that upon surrender of the policy within 60 days after the due date of any premium payment in default after premiums have been paid for at least 3 full years in the case of ordinary insurance and 5 full years in the case of industrial insurance, the insurer will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be specified in this part;

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

(d) that if the policy shall have become paid up by completion of all premium payments or if it is continued under any paid-up nonforfeiture benefit which became

1 effective on or after the third policy anniversary in the
2 case of ordinary insurance or the fifth policy anniversary
3 in the case of industrial insurance, the insurer will pay,
4 upon surrender of the policy within 30 days after any policy
5 anniversary, a cash surrender value of such amount as may be
6 specified in this part;

7 ~~(e) for a policy that has on a basis guaranteed in the~~
8 ~~policy, unscheduled changes in benefits or premiums or that~~
9 ~~provides an option for changes in benefits or premiums other~~
10 ~~than a change to a new policy, a statement of the mortality~~
11 ~~tables, interest rate, and method used in calculating cash~~
12 ~~surrender values and the paid-up nonforfeiture benefits~~
13 ~~available under the policy. For each other policy a~~
14 ~~statement of the mortality table and interest rate used in~~
15 ~~calculating the cash surrender values and the paid-up~~
16 ~~nonforfeiture benefits available under the policy, together~~
17 ~~with a table showing the cash surrender value, if any, and~~
18 ~~paid-up nonforfeiture benefit, if any, available under the~~
19 ~~policy on each policy anniversary, either during the first~~
20 ~~20 policy years or during the term of the policy, whichever~~
21 ~~is shorter, such values and benefits to be calculated upon~~
22 ~~the assumption that there are no dividends or paid-up~~
23 ~~additions credited to the policy and that there is no~~
24 ~~indebtedness to the insurer on the policy.~~

25 (f) a statement that the cash surrender values and the

1 paid-up nonforfeiture benefits available under the policy
2 are not less than the minimum values and benefits required
3 by or pursuant to the insurance law of this state;

4 (g) an explanation of the manner in which the cash
5 surrender values and the paid-up nonforfeiture benefits are
6 altered by the existence of any paid-up additions credited
7 to the policy or any indebtedness to the insurer on the
8 policy;

9 (h) if a detailed statement of the method of
10 computation of the values and benefits shown in the policy
11 is not stated therein, a statement that such method of
12 computation has been filed with the insurance supervisory
13 official of the state in which the policy is delivered; and

14 (i) a statement of the method to be used in
15 calculating the cash surrender value and paid-up
16 nonforfeiture benefit available under the policy on any
17 policy anniversary beyond the last anniversary for which
18 such values and benefits are consecutively shown in the
19 policy.

20 (2) Any of the provisions or portions thereof set
21 forth in subsections (a) through (i) which are not
22 applicable by reason of the plan of insurance may, to the
23 extent inapplicable, be omitted from the policy. The insurer
24 shall reserve the right to defer the payment of any cash
25 surrender value for a period of 6 months after demand

therefor with surrender of the policy."

Section 2. Section 33-20-203, MCA, is amended to read:

"33-20-203. Cash surrender value -- paid-up nonforfeiture benefit -- life. (1) ~~Any Except as provided in subsection (2),~~ any cash surrender value available under the policy in the event of default in the premium payment due on any policy anniversary, whether or not required by 33-20-202, shall be an amount not less than the excess, if any, of the present value on such anniversary of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions if there had been no default, over the sum of:

(a) the then present value of the adjusted premiums as defined in [33-20-204 through 33-20-207 ~~and section 6~~], corresponding to premiums which would have fallen due on and after such anniversary; and

(b) the amount of any indebtedness to the insurer on account of or secured by the policy.

~~(2) For any policy issued on or after the operative date of [section 6] that provides supplemental life insurance or annuity benefits at the option of the insured and for an identifiable additional premium by rider or supplemental policy provision, the cash surrender value referred to in subsection (1) is an amount not less than the sum of the cash surrender value as defined in subsection (1)~~

~~for an otherwise similar policy issued at the same age without such rider or supplemental policy provision and the cash surrender value as defined in subsection (1) for a policy that provides only the benefits otherwise provided by such rider or supplemental policy provision.~~

~~(2)(3)~~ Any cash surrender value available within 30 days after any policy anniversary under any policy paid up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefits, whether or not required by 33-20-202, shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the insurer on account of or secured by the policy.

~~(3)(4)~~ Any paid-up nonforfeiture benefit available under the policy in the event of default in the premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be at least equal to the cash surrender value then provided for by the policy or, if none is provided for, that cash surrender value which would have been required by this part in the absence of the conditions that premiums shall have been paid for at least a specified period.

~~(5) For any family policy issued on or after the~~

1 ~~operative date of [section 6] that defines a primary insured~~
 2 ~~and provides term insurance on the life of the spouse of the~~
 3 ~~primary insured expiring before the spouse reaches 71 years~~
 4 ~~of age, the cash surrender value referred to in subsection~~
 5 ~~(1) is an amount not less than the sum of the cash surrender~~
 6 ~~value as defined in subsection (1) for an otherwise similar~~
 7 ~~policy issued at the same age without such term insurance on~~
 8 ~~the life of the spouse and the cash surrender value as~~
 9 ~~defined in subsection (1) for a policy that provides only~~
 10 ~~the benefits otherwise provided by such term insurance on~~
 11 ~~the life of the spouse."~~

12 Section 3. Section 33-20-204, MCA, is amended to read:

13 "~~33-20-204. Adjusted premium. (1) This section does~~
 14 ~~not apply to policies issued on or after the operative date~~
 15 ~~of [section 6].~~

16 ~~(1)(2)~~ (a) Except as provided in subsection ~~(2)~~(3),
 17 the adjusted premiums for any policy shall be calculated on
 18 an annual basis and shall be such uniform percentage of the
 19 respective premiums specified in the policy for each policy
 20 year, excluding extra premiums on a substandard policy, that
 21 the present value, at the date of issue of the policy, of
 22 all such adjusted premiums shall be equal to the sum of:

23 (i) the then present value of the future guaranteed
 24 benefits provided for by the policy;

25 (ii) 2% of the amount of the insurance if the insurance

1 be uniform in amount, or of the equivalent uniform amount,
 2 as hereinafter defined, if the amount of insurance varies
 3 with the duration of the policy;

4 (iii) 40% of the adjusted premium for the first policy
 5 year;

6 (iv) 25% of either the adjusted premium for the first
 7 policy year or the adjusted premium for a whole life policy
 8 of the same uniform or equivalent uniform amount with
 9 uniform premiums for the whole of life issued at the same
 10 age for the same amount of insurance, whichever is less.

11 (b) In applying the percentages specified in
 12 subsections (iii) and (iv) above, no adjusted premiums shall
 13 be deemed to exceed 4% of the amount of insurance or uniform
 14 amount equivalent thereto.

15 (c) Whenever the plan or term of a policy has been
 16 changed, either by request of the insured or automatically
 17 in accordance with the provisions of the policy, the date of
 18 inception of the changed policy for the purposes of
 19 determining a nonforfeiture benefit or cash surrender value
 20 shall be the date as of which the age of the insured is
 21 determined for the purposes of the changed policy. The date
 22 of issue of a policy for the purposes of this subsection
 23 shall be the date as of which the rated age of the insured
 24 is determined.

25 (d) (i) In the case of a policy providing an amount of

1 insurance varying with the duration of the policy, the
 2 equivalent uniform amount thereof for the purpose of the
 3 preceding subsections (a) and (b) shall be deemed to be the
 4 uniform amount of insurance provided by an otherwise similar
 5 policy, containing the same endowment benefit or benefits,
 6 if any, issued at the same age and for the same term, the
 7 amount of which does not vary with duration and the benefits
 8 under which have the same present value at the date of issue
 9 as the benefits under the policy.

10 (ii) In the case of a policy for a varying amount of
 11 insurance issued on the life of a child under age 10, the
 12 equivalent uniform amount may be computed as though the
 13 amount of insurance provided by the policy prior to the
 14 attainment of age 10 were the amount provided by such policy
 15 at age 10.

16 ~~†††121~~ (a) The adjusted premiums for any policy
 17 providing term insurance benefits by rider or supplemental
 18 policy provision shall be equal to (i) the adjusted premiums
 19 for an otherwise similar policy issued at the same age
 20 without such term insurance benefits, increased, during the
 21 period for which premiums for such term insurance benefits
 22 are payable, by (ii) the adjusted premiums for such term
 23 insurance.

24 (b) The foregoing items (a)(i) and (a)(ii) being
 25 calculated separately and as specified in subsection ~~†††121~~

1 except that, for the purposes of (ii), (iii), and (iv) of
 2 subsection ~~†††121~~, the amount of insurance or equivalent
 3 uniform amount of insurance used in the calculation of the
 4 adjusted premiums referred to in (a)(ii) of this subsection
 5 shall be equal to the excess of the corresponding amount
 6 determined for the entire policy over the amount used in the
 7 calculation of the adjusted premiums in (a)(i) of this
 8 subsection."

9 Section 4. Section 33-20-206, MCA, is amended to read:
 10 "33-20-206. Mortality tables -- policies issued after
 11 operative date. ~~(1) This section does not apply to ordinary~~
 12 ~~policies issued on or after the operative date of [section~~
 13 ~~61.~~

14 ~~†††121~~ In the case of ordinary policies issued on or
 15 after the operative date of this section as defined herein,
 16 all adjusted premiums and present values referred to in this
 17 part shall be calculated on the basis of the commissioner's
 18 1958 standard ordinary mortality table and the rate of
 19 interest specified in the policy for calculating cash
 20 surrender values and paid-up nonforfeiture benefits,
 21 provided that:

22 (a) such rate of interest shall not exceed 3 1/2% per
 23 annum, except that a rate of interest not exceeding 4% per
 24 annum may be used for policies issued on or after March 17,
 25 1973, and prior to July 1, 1979, and a rate of interest not

1 exceeding 5 1/2% a year may be used for policies issued on
2 or after July 1, 1979;

3 (b) for any category of ordinary insurance issued on
4 female risks, adjusted premiums and present values may be
5 calculated according to an age not more than 6 years younger
6 than the actual age of the insured;

7 (c) in calculating the present value of any paid-up
8 term insurance with accompanying pure endowment, if any,
9 offered as a nonforfeiture benefit, the rates of mortality
10 assumed may be not more than those shown in the
11 commissioner's 1958 extended term insurance table;

12 (d) for insurance issued on a substandard basis, the
13 calculation of any such adjusted premiums and present values
14 may be based on such other table of mortality as may be
15 specified by the company and approved by the commissioner.

16 ~~†2†121~~ After July 1, 1961, any insurer may file with
17 the commissioner a written notice of its election to comply
18 with the provisions of this section after a specified date
19 before January 1, 1966. After the filing of such notice,
20 then upon such specified date (which shall be the operative
21 date of this section for such insurer), this section shall
22 become operative with respect to the ordinary policies
23 thereafter issued by such insurer. If an insurer makes no
24 such election, the operative date of this section for such
25 insurer shall be January 1, 1966."

1 Section 5. Section 33-20-207, MCA, is amended to read:

2 "33-20-207. Industrial policies -- mortality tables.

3 ~~(1) This section does not apply to industrial policies~~
4 ~~issued on or after the operative date of [section 6].~~

5 ~~†1†121~~ In the case of industrial policies issued on or
6 after the operative date of this section as defined herein,
7 all adjusted premiums and present values referred to in this
8 part shall be calculated on the basis of commissioner's 1961
9 standard industrial mortality table and the rate of interest
10 specified in the policy for calculating cash surrender
11 values and paid-up 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 July 1, 1979, and a rate of interest not
16 exceeding 5 1/2% a year may be used for policies issued on
17 or after July 1, 1979;

18 (b) in calculating the present value of any paid-up
19 term insurance with accompanying pure endowment, if any,
20 offered as a nonforfeiture benefit, the rates of mortality
21 assumed may be not more than those shown in the
22 commissioner's 1961 industrial extended term insurance
23 table;

24 (c) for insurance issued on a substandard basis the
25 calculations of any such adjusted premiums and present

1 values may be based on such other table of mortality as may
2 be specified by the company and approved by the
3 commissioner.

4 ~~†2†11~~ After February 22, 1965, any insurer may file
5 with the commissioner a written notice of its election to
6 comply with the provisions of this section after a specified
7 date before January 1, 1968. After the filing of such
8 notice, then upon such specified date (which shall be the
9 operative date of this section for such insurer), this
10 section shall become operative with respect to the
11 industrial policies thereafter issued by such insurer. If an
12 insurer makes no such election, the operative date of this
13 section for such insurer shall be January 1, 1968."

14 NEW SECTION. Section 6. Mortality tables -- interest
15 rate adjusted premiums. (1) (a) This section applies to all
16 policies issued on or after the operative date of this
17 section. Except as provided in subsection (7), the adjusted
18 premiums for any policy are calculated on an annual basis
19 and must be such a uniform percentage of the respective
20 premiums specified in the policy for each policy year,
21 excluding amounts payable as extra premiums to cover
22 impairments, special hazards, and any uniform annual
23 contract charge or policy fee specified in the policy in a
24 statement of the method to be used in calculating the cash
25 surrender values and paid-up nonforfeiture benefits, that

1 the present value, at the date of issue of the policy, of
2 all adjusted premiums is equal to the sum of:

3 (i) the then present value of the future guaranteed
4 benefits provided for by the policy;

5 (ii) 1% of either the amount of insurance, if the
6 insurance is uniform in amount, or the average amount of
7 insurance at the beginning of each of the first 10 policy
8 years; and

9 (iii) 125% of the nonforfeiture net level premium as
10 provided in subsection (2). No nonforfeiture net level
11 premium is considered to exceed 4% of either the amount of
12 insurance, if the insurance is uniform in amount, or the
13 average amount of insurance at the beginning of each of the
14 first 10 policy years.

15 (b) The date of issue of a policy for the purpose of
16 this subsection is the date as of which the rated age of the
17 insured is determined.

18 (2) The nonforfeiture net level premium is equal to
19 the present value, at the date of issue of the policy, of
20 the guaranteed benefits provided for by the policy divided
21 by the present value, at the date of issue of the policy, of
22 an annuity of one per annum payable on the date of issue of
23 the policy and on each anniversary of such policy on which a
24 premium falls due.

25 (3) For policies that have on a basis guaranteed in

1 the policy unscheduled changes in benefits or premiums or
 2 that provide an option for changes in benefits or premiums
 3 other than a change to a new policy, the adjusted premiums
 4 and present values are initially calculated on the
 5 assumption that future benefits and premiums do not change
 6 from those stipulated at the date of issue of the policy.
 7 At the time of any such change in the benefits or premiums,
 8 the future adjusted premiums, nonforfeiture net level
 9 premiums, and present values must be recalculated on the
 10 assumption that future benefits and premiums do not change
 11 from those stipulated by the policy immediately after the
 12 change.

13 (4) Except as otherwise provided in subsection (7),
 14 the recalculated future adjusted premiums for any such
 15 policy shall be such uniform percentage of the respective
 16 future premiums specified in the policy for each policy
 17 year, excluding amounts payable as extra premiums to cover
 18 impairments, special hazards, and any uniform annual
 19 contract charge or policy fee specified in the policy in a
 20 statement of the method to be used in calculating the cash
 21 surrender values and paid-up nonforfeiture benefits, that
 22 the present value, at the time of change to the newly
 23 defined benefits or premiums, of all such future adjusted
 24 premiums shall be equal to the excess of:

25 (a) the sum of:

1 (i) the then present value of the then future
 2 guaranteed benefits provided for by the policy; and

3 (ii) the additional expense allowance, if any; over

4 (b) the then cash surrender value, if any, or present
 5 value of any paid-up nonforfeiture benefit under the policy.

6 (5) The additional expense allowance, at the time of
 7 the change to the newly defined benefits or premiums, is the
 8 sum of:

9 (a) 1% of the excess, if positive, of the average
 10 amount of insurance at the beginning of each of the first 10
 11 policy years subsequent to the change, over the average
 12 amount of insurance prior to the change at the beginning of
 13 each of the first 10 policy years subsequent to the time of
 14 the most recent previous change or, if there has been no
 15 previous change, the date of issue of the policy; and

16 (b) 125% of the increase, if positive, in the
 17 nonforfeiture net level premium.

18 (6) The recalculated nonforfeiture net level premium
 19 is equal to the result obtained by dividing the product of
 20 subsection (a) by the product of subsection (b):

21 (a) (i) the nonforfeiture net level premium applicable
 22 prior to the change multiplied by the present value of an
 23 annuity of one per annum payable on each anniversary of the
 24 policy on or subsequent to the date of the change on which a
 25 premium would have fallen due had the change not occurred;

1 and

2 (ii) the present value of the increase in future

3 guaranteed benefits provided for by the policy;

4 (b) the present value of an annuity of one per annum

5 payable on each anniversary of the policy on or subsequent

6 to the date of change on which a premium falls due.

7 (7) Notwithstanding any other provisions of this

8 section for a policy issued on a substandard basis that

9 provides reduced graded amounts of insurance so that, in

10 each policy year, such policy has the same tabular mortality

11 cost as an otherwise similar policy issued on the standard

12 basis that provides higher uniform amounts of insurance,

13 adjusted premiums and present values for such substandard

14 policy may be calculated as if it were issued to provide

15 such higher uniform amounts of insurance on the standard

16 basis.

17 (b) Except as provided below, all adjusted premiums

18 and present values referred to in [this section, section 7,

19 and Title 33, chapter 20, part 2] are for policies of

20 ordinary insurance calculated on the basis of the

21 commissioner's 1980 standard ordinary mortality table or, at

22 the election of the insurer for any one or more specified

23 plans of life insurance, the commissioner's 1980 standard

24 ordinary mortality table with 10-year select mortality

25 factors. All adjusted premiums and present values for

1 policies of industrial insurance are calculated on the basis

2 of the commissioner's 1961 standard industrial mortality

3 table. All adjusted premiums and present values for all

4 policies issued in a particular calendar year are calculated

5 on the basis of a rate of interest not exceeding the

6 nonforfeiture interest rate as provided in this subsection

7 for policies issued in that calendar year; with the

8 following exceptions and conditions:

9 (a) At the option of the insurer, calculations for all

10 policies issued in a particular calendar year may be made on

11 the basis of a rate of interest not exceeding the

12 nonforfeiture interest rate, as provided in this subsection

13 for policies issued in the immediately preceding calendar

14 year.

15 (b) Under any paid-up nonforfeiture benefit, including

16 any paid-up dividend additions, any cash surrender value

17 available, whether or not required by 33-20-202, is

18 calculated on the basis of the mortality table and rate of

19 interest used in determining the amount of such paid-up

20 nonforfeiture benefit and paid-up dividend additions, if

21 any.

22 (c) An insurer may calculate the amount of any

23 guaranteed paid-up nonforfeiture benefit, including any

24 paid-up additions under the policy, on the basis of an

25 interest rate no lower than that specified in the policy for

1 calculating cash surrender values.

2 (d) In calculating the present value of any paid-up
3 term insurance with accompanying pure endowment, if any,
4 offered as a nonforfeiture benefit, the rates of mortality
5 assumed may be not more than those shown in the
6 commissioner's 1980 extended term insurance table for
7 policies of ordinary insurance and not more than the
8 commissioner's 1961 industrial extended term insurance table
9 for policies of industrial insurance.

10 (e) For insurance issued on a substandard basis, the
11 calculation of any such adjusted premiums and present values
12 may be based on appropriate modifications of the tables set
13 forth in subsection (8).

14 (f) Any ordinary mortality tables adopted after 1980
15 by the national association of insurance commissioners that
16 are approved by the commissioner by rule for use in
17 determining the minimum nonforfeiture standard may be
18 substituted for the commissioner's 1980 standard ordinary
19 mortality table with or without 10-year select mortality
20 factors or for the commissioner's 1980 extended term
21 insurance table.

22 (g) Any industrial mortality tables adopted after 1980
23 by the national association of insurance commissioners that
24 are approved by the commissioner by rule for use in
25 determining the minimum nonforfeiture standard may be

1 substituted for the commissioner's 1961 standard industrial
2 mortality table or the commissioner's 1961 industrial
3 extended term insurance table.

4 (9) The nonforfeiture interest rate per annum for any
5 policy issued in a particular calendar year must be equal to
6 125% of the calendar year statutory valuation interest rate
7 for such policy as defined in the standard valuation law,
8 Title 33, chapter 2, part 5, rounded to the nearer 1/4 of
9 1%.

10 (10) Notwithstanding any other provision in this code
11 to the contrary, any refiling of nonforfeiture values or
12 their methods of computation for any previously approved
13 policy form that involves only a change in the interest rate
14 or mortality table used to compute nonforfeiture values does
15 not require refiling of any other provisions of that policy
16 form.

17 (11) After October 1, 1983, any insurer may file with
18 the commissioner a written notice of its election to comply
19 with the provisions of this section after a specified date,
20 before January 1, 1989, which is the operative date of this
21 section for such insurer. If an insurer makes no such
22 election, the operative date of this section for such
23 insurer is January 1, 1989.

24 ~~NEW SECTION.~~ Section 7. Determination of
25 nonforfeiture values for special plans. For a plan of life

1 insurance that provides for future premium determination the
2 amounts of which are to be determined by the insurer based
3 on then estimates of future experience or for a plan of life
4 insurance that is of such a nature that minimum values
5 cannot be determined by the methods described in [33-20-204
6 through 33-20-207 and section 6]:

7 (1) the commissioner must be satisfied that the
8 benefits provided under the plan are substantially as
9 favorable to policyholders and insureds as the minimum
10 benefits otherwise required by [33-20-204 through 33-20-207
11 and section 6];

12 (2) the commissioner must be satisfied that the
13 benefits and the pattern of premiums of that plan are not
14 such as to mislead prospective policyholders or insureds;
15 and

16 (3) the cash surrender values and paid-up
17 nonforfeiture benefits provided by such plan may not be less
18 than the minimum values and benefits required for the plan
19 computed by a method consistent with the principles of this
20 part, as determined by rules promulgated by the
21 commissioner.

22 Section 8. Section 33-20-211, MCA, is amended to read:

23 "33-20-211. Calculation of values -- other requisites.

24 (1) Any cash surrender value and any paid-up nonforfeiture
25 benefit available under the policy in the event of default

1 in a premium payment due at any time other than on the
2 policy anniversary shall be calculated with allowance for
3 the lapse of time and the payment of fractional premiums
4 beyond the last preceding policy anniversary.

5 (2) All values referred to in [33-20-203 through
6 33-20-207 ~~and section 6~~] may be calculated upon the
7 assumption that any death benefit is payable at the end of
8 the policy year of death.

9 (3) The net value of any paid-up additions, other than
10 paid-up term additions, shall be not less than the dividends
11 amounts used to provide such additions.

12 (4) Notwithstanding the provisions of subsections (1)
13 and ~~(2)~~ (3) of 33-20-203, additional benefits payable under
14 the following circumstances shall be disregarded in
15 ascertaining cash surrender values and nonforfeiture
16 benefits required by this part, and no such additional
17 benefits shall be required to be included in any paid-up
18 nonforfeiture benefits:

19 (a) in the event of death or dismemberment by accident
20 or accidental means;

21 (b) in the event of total and permanent disability;

22 (c) as reversionary annuity or deferred reversionary
23 annuity benefits;

24 (d) as term insurance benefits provided by a rider or
25 supplemental policy provision to which, if issued as a

1 separate policy, this part would not apply;

2 (e) as term insurance on the life of a child or on the
3 lives of children provided in a policy on the life of a
4 parent of the child, if such term insurance expires before
5 the child's age is 26, is uniform in amount after the
6 child's age is 1, and has not become paid up by reason of
7 the death of a parent of the child; and

8 (f) as other policy benefits additional to life
9 insurance and endowment benefits and premiums for all such
10 additional benefits."

11 ~~NEW SECTION.~~ Section 9. Additional rules for
12 calculating cash surrender values. (1) This section, in
13 addition to all other applicable sections of this chapter,
14 applies to all policies issued on or after January 1, 1987.
15 Any cash surrender value available under the policy upon
16 default in a premium payment due on any policy anniversary
17 is an amount that does not differ by more than 2/10 of 1% of
18 either the amount of insurance, if the insurance is uniform
19 in amount, or the average amount of insurance at the
20 beginning of each of the first 10 policy years subtracted
21 from the sum of:

22 (a) the greater of zero and the basic cash value
23 specified in subsection (2); and

24 (b) the present value of any existing paid-up
25 additions less the amount of any indebtedness to the insurer

1 under the policy.

2 (2) The basic cash value is equal to the present
3 value, on such anniversary, of the future guaranteed
4 benefits that would have been provided for by the policy,
5 excluding any existing paid-up additions and before
6 deduction of any indebtedness to the insurer, if there had
7 been no default less the then present value of the
8 nonforfeiture factors, as provided in subsection (3),
9 corresponding to premiums that would have fallen due on and
10 after such anniversary date. However, the effects on the
11 basic cash value of supplemental life insurance or annuity
12 benefits or of family coverage, as described in 33-20-203 or
13 33-20-204, whichever is applicable, are the same as the
14 effects specified in 33-20-203 or 33-20-204, whichever is
15 applicable, on the cash surrender values defined in that
16 section.

17 (3) The nonforfeiture factor for each policy year is
18 an amount equal to a percentage of the adjusted premium for
19 the policy year, as defined in 33-20-204 or [section 6],
20 whichever is applicable. Except as is required by subsection
21 (4), the percentage:

22 (a) must be the same percentage for each policy year
23 between the second policy anniversary date and the later of
24 the fifth policy anniversary date and the first policy
25 anniversary date at which there is available under the

1 policy a cash surrender value in an amount, before including
2 any paid-up additions and before deducting any indebtedness,
3 of at least 2/10 of 1% of either the amount of insurance, if
4 the insurance is uniform in amount, or the average amount of
5 insurance at the beginning of each of the first 10 policy
6 years; and

7 (c) must be such that no percentage after the later of
8 the two policy anniversary dates specified in subsection
9 (3)(a) applies to less than 5 consecutive policy years.

10 (4) No basic cash value may be less than the value
11 that would be obtained if the adjusted premiums for the
12 policy, as provided in 33-20-204 or [section 6], whichever
13 is applicable, were substituted for the nonforfeiture
14 factors in the calculation of the basic cash value.

15 (5) Adjusted premiums and present values referred to
16 in this section must, for a particular policy, be calculated
17 on the same mortality and interest bases as are used in
18 demonstrating the policy's compliance with the other
19 sections of this part. The cash surrender values referred to
20 in this section include any endowment benefits provided for
21 by the policy.

22 (6) A cash surrender value available other than upon
23 default in a premium payment due on a policy anniversary
24 date and the amount of any paid-up nonforfeiture benefit
25 available under the policy in the event of default in a

1 premium payment are determined consistently with provisions
2 specified for determining the analogous minimum amounts in
3 33-20-202 through 33-20-204, [section 6], and 33-20-211. The
4 amounts of any cash surrender values and of any paid-up
5 nonforfeiture benefits granted in connection with additional
6 benefits such as those listed in 33-20-211(4) must conform
7 with the principles of this section.

8 Section 10. Section 33-20-212, MCA, is amended to
9 read:

10 "33-20-212. Exceptions. ~~(1) This part shall does not~~
11 ~~apply to:~~ any

12 (a) reinsurance;

13 (b) group insurance;

14 (c) a pure endowment;

15 (d) an annuity or reversionary annuity contract;

16 (e) or to any a term policy of uniform amount that
17 ~~provides no guaranteed nonforfeiture or endowment benefits,~~
18 or renewal thereof, of 15 20 years or less expiring before
19 age 66 71 for which uniform premiums are payable during the
20 entire term of the policy;

21 (f) or to any a term policy of decreasing amount that
22 ~~provides no guaranteed nonforfeiture or endowment benefits,~~
23 on which each adjusted premium, calculated as specified in
24 [33-20-204 through 33-20-207 and section 6], is less than
25 the adjusted premiums so calculated on a term policy of

1 uniform amount, or renewal thereof, which provides no
 2 guaranteed nonforfeiture or endowment benefits, issued at
 3 the same age and for the same initial amount of insurance
 4 for a term defined as follows and for a term of 20 years or
 5 less expiring before age 71, for which uniform premiums are
 6 payable during the entire term of the policy;

7 (1) -- For ages at issue 50 and under, the term shall be
 8 15 years;

9 (2) -- Thereafter, the term shall decrease 1 year for
 10 each year of age beyond 50;

11 (g) a policy which provides no guaranteed
 12 nonforfeiture or endowment benefits for which the cash
 13 surrender value, if any, or present value of any paid-up
 14 nonforfeiture benefit at the beginning of any policy year,
 15 calculated as specified in [33-20-203 through 33-20-207, and
 16 section 6], does not exceed 2.5% of the amount of insurance
 17 at the beginning of the same policy year;

18 (h) a policy that is delivered outside this state
 19 through an agent or other representative of the insurer
 20 issuing the policy;

21 (2) For purposes of subsection (1), the age at expiry
 22 for a joint term life insurance policy is the age at expiry
 23 of the oldest life."

24 NEW SECTION. Section 11. Codification Instruction.
 25 Sections 6, 7, and 9 are intended to be codified as an

1 integral part of Title 33, chapter 20, part 2, and the
 2 provisions of Title 33 apply to sections 6, 7, and 9.

-End-