

LEGISLATIVE BILL 309

Approved by the Governor April 9, 1973

Introduced by Duis, 39

AN ACT to amend sections 44-403, 44-404, 44-407.08, and 44-407.09, Reissue Revised Statutes of Nebraska, 1943, relating to insurance; to establish standards of valuation, mortality tables, interest rates and reserves required; and to repeal the original sections.
Be it enacted by the people of the State of Nebraska,

Section 1. That section 44-403, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

44-403. This section shall apply to only those policies and contracts issued prior to the operative date defined in section 44-407.07 (the Standard Nonforfeiture Law). All such valuations made by the Department of Insurance, or by its authority, shall be according to the standard of valuation adopted by the company, which standard shall be stated in its annual report to the department. Such standard of valuation, whether on the net level premium, preliminary term, any modified preliminary term, or select and ultimate reserve basis, for all such policies issued after July 17, 1913, shall be according to the American Experience or Actuaries' Table of Mortality, with not less than three and not more than four per cent compound interest. When the preliminary term basis is used it shall not exceed one year. Insurance against total and permanent mental or physical disability resulting from accident or disease, or against accidental death, combined with a policy of life insurance, shall be valued on the basis of the mean reserve, being one half of the additional annual premium charged therefor. Except as otherwise provided in subdivision (b) of section 44-404 for all annuities and pure endowments purchased on or after the operative date of such subdivision (b) under group annuity and pure endowment contracts, the The legal minimum standard for the valuation of annuities shall be McClintock's Table of Mortality Among Annuitants, or the American Experience Table of Mortality, with compound interest at three and one half per cent per annum, but annuities deferred ten or more years, and written in connection with life or term insurance, shall be valued on the same mortality table from which the consideration or premiums were computed, with compound interest not higher than three

and one half per cent per annum. The legal standard for the valuation of industrial policies shall be the American Experience Table of Mortality, with compound interest at not less than three nor more than three and one half per cent per annum; Provided, any life insurance company may voluntarily value its industrial policies written on the weekly payment plan according to the Standard Industrial Mortality Table or the Substandard Industrial Mortality Table. Reserves for all such policies and contracts may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by this section.

Sec. 2. That section 44-404, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

44-404. This section shall apply to only those policies and contracts issued on or after the operative date defined in section 44-407.07 (the Standard Nonforfeiture Law), except as otherwise provided in subdivision (b) of this section for all annuities and pure endowments purchased on or after the operative date of such subdivision (b) under group annuity and pure endowment contracts issued prior to such operative date defined in section 44-407.07.

~~(a) The minimum standard for the valuation of all such policies and contracts shall be the Commissioners Reserve Valuation Method defined in the following paragraph (b); three and one half per cent interest for all such policies and contracts except that the rate shall be four and one half per cent interest for individual and group annuity and disability policies and contracts; and the following tables:~~

(a) Except as otherwise provided in subdivision (b) of this section, the minimum standard for the valuation of all such policies and contracts shall be the Commissioners Reserve Valuation Method defined in subdivision (c) of this section: three and one half per cent interest, or in the cases of policies and contracts, other than annuity and pure endowment contracts, issued on or after the effective date of this act and prior to January 1, 1986, four per cent interest; and the following tables: (i) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies,--the Commissioners 1941 Standard Ordinary Mortality Table for such policies issued prior to the operative date of section 44-407.08 (Standard

Nonforfeiture Law), and the Commissioners 1958 Standard Ordinary Mortality Table for such policies issued on or after such operative date; Provided, that for any category of such policies issued on female risks all modified net premiums and present values referred to in this section, may be calculated according to an age not more than three years younger than the actual age of the insured; (ii) for all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies,--the 1941 Standard Industrial Mortality Table for such policies issued prior to the operative date of section 44-407.09 (Standard Nonforfeiture Law), and the Commissioners 1961 Standard Industrial Mortality Table for such policies issued on or after such operative date; (iii) for individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies,--the 1937 Standard Annuity Mortality Table, or at the option of the company, the Annuity Mortality Table for 1949, Ultimate, or any modification of either of these tables approved by the Department of Insurance; (iv) for group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies,--the Group Annuity Mortality Table for 1951, any modification of such table approved by the Department of Insurance, or, at the option of the company, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts; (v) for total and permanent disability benefits in or supplementary to ordinary policies or contracts--for policies or contracts issued on or after January 1, 1966, the tables of Period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 Disability Study of the Society of Actuaries, with due regard to the type of benefit; for policies or contracts issued on or after January 1, 1961, and prior to January 1, 1966, either such tables or, at the option of the company, the Class (3) Disability Table (1926); and for policies issued prior to January 1, 1961, the Class (3) Disability Table (1926). Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies; (vi) for accidental death benefits in or supplementary to policies--for policies issued on or after January 1, 1966, the 1959 Accidental Death Benefits Table; for policies issued on or after January 1, 1961, and prior to January 1, 1966, either such table or, at the option of the company, the Inter-Company Double Indemnity Mortality Table; and for policies issued prior to January 1, 1961, the Inter-Company Double Indemnity Mortality Table. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies; and (vii) for group life

insurance, life insurance issued on the substandard basis and other special benefits--such tables as may be approved by the Department of Insurance.

(b) The minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this subdivision, as defined herein, and for all annuities and pure endowments purchased on or after such operative date under group annuity and pure endowment contracts, shall be the Commissioners Reserve Valuation Method defined in subdivision (c) of this section and the following tables and interest rates:

(i) For individual annuity and pure endowment contracts issued prior to January 1, 1986, excluding any disability and accidental death benefits in such contracts--the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the Department of Insurance, and six per cent interest for single premium immediate annuity contracts, and four per cent interest for all other individual annuity and pure endowment contracts;

(ii) For individual annuity and pure endowment contracts issued on or after January 1, 1986, excluding any disability and accidental death benefits in such contracts--the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the Department of Insurance, and three and one half per cent interest;

(iii) For all annuities and pure endowments purchased prior to January 1, 1986, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts--the 1971 Group Annuity Mortality Table, or any modification of this table approved by the Department of Insurance, and six per cent interest; and

(iv) For all annuities and pure endowments purchased on or after January 1, 1986, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts--the 1971 Group Annuity Mortality Table, or any modification of this table approved by the Department of Insurance, and three and one half per cent interest.

After the effective date of this act, any company may file with the Department of Insurance a written notice of its election to comply with the provisions of this subdivision after a specified date before January 1,

1979, which shall be the operative date of this subdivision for such company. Provided, that an insurer may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If a company makes no such election, the operative date of this subdivision for such company shall be January 1, 1979.

(b) (c) Reserves according to the Commissioners Reserve Valuation Method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of (i) over (ii), as follows: (i) A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due; Provided, that such net level annual premium shall not exceed the net level annual premium on the nineteen year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of such policy; (ii) a net one year term premium for such benefits provided for in the first policy year. Reserves according to the Commissioners Reserve Valuation Method for (i) life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums, (ii) annuity and pure endowment contracts, (iii) disability and accidental death benefits in all policies and contracts, and (iv) all other benefits, except life insurance and endowment benefits in life insurance policies, shall be calculated by a method consistent with the principles of this paragraph (b) (c), except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

(c) (d) In no event shall a company's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, be less than the aggregate reserves calculated in accordance with the

method set forth in paragraph (b) (c) and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

(d) (e) Reserves for any category of policies, contracts or benefits as established by the Department of Insurance, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein; Provided, that reserves for participating life insurance policies may, with the consent of the Department of Insurance, be calculated according to a rate of interest lower than the rate of interest used in calculating the nonforfeiture benefits in such policies, with the further proviso that if such lower rate differs from the rate used in the calculation of the nonforfeiture benefits by more than one half per cent, the company issuing such policies shall file with the department a plan providing for such equitable increases, if any, in the cash surrender values and nonforfeiture benefits in such policies as the department shall approve.

(e) (f) If the gross premium charged by any life insurance company on any policy or contract is less than the net premium for the policy or contract according to the mortality table, rate of interest and method used in calculating the reserve thereon, there shall be maintained on such policy or contract a deficiency reserve in addition to all other reserves required by law. For each such policy or contract the deficiency reserve shall be the present value, according to such standard, of an annuity of the difference between such net premium and the premium charged for such policy or contract, running for the remainder of the premium-paying period.

Sec. 3. That section 44-407.08, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

44-407.08. 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 sections 44-407 to 44-407.09, shall be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table and the rate of interest, ~~not-exceeding-three-and-one-half-per-cent-per-annum~~, specified in the policy for calculating cash

surrender values and paid-up nonforfeiture benefits; such rate of interest shall not exceed three and one half per cent per annum except that a rate of interest not exceeding four per cent per annum may be used for policies issued on or after the effective date of this act and prior to January 1, 1986; Provided, that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than three years younger than the actual age of the insured; provided further, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1958 Extended Term Insurance Table; and provided further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the company and approved by the Department of Insurance.

After September 28, 1959, any company may file with the Department of Insurance a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1966. After the filing of such notice, then upon such specified date, which shall be the operative date of this section for such company, this section shall become operative with respect to the ordinary policies thereafter issued by such company. If a company makes no such election, the operative date of this section for such company shall be January 1, 1966.

Sec. 4. That section 44-407.09, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

44-407.09. In the case of industrial policies issued on or after the operative date of this section, all adjusted premiums and present values referred to in sections 44-407 to 44-407.09, shall be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table and the rate of interest, not--exceeding three-and-one-half-per-cent-per-annum; specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits; such rate of interest shall not exceed three and one half per cent per annum except that a rate of interest not exceeding four per cent per annum may be used for policies issued on or after the effective date of this act and prior to January 1, 1986; Provided, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of

mortality assumed may be not more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table; and provided further, that for insurance issued on a substandard basis, the 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 Department of Insurance. After September 18, 1965, any company may file with the Department of Insurance 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 company, this section shall become operative with respect to the industrial policies thereafter issued by such company. If a company makes no such election, the operative date of this section for such company shall be January 1, 1968.

Sec. 5. That original sections 44-403, 44-404, 44-407.08, and 44-407.09, Reissue Revised Statutes of Nebraska, 1943, are repealed.