

WEST VIRGINIA LEGISLATURE
REGULAR SESSION, 1959

ENROLLED

SENATE BILL NO. 203

(By Mr. Nuckols)

PASSED March 4, 1959

In Effect 90 days from Passage

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JOE F. BURDETT
SECRETARY OF STATE

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Senate Bill No. 203

(By MR. NUCKOLS)

[Passed March 4, 1959; in effect ninety days from passage.]

AN ACT to amend and reenact section nine, article seven, chapter thirty-three of the code of West Virginia, one thousand nine hundred thirty-one, as amended, relating to the standard valuation law for life policies.

Be it enacted by the Legislature of West Virginia:

That section nine, article seven, chapter thirty-three of the code of West Virginia, one thousand nine hundred thirty-one, as amended, be amended and reenacted to read as follows:

Section 9. *Standard Valuation Law for Life Policies.*—

2 (1) The commissioner shall annually value, or cause to be
3 valued, the reserve liabilities (hereinafter called re-
4 serves) for all outstanding life insurance policies and an-

5 nuity and pure endowment contracts of every life insurer
6 transacting insurance in this state, except that in the case
7 of an alien insurer such valuation shall be limited to its
8 United States business, and may certify the amount of any
9 such reserves, specifying the mortality table or tables,
10 rate or rates of interest and methods (net level premium
11 method or other) used in the calculation of such reserves.

12 All valuations made by him or by his authority shall be
13 made upon the net premium basis.

14 In every case the standard of valuation employed shall
15 be stated in his annual report.

16 In calculating such reserves, he may use group methods
17 and approximate averages for fractions of a year or other-
18 wise. In lieu of the valuation of the reserves herein re-
19 quired of any foreign or alien insurer, he may accept any
20 valuation made, or caused to be made, by the insurance
21 supervisory official of any state or other jurisdiction when
22 such valuation complies with the minimum standard
23 herein provided and if the official of such state or juris-
24 diction accepts as sufficient and valid for all legal pur-
25 poses the certificate of valuation of the commissioner

26 when such certificate states the valuation to have been
27 made in a specified manner according to which the aggre-
28 gate reserves would be at least as large as if they had been
29 computed in the manner prescribed by the law of that
30 state or jurisdiction.

31 Any such insurer which at any time shall have adopted
32 any standard of valuation producing greater aggregate
33 reserves than those calculated according to the minimum
34 standard herein provided may, with the approval of the
35 commissioner, adopt any lower standard of valuation, but
36 not lower than the minimum herein provided.

37 (2) This subsection shall apply to only those policies
38 and contracts issued prior to the original operative date
39 of the Standard Nonforfeiture Law (now section thirty of
40 article thirteen of this chapter). All valuations shall be
41 according to the standard of valuations adopted by the
42 insurer for the obligations to be valued. Any insurer may
43 adopt different standards for obligations of different dates
44 or classes, but if the total value determined by any such
45 standard for the obligations for which it has been adopted
46 shall be less than that determined by the legal minimum

47 standard hereinafter prescribed, or if the insurer adopts
48 no standard, said legal minimum standard shall be used.

49 The legal minimum standard for contracts issued before
50 the first day of January, in the year one thousand nine
51 hundred one, shall be actuaries' or combined experience
52 table of mortality with interest at four per cent per an-
53 num, and for contracts issued on or after said date shall
54 be the "American Experience Table" of mortality with
55 interest at three and one-half per cent per annum. Poli-
56 cies issued by insurers doing business in this state may
57 provide for not more than one year preliminary term in-
58 surance: *Provided, however,* That if the premium charged
59 for term insurance under a limited payment life prelimi-
60 nary term policy providing for the payment of all pre-
61 miums thereof in less than twenty years from the date of
62 the policy, or under an endowment preliminary term pol-
63 icy, exceeds that charged for like insurance under twenty
64 payment life preliminary term policies of the same in-
65 surer, the reserve thereon at the end of any year, includ-
66 ing the first, shall not be less than the reserve on a twenty
67 payment life preliminary term policy issued in the same

68 year and at the same age, together with an amount which
69 shall be equivalent to the accumulation of a net level pre-
70 mium sufficient to provide for a pure endowment at the
71 end of the premium payment period, equal to the differ-
72 ence between the value at the end of such period of such
73 a twenty payment life preliminary term policy and a full
74 reserve at such time of such a limited payment life or en-
75 dowment policy.

76 The commissioner may vary the standards of interest
77 and mortality in the case of alien insurers and in particu-
78 lar cases of invalid lives and other extra hazards.

79 Reserves for all such policies and contracts may be cal-
80 culated, at the option of the insurer, according to any
81 standards which produce greater aggregate reserves for
82 all such policies and contracts than the minimum reserves
83 required by this subsection.

84 (3) This subsection shall apply to only those policies
85 and contracts issued on or after the original operative date
86 of the Standard Nonforfeiture Law (now section thirty
87 of article thirteen of this chapter).

88 (a) The minimum standard for the valuation of all such
89 policies and contracts shall be the commissioner's reserve
90 valuation method defined in paragraph (b), three and one-
91 half per cent interest, and the following tables:

92 (i) For all ordinary policies of life insurance issued on
93 the standard basis, excluding any disability and accidental
94 death benefits in such policies,—the Commissioners 1941
95 Standard Ordinary Mortality Table for such policies is-
96 sued prior to the operative date of subsection four-a of
97 section thirty, article thirteen of this chapter, and the
98 Commissioners 1958 Standard Ordinary Mortality Table
99 for such policies issued on or after such operative date:
100 *Provided*, That for any category of such policies issued on
101 female risks all modified net premiums and present values
102 referred to in this section may be calculated according to
103 an age not more than three years younger than the actual
104 age of the insured.

105 (ii) For all industrial life insurance policies issued on
106 the standard basis, excluding any disability and accidental
107 death benefits in such policies,—the 1941 Standard In-
108 dustrial Mortality Table.

109 (iii) For annuity and pure endowment contracts, ex-
110 cluding any disability and accidental death benefits in
111 such policies,—the 1937 Standard Annuity Mortality Ta-
112 ble.

113 (iv) For total and permanent disability benefits in or
114 supplementary to ordinary policies or contracts—Class
115 (3) Disability Table (1926) which, for active lives, shall
116 be combined with a mortality table permitted for calcu-
117 lating the reserves for life insurance policies.

118 (v) For accidental death benefits in or supplementary
119 to policies—the Inter-Company Double Indemnity Mor-
120 tality Table combined with a mortality table permitted
121 for calculating the reserves for life insurance policies.

122 (vi) For group life insurance, life insurance issued on
123 the sub-standard basis and other special benefits—such
124 tables as may be approved by the commissioner.

125 (b) Reserves according to the commissioner's reserve
126 valuation method, for the life insurance and endowment
127 benefits of policies providing for a uniform amount of in-
128 surance and requiring the payment of uniform premiums
129 shall be the excess, if any, of the present value, at the date

130 of valuation, of such future guaranteed benefits provided
131 for by such policies, over the then present value of any
132 future modified net premiums therefor. The modified net
133 premiums for any such policy shall be such uniform per-
134 centage of the respective contract premiums for such ben-
135 efits that the present value, at the date of issue of the pol-
136 icy, of all such modified net premiums shall be equal to
137 the sum of the then present value of such benefits pro-
138 vided for by the policy and the excess of (A) over (B), as
139 follows:

140 (A) A net level annual premium equal to the present
141 value, at the date of issue, of such benefits provided for
142 after the first policy year, divided by the present value,
143 at the date of issue, of an annuity of one per annum pay-
144 able on the first and each subsequent anniversary of such
145 policy on which a premium falls due: *Provided, however,*
146 That such net level annual premium shall not exceed the
147 net level annual premium on the nineteen year premium
148 whole life plan for insurance of the same amount at an age
149 one year higher than the age at issue of such policy.

150 (B) A net one year term premium for such benefits pro-
151 vided for in the first policy year.

152 Reserves according to the commissioner's reserve valu-
153 ation method for (i) life insurance policies providing for
154 a varying amount of insurance or requiring the payment
155 of varying premiums, (ii) annuity and pure endowment
156 contracts, (iii) disability and accidental death benefits in
157 all policies and contracts, and (iv) all other benefits, ex-
158 cept life insurance and endowment benefits in life insur-
159 ance policies, shall be calculated by a method consistent
160 with the principles of this paragraph (b).

161 (c) In no event shall an insurer's aggregate reserves for
162 all life insurance policies, excluding disability and acci-
163 dental death benefits, be less than the aggregate reserves
164 calculated in accordance with the method set forth in
165 paragraph (b) and the mortality table or tables and rate
166 or rates of interest used in calculating nonforfeiture bene-
167 fits for such policies.

168 (d) Reserves for any category of policies, contracts or
169 benefits as established by the commissioner may be calcu-
170 lated, at the option of the insurer, according to any stand-

171 ards which produce greater aggregate reserves for such
172 category than those calculated according to the minimum
173 standard herein provided, but the rate or rates of interest
174 used shall not be higher than the corresponding rate or
175 rates of interest used in calculating any nonforfeiture
176 benefits provided for therein: *Provided, however,* That
177 reserves for participating life insurance policies, may,
178 with the consent of the commissioner, be calculated ac-
179 cording to a rate of interest lower than the rate of interest
180 used in calculating the nonforfeiture benefits in such poli-
181 cies, with the further proviso that if such lower rate differs
182 from the rate used in the calculation of the nonforfeiture
183 benefits by more than one-half per cent the insurer issuing
184 such policies shall file with the commissioner a plan pro-
185 viding for such equitable increases, if any, in the cash
186 surrender values and nonforfeiture benefits in such poli-
187 cies as the commissioner shall approve.

188 (e) If the gross premium charged by any life insurer
189 on any policy or contract is less than the net premium for
190 the policy or contract according to the mortality table,
191 rate of interest and method used in calculating the re-

192 serve thereon, there shall be maintained on such policy
193 or contract a deficiency reserve in addition to all other
194 reserves required by law. For each such policy or contract
195 the deficiency reserve shall be the present value, accord-
196 ing to such standard, of an annuity of the difference be-
197 tween such net premium and the premium charged for
198 such policy or contract, running for the remainder of the
199 premium-paying period.

The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

W. M. Jasper
Chairman Senate Committee

J. F. Deem
Chairman House Committee

Originated in the Senate.

Takes effect *90 days from* passage.

J. Howard Myers
Clerk of the Senate

C. B. Blankenship
Clerk of the House of Delegates

Ralph Bean
President of the Senate

W. R. Peuley
Speaker House of Delegates

The within *approved* this the *10th*
day of *March*, 1959.

W. H. Underwood
Governor

