WEST VIRGINIA LEGISLATURE
REGULAR SESSION, 1959

ENROLLED

SENATE BILL NO. 203

(By Mr. Nickols)

PASSED March 4, 1959

In Effect 90 days from Passage

Filed in Office of the Secretary of State of West Virginia MAR 10 1959
JOE F. BURDETT
SECRETARY OF STATE
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.—

(1) The commissioner shall annually value, or cause to be valued, the reserve liabilities (hereinafter called reserves) for all outstanding life insurance policies and an-
nuity and pure endowment contracts of every life insurer
transacting insurance in this state, except that in the case
of an alien insurer such valuation shall be limited to its
United States business, and may certify the amount of any
such reserves, specifying the mortality table or tables,
rate or rates of interest and methods (net level premium
method or other) used in the calculation of such reserves.
All valuations made by him or by his authority shall be
made upon the net premium basis.
In every case the standard of valuation employed shall
be stated in his annual report.
In calculating such reserves, he may use group methods
and approximate averages for fractions of a year or other-
wise. In lieu of the valuation of the reserves herein re-
quired of any foreign or alien insurer, he may accept any
valuation made, or caused to be made, by the insurance
supervisory official of any state or other jurisdiction when
such valuation complies with the minimum standard
herein provided and if the official of such state or juris-
diction accepts as sufficient and valid for all legal pur-
poses the certificate of valuation of the commissioner
when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction.

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

(2) This subsection shall apply to only those policies and contracts issued prior to the original operative date of the Standard Nonforfeiture Law (now section thirty of article thirteen of this chapter). All valuations shall be according to the standard of valuations adopted by the insurer for the obligations to be valued. Any insurer may adopt different standards for obligations of different dates or classes, but if the total value determined by any such standard for the obligations for which it has been adopted shall be less than that determined by the legal minimum
standard hereinafter prescribed, or if the insurer adopts no standard, said legal minimum standard shall be used. The legal minimum standard for contracts issued before the first day of January, in the year one thousand nine hundred one, shall be actuaries' or combined experience table of mortality with interest at four per cent per annum, and for contracts issued on or after said date shall be the "American Experience Table" of mortality with interest at three and one-half per cent per annum. Policies issued by insurers doing business in this state may provide for not more than one year preliminary term insurance: Provided, however, That if the premium charged for term insurance under a limited payment life preliminary term policy providing for the payment of all premiums thereof in less than twenty years from the date of the policy, or under an endowment preliminary term policy, exceeds that charged for like insurance under twenty payment life preliminary term policies of the same insurer, the reserve thereon at the end of any year, including the first, shall not be less than the reserve on a twenty payment life preliminary term policy issued in the same
year and at the same age, together with an amount which
shall be equivalent to the accumulation of a net level pre-
mium sufficient to provide for a pure endowment at the
end of the premium payment period, equal to the differ-
ence between the value at the end of such period of such
a twenty payment life preliminary term policy and a full
reserve at such time of such a limited payment life or en-
dowment policy.

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

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

(3) This subsection shall apply to only those policies
and contracts issued on or after the original operative date
of the Standard Nonforfeiture Law (now section thirty
of article thirteen of this chapter).
(a) The minimum standard for the valuation of all such policies and contracts shall be the commissioner's reserve valuation method defined in paragraph (b), three and one-half 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 subsection four-a of section thirty, article thirteen of this chapter, 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.
(iii) For annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies,—the 1937 Standard Annuity Mortality Table.

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

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

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

(b) Reserves according to the commissioner's 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 (A) over (B), as follows:

(A) A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due: Provided, however, 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.
(B) A net one year term premium for such benefits provided for in the first policy year.

Reserves according to the commissioner's 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) In no event shall an insurer'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) and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

(d) Reserves for any category of policies, contracts or benefits as established by the commissioner may be calculated, at the option of the insurer, according to any stand-
ards 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, however, That
reserves for participating life insurance policies, may,
with the consent of the commissioner, be calculated ac-
cording to a rate of interest lower than the rate of interest
used in calculating the nonforfeiture benefits in such poli-
cies, 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 insurer issuing
such policies shall file with the commissioner a plan pro-
viding for such equitable increases, if any, in the cash
surrender values and nonforfeiture benefits in such poli-
cies as the commissioner shall approve.

(e) If the gross premium charged by any life insurer
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 re-
serve 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.
The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

Chairman Senate Committee

Chairman House Committee

Originated in the Senate.

Takes effect 90 days from passage.

Clerk of the Senate

Clerk of the House of Delegates

President of the Senate

Speaker House of Delegates

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

Governor