

WEST VIRGINIA LEGISLATURE

REGULAR SESSION, 1961



ENROLLED

HOUSE BILL No. 191.....

(By Mr. Board)



PASSED March 1st, 1961

In Effect sixty days from Passage



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JOE F. BURDETT
SECRETARY OF STATE

191

ENROLLED
House Bill No. 191

(By MR. BOARD)

[Passed March 1, 1961; 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 reserves)
4 for all outstanding life insurance policies and annuity
5 and pure endowment contracts of every life insurer
6 transacting insurance in this state, except that in the
7 case of an alien insurer such valuation shall be limited

8 to its United States business, and may certify the amount
9 of any such reserves, specifying the mortality table or
10 tables, rate or rates of interest and methods (net level
11 premium method or other) used in the calculation of such
12 reserves.

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

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

17 In calculating such reserves, he may use group methods
18 and approximate averages for fractions of a year or
19 otherwise. In lieu of the valuation of the reserves herein
20 required of any foreign or alien insurer, he may accept
21 any valuation made, or caused to be made, by the insur-
22 ance supervisory official of any state or other jurisdiction
23 when such valuation complies with the minimum stand-
24 ard herein provided and if the official of such state or
25 jurisdiction accepts as sufficient and valid for all legal
26 purposes the certificate of valuation of the commissioner
27 when such certificate states the valuation to have been
28 made in a specified manner according to which the aggre-

49 surer adopts no standard, said legal minimum standard
50 shall be used.

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

70 at the same age, together with an amount which shall
71 be equivalent to the accumulation of a net level premium
72 sufficient to provide for a pure endowment at the end of
73 the premium payment period, equal to the difference
74 between the value at the end of such period of such a
75 twenty payment life preliminary term policy and a full
76 reserve at such time of such a limited payment life or
77 endowment policy.

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

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

86 (3) This subsection shall apply to only those policies
87 and contracts issued on or after the original operative
88 date of the standard nonforfeiture law (now section thirty
89 of article thirteen of this chapter).

90 (a) The minimum standard for the valuation of all

91 such policies and contracts shall be the commissioner's
92 reserve valuation method defined in paragraph (b), three
93 and one-half percent interest, and the following tables:

94 (i) For all ordinary policies of life insurance issued
95 on the standard basis, excluding any disability and acci-
96 dental death benefits in such policies, —the commissioners
97 one thousand nine hundred forty-one standard ordi-
98 nary mortality table for such policies issued prior to
99 the operative date of subsection four-a of section thirty,
100 article thirteen of this chapter, and the commissioners
101 one thousand nine hundred fifty-eight standard ordi-
102 nary mortality table for such policies issued on or after
103 such operative date: *Provided*, That for any category of
104 such policies issued on female risks all modified net pre-
105 miums and present values referred to in this section may
106 be calculated according to an age not more than three
107 years younger than the actual age of the insured.

108 (ii) For all industrial life insurance policies issued on
109 the standard basis, excluding any disability and accidental
110 death benefits in such policies,—one thousand nine hun-
111 dred forty-one standard industrial mortality table.

112 (iii) For individual annuity and pure endowment con-
113 tracts, excluding any disability and accidental death bene-
114 fits in such policies—the one thousand nine hundred
115 thirty-seven standard annuity mortality table or, at
116 the option of the company, the annuity mortality table
117 for one thousand nine hundred forty-nine, ultimate, or
118 any modification of either of these table approved by the
119 commissioner.

120 (iv) For group annuity and pure endowment contracts,
121 excluding any disability and accidental death benefits in
122 such policies—the group annuity mortality table for one
123 thousand nine hundred fifty-one, any modification of
124 such table approved by the commissioner, or, at the
125 option of the company, any of the tables or modifications
126 of tables specified for individual annuity and pure en-
127 dowment contracts.

128 (v) For total and permanent disability benefits in or
129 supplementary to ordinary policies or contracts—for poli-
130 cies or contracts issued on or after January first, one
131 thousand nine hundred sixty-six, the tables of period
132 two disablement rates and the one thousand nine hun-

133 dred thirty to one thousand nine hundred fifty termi-
134 nation rates of the one thousand nine hundred fifty-
135 two disability study of the society of actuaries, with due
136 regard to the type of benefit; for policies or contracts
137 issued on or after January first, one thousand nine hun-
138 dred sixty-one and prior to January first, one thou-
139 sand nine hundred and sixty-six, either such tables or,
140 at the option of the company, the class (3) disability
141 table (one thousand nine hundred twenty-six); and
142 for policies issued prior to January first, one thousand
143 nine hundred sixty-one, the class (3) disability table
144 (one thousand nine hundred twenty-six). Any such
145 table shall, for active lives, be combined with a mortality
146 table permitted for calculating the reserves for life in-
147 surance policies.

148 (vi) For accidental death benefits in or supplementary
149 to policies—for policies issued on or after January first,
150 one thousand nine hundred sixty-six, the one thou-
151 sand nine hundred fifty-nine accidental death bene-
152 fits table; for policies issued on or after January first,
153 one thousand nine hundred sixty-one and prior to

154 January first, one thousand nine hundred sixty-six,
155 either such table or, at the option of the company, the
156 inter-company double indemnity mortality table; and for
157 policies issued prior to January first, one thousand nine
158 hundred sixty-one, the inter-company double indem-
159 nity mortality table. Either table shall be combined with
160 a mortality table permitted for calculating the reserves
161 for life insurance policies.

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

165 (b) Reserves according to the commissioner's reserve
166 valuation method, for the life insurance and endowment
167 benefits of policies providing for a uniform amount of
168 insurance and requiring the payment of uniform prem-
169 iums shall be the excess, if any, of the present value, at
170 the date of valuation, of such future guaranteed benefits
171 provided for by such policies, over the then present value
172 of any future modified net premiums therefor. The modi-
173 fied net premiums for any such policy shall be such uni-
174 form percentage of the respective contract premiums for

175 such benefits that the present value, at the date of issue
176 of the policy, of all such modified net premiums shall be
177 equal to the sum of the then present value of such
178 benefits provided for by the policy and the excess of
179 (A) over (B), as follows:

180 (A) A net level annual premium equal to the present
181 value, at the date of issue, of such benefits provided for
182 after the first policy year, divided by the present value,
183 at the date of issue, of an annuity of one per annum pay-
184 able on the first and each subsequent anniversary of such
185 policy on which a premium falls due: *Provided, however,*
186 That such net level annual premium shall not exceed the
187 net level annual premium on the nineteen year premium
188 whole life plan for insurance of the same amount at an age
189 one year higher than the age at issue of such policy.

190 (B) A net one year term premium for such benefits
191 provided for in the first policy year.

192 Reserves according to the commissioner's reserve valu-
193 ation method for (i) life insurance policies providing for
194 a varying amount of insurance or requiring the payment
195 of varying premiums, (ii) annuity and pure endowment

196 contracts, (iii) disability and accidental death benefits
197 in all policies and contracts, and (iv) all other benefits,
198 except life insurance and endowment benefits in life in-
199 surance policies, shall be calculated by a method con-
200 sistent with the principles of this paragraph (b), except
201 that any extra premiums charged because of impairments
202 or special hazards shall be disregarded in the determi-
203 nation of modified net premiums.

204 (c) In no event shall an insurer's aggregate reserves
205 for all life insurance policies, excluding disability and
206 accidental death benefits, be less than the aggregate re-
207 serves calculated in accordance with the method set forth
208 in paragraph (b) and the mortality table or tables and
209 rate or rates of interest used in calculating nonforfeiture
210 benefits for such policies.

211 (d) Reserves for any category of policies, contracts
212 or benefits as established by the commissioner may be
213 calculated, at the option of the insurer, according to any
214 standards which produce greater aggregate reserves for
215 such category than those calculated according to the
216 minimum standard herein provided, but the rate or rates

217 of interest used shall not be higher than the corresponding
218 rate or rates of interest used in calculating any nonfor-
219 feiture benefits provided for therein: *Provided, however,*
220 That reserves for participating life insurance policies, may,
221 with the consent of the commissioner, be calculated ac-
222 cording to a rate of interest lower than the rate of interest
223 used in calculating the nonforfeiture benefits in such
224 policies, with the further proviso that if such lower rate
225 differs from the rate used in the calculation of the non-
226 forfeiture benefits by more than one-half per cent the
227 insurer issuing such policies shall file with the com-
228 missioner a plan providing for such equitable increases,
229 if any, in the cash surrender values and nonforfeiture
230 benefits in such policies as the commissioner shall approve.

231 (e) If the gross premium charged by any life insurer
232 on any policy or contract is less than the net premium
233 for the policy or contract according to the mortality table,
234 rate of interest and method used in calculating the reserve
235 thereon, there shall be maintained on such policy or con-
236 tract a deficiency reserve in addition to all other reserves
237 required by law. For each such policy or contract the

238 deficiency reserve shall be the present value, according
239 to such standard, of an annuity of the difference between
240 such net premium and the premium charged for such
241 policy or contract, running for the remainder of the
242 premium-paying period.

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

Samuel Davis, Jr.
Chairman Senate Committee

Mrs. M. H. Withrow
Chairman House Committee

Originated in the House.

Takes effect *thirty days from* passage.

Thomas Hayes
Clerk of the Senate

A. B. Blankenship
Clerk of the House of Delegates

Howard W. Carson
President of the Senate

Julius W. Singleton Jr.
Speaker House of Delegates

The within *approved* this the *eighth* day of *March*, 1961.

W. M. Barron
Governor

