WEST VIRGINIA LEGISLATURE
REGULAR SESSION, 1961

ENROLLED

HOUSE BILL No. 191

(By Mr. ______________________ )

PASSED March 19th, 1961

In Effect ninety days from Passage

Filed in Office of the Secretary of State
of West Virginia March 8, 1961

JOE F. BURDETT
SECRETARY OF STATE
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 valued, the reserve liabilities (hereinafter called reserves) for all outstanding life insurance policies and annuity 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
otherwise. In lieu of the valuation of the reserves herein
required of any foreign or alien insurer, he may accept
any valuation made, or caused to be made, by the insur-
ance supervisory official of any state or other jurisdiction
when such valuation complies with the minimum stand-
ard herein provided and if the official of such state or
jurisdiction accepts as sufficient and valid for all legal
purposes 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 aggre-
gate 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.

This subsection shall apply to only those policies
and contracts issued prior to the original operative date
of the standard non-forfeiture 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 ins-
Enr. H. B. No. 191]

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
at the same age, together with an amount which shall
be equivalent to the accumulation of a net level premium
sufficient to provide for a pure endowment at the end of
the premium payment period, equal to the difference
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
endowment 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
calculated, 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 percent 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 one thousand nine hundred forty-one 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 one thousand nine hundred fifty-eight 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,—one thousand nine hundred forty-one standard industrial mortality table.
(iii) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies—the one thousand nine hundred thirty-seven standard annuity mortality table or, at the option of the company, the annuity mortality table for one thousand nine hundred forty-nine, ultimate, or any modification of either of these table approved by the commissioner.

(iv) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies—the group annuity mortality table for one thousand nine hundred fifty-one, any modification of such table approved by the commissioner, 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 first, one thousand nine hundred sixty-six, the tables of period two disablement rates and the one thousand nine hun-
dred thirty to one thousand nine hundred fifty termi-
nation rates of the one thousand nine hundred fifty-
two disability study of the society of actuaries, with due
regard to the type of benefit; for policies or contracts
issued on or after January first, one thousand nine hun-
dred sixty-one and prior to January first, one thou-
sand nine hundred and sixty-six, either such tables or,
at the option of the company, the class (3) disability
table (one thousand nine hundred twenty-six); and
for policies issued prior to January first, one thousand
nine hundred sixty-one, the class (3) disability table
(one thousand nine hundred twenty-six). Any such
table shall, for active lives, be combined with a mortality
table permitted for calculating the reserves for life in-
surance policies.

(vi) For accidental death benefits in or supplementary
to policies—for policies issued on or after January first,
one thousand nine hundred sixty-six, the one thou-
sand nine hundred fifty-nine accidental death bene-
fits table; for policies issued on or after January first,
one thousand nine hundred sixty-one and prior to
January first, one thousand nine hundred sixty-six,
either such table or, at the option of the company, the
inter-company double indemnity mortality table; and for
policies issued prior to January first, one thousand nine
hundred sixty-one, the inter-company double indem-
nity mortality table. Either table shall be combined with
a mortality table permitted for calculating the reserves
for life insurance policies.

(vii) 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 prem-
iums 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 modi-
fied net premiums for any such policy shall be such uni-
form 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), except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

(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 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, however, That reserves for participating life insurance policies, may, with the consent of the commissioner, 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 insurer issuing such policies shall file with the commissioner a plan providing for such equitable increases, if any, in the cash surrender values and nonforfeiture benefits in such policies 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 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.
The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

Chairman Senate Committee

Chairman House Committee

Originated in the House.

Takes effect ninety 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 eighth day of March, 1961.

Governor