WEST VIRGINIA LEGISLATURE
REGULAR SESSION, 1963

ENROLLED

HOUSE BILL No. 920

(By Mr. ______

PASSED ______ JJ

1963

Filed in Office of the Secretary of State

of West Virginia 3-16-63

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.—

2 (1) The commissioner shall annually value, or cause to be valued, the reserve liabilities (hereinafter called re-
serves) for all outstanding life insurance policies and an-
uuity 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 oth-
wise. 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 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 obligation 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 an-
um, 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 pro-
viding for the payment of all premiums thereof in less than
twenty years from the date of the policy, or under an en-
dowment 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 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 prelimi-
nary 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 par-
ticular 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 re-
serves required by this subsection.

(3) This subsection shall apply to only those policies
and contracts issued on or after the original operative
86 date of the standard nonforfeiture law (now section
87 thirty of article thirteen of this chapter).
88 (a) The minimum standard for the valuation of all
89 such policies and contracts shall be the commissioner's
90 reserve valuation method defined in paragraph (b), three
91 and one-half percent interest, and the following tables:
92 (i) For all ordinary policies of life insurance issued
93 on the standard basis, excluding any disability and acci-
94 dental death benefits in such policies—the commissioners
95 1941 standard ordinary mortality table for such policies is-
96 sued prior to the operative date of subsection four-a of sec-
97 tion thirty, article thirteen of this chapter, and the com-
98 missioners 1958 standard ordinary mortality table for such
99 policies issued on or after such operative date: Provided,
100 That for any category of such policies issued on female
101 risks all modified net premiums and present values re-
102 ferred 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
106 on the standard basis, excluding any disability and acci-
(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 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 1951, any modification of such table approved by the commissioner, or, at the option of the company, any of the tables or modification, of tables specified for individual annuity and pure endowment contracts.

(v) For total permanent disability benefits in or supplementary to ordinary policies or contracts—
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 hundred thirty to one thousand nine hundred fifty termination 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 hundred sixty-one and prior to January first, one thousand nine hundred sixty-six, either such tables or, at the option of the company, the class (3) disability table (1926); and for policies issued prior to January first, one thousand nine hundred sixty-one, 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 first, one thousand nine hundred sixty-six, the 1959 accidental death benefits 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 indemnity 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 substandard 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 pre-
miums 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 the 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 pay-
ment 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 non-forfeiture 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.

O. Ray Parker  
Chairman Senate Committee

Ethel L. Brandall  
Chairman House Committee

Originated in the House.

Takes effect   ninety days from passage.

J. Thompson  
Clerk of the Senate

C. A. Blankenship  
Clerk of the House of Delegates

Harvard W. Carson  
President of the Senate

Julius W. Singleton  
Speaker House of Delegates

The within   approved this the 16th  

day of March, 1963.

Governor