

WEST VIRGINIA LEGISLATURE  
REGULAR SESSION, 1963



ENROLLED

HOUSE BILL No. 220

(By Mr. Hill)



PASSED March 8 1963

In Effect ninety days from Passage



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JOE F. BURDETT  
SECRETARY OF STATE

# 220

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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:

**Article 7. Assets and Liabilities.**

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

- 2 (1) The commissioner shall annually value, or cause to  
3 be 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  
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  
14 be 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 oth-  
19 erwise. 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-  
29 gate reserves would be at least as large as if they had  
30 been computed in the manner prescribed by the law of  
31 that state or jurisdiction.

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

38 (2) This subsection shall apply to only those policies and  
39 contracts issued prior to the original operative date of the  
40 standard nonforfeiture law (now section thirty of article  
41 thirteen of this chapter). All valuations shall be according  
42 to the standard of valuations adopted by the insurer for  
43 the obligations to be valued. Any insurer may adopt  
44 different standards for obligations of different dates or  
45 classes, but if the total value determined by any such

46 standard for the obligation for which it has been adopted  
47 shall be less than that determined by the legal minimum  
48 standard hereinafter prescribed, or if the insurer adopts  
49 no standard, said legal minimum standard shall be used.

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

67 than the reserve on a twenty payment life preliminary  
68 term policy issued in the same year and at the same age,  
69 together with an amount which shall be equivalent to the  
70 accumulation of a net level premium sufficient to provide  
71 for a pure endowment at the end of the premium payment  
72 period, equal to the difference between the value at the  
73 end of such period of such a twenty payment life prelimi-  
74 nary term policy and a full reserve at such time of such a  
75 limited payment life or endowment policy.

76 The commissioner may vary the standards of interest  
77 and mortality in the case of alien insurers and in par-  
78 ticular 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 re-  
83 serves required by this subsection.

84 (3) This subsection shall apply to only those policies  
85 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-

107 dental death benefits in such policies—the 1941 standard  
108 industrial mortality table for such policies issued prior  
109 to the operative date of subsection four-b of section thirty,  
110 article thirteen of this chapter, and the commissioners  
111 1961 standard industrial mortality table for such policies  
112 issued on or after such operative date.

113 (iii) For individual annuity and pure endowment  
114 contracts, excluding any disability and accidental death  
115 benefits in such policies—the 1937 standard annuity mor-  
116 tality table or, at the option of the company, the annuity  
117 mortality table for 1949, ultimate, or any modification  
118 of either of these tables approved by the commissioner.

119 (iv) For group annuity and pure endowment con-  
120 tracts, excluding any disability and accidental death bene-  
121 fits in such policies—the group annuity mortality table  
122 for 1951, any modification of such table approved by the  
123 commissioner, or, at the option of the company, any of  
124 the tables or modification, of tables specified for individual  
125 annuity and pure endowment contracts.

126 (v) For total permanent disability benefits in or  
127 supplementary to ordinary policies or contracts—for

128 policies or contracts issued on or after January first, one  
129 thousand nine hundred sixty-six, the tables of period  
130 two disablement rates and the one thousand nine hundred  
131 thirty to one thousand nine hundred fifty termination  
132 rates of the one thousand nine hundred fifty-two dis-  
133 ability study of the society of actuaries, with due re-  
134 gard to the type of benefit; for policies or contracts  
135 issued on or after January first, one thousand nine hun-  
136 dred sixty-one and prior to January first, one thousand  
137 nine hundred sixty-six, either such tables or, at the  
138 option of the company, the class (3) disability table  
139 (1926); and for policies issued prior to January first, one  
140 thousand nine hundred sixty-one, the class (3) disability  
141 table (1926). Any such table shall, for active lives, be  
142 combined with a mortality table permitted for calcu-  
143 lating the reserves for life insurance policies.

144 (vi) For accidental death benefits in or supplemen-  
145 tary to policies—for policies issued on or after January  
146 first, one thousand nine hundred sixty-six, the 1959 acci-  
147 dental death benefits table; for policies issued on or after  
148 January first, one thousand nine hundred sixty-one and

149 prior to January first, one thousand nine hundred sixty-  
150 six, either such table or, at the option of the company,  
151 the inter-company double indemnity mortality table;  
152 and for policies issued prior to January first, one thousand  
153 nine hundred sixty-one, the inter-company double in-  
154 demnity mortality table. Either table shall be combined  
155 with a mortality table permitted for calculating the re-  
156 serves for life insurance policies.

157 (vii) For group life insurance, life insurance issued  
158 on the substandard basis and other special benefits—  
159 such tables as may be approved by the commissioner.

160 (b) Reserves according to the commissioner's reserve  
161 valuation method, for the life insurance and endowment  
162 benefits of policies providing for a uniform amount of  
163 insurance and requiring the payment of uniform pre-  
164 miums shall be the excess, if any, of the present value,  
165 at the date of valuation, of such future guaranteed  
166 benefits provided for by such policies, over the then pres-  
167 ent value of any future modified net premiums therefor.  
168 The modified net premiums for any such policy shall be  
169 such uniform percentage of the respective contract pre-

170 miums for such benefits that the present value, at the  
171 date of issue of the policy, of all such modified net pre-  
172 miums shall be equal to the sum of the then present value  
173 of such benefits provided for by the policy and the excess  
174 of (A) over (B), as follows:

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

186 (B) A net one-year term premium for such benefits  
187 provided for in the first policy year.

188 Reserves according to the commissioner's reserve valu-  
189 ation method for (i) life insurance policies providing  
190 for a varying amount of insurance or requiring the pay-

191 ment of varying premiums, (ii) annuity and pure en-  
192 dowment contracts, (iii) disability and accidental death  
193 benefits in all policies and contracts, and (iv) all other  
194 benefits, except life insurance and endowment benefits  
195 in life insurance policies, shall be calculated by a method  
196 consistent with the principles of this paragraph (b),  
197 except that any extra premiums charged because of im-  
198 pairments or special hazards shall be disregarded in the  
199 determination of modified net premiums.

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

207 (d) Reserves for any category of policies, contracts  
208 or benefits as established by the commissioner may be  
209 calculated, at the option of the insurer, according to any  
210 standards which produce greater aggregate reserves for  
211 such category than those calculated according to the

212 minimum standard herein provided, but the rate or rates  
213 of interest used shall not be higher than the correspond-  
214 ing rate or rates of interest used in calculating any non-  
215 forfeiture benefits provided for therein: *Provided, how-*  
216 *ever,* That reserves for participating life insurance policies  
217 may, with the consent of the commissioner, be calculated  
218 according to a rate of interest lower than the rate of in-  
219 terest used in calculating the nonforfeiture benefits in  
220 such policies, with the further proviso that if such lower  
221 rate differs from the rate used in the calculation of the  
222 nonforfeiture benefits by more than one-half per cent the  
223 insurer issuing such policies shall file with the commis-  
224 sioner a plan providing for such equitable increases, if  
225 any, in the cash surrender values and nonforfeiture bene-  
226 fits in such policies as the commissioner shall approve.

227 (e) If the gross premium charged by any life insurer  
228 on any policy or contract is less than the net premium  
229 for the policy or contract according to the mortality  
230 table, rate of interest and method used in calculating the  
231 reserve thereon, there shall be maintained on such policy  
232 or contract a deficiency reserve in addition to all other

233 reserves required by law. For each such policy or con-  
234 tract the deficiency reserve shall be the present value,  
235 according to such standard, of an annuity of the differ-  
236 ence between such net premium and the premium  
237 charged for such policy or contract, running for the re-  
238 mainder of the premium-paying period.

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

*Al Ray Parker*  
Chairman Senate Committee

*Edel L. Broadwell*  
Chairman House Committee

Originated in the House.

Takes effect *ninety days from* passage.

*J. Harrison Meyer*  
Clerk of the Senate

*C. A. Blankenship*  
Clerk of the House of Delegates

*Howard W. Hanson*  
President of the Senate

*Julius W. Slaughter*  
Speaker House of Delegates

The within *approved* this the *16<sup>th</sup>*  
day of *March*, 1963.

*W. W. Barron*  
Governor

