ENROLLED

HOUSE BILL No. 1139

(By Mr. Morasco)

PASSED February 21, 1976

In Effect ninety days from Passage
ENROLLED

H. B. 1139
(By Mr. Morasco)

Passed March 4, 1976: in effect ninety days from passage.

AN ACT to amend and reenact sections nineteen and thirty-two, article twenty-three, chapter thirty-three of the code of West Virginia, one thousand nine hundred thirty-one, as amended, relating to references for nonforfeiture benefits and cash surrender values of fraternal benefit society certificates.

Be it enacted by the Legislature of West Virginia:

That sections nineteen and thirty-two, article twenty-three, 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 23. FRATERNAL BENEFIT SOCIETIES.


1 (a) A society may grant paid-up nonforfeiture benefits, cash surrender values, certificate loans and such other options as its laws may permit. As to certificates issued on and after the effective date of this article, a society shall grant at least one paid-up nonforfeiture benefit.

6 (b) In the case of certificates other than those for which reserves are computed on the Commissioners 1941 Standard Ordinary Mortality Table or the 1941 Standard Industrial Table, or any more recent table made applicable to life insurance companies and duly approved by the commissioner the value of every paid-up nonforfeiture benefit and the amount of
any cash surrender value, loan or other option granted shall not be less than the excess, if any, of (1) over (2) as follows:

(1) The reserve under the certificate determined on the basis specified in the certificate; and

(2) The sum of any indebtedness to the society on the certificate, including interest due and accrued, and a surrender charge equal to two and one half percent of the face amount of the certificate, which, in the case of insurance on the lives of children, shall be the ultimate face amount of the certificate, if death benefits provided therein are graded.

(c) However, in the case of certificates issued on a substandard basis or in the case of certificates, the reserves for which are computed upon the American Men Ultimate Table of Mortality, the term of any extended insurance benefit granted including accompanying pure endowment, if any, may be computed upon the rates of mortality not greater than one hundred thirty percent of those shown by the mortality table specified in the certificate for the computation of the reserve.

(d) In the case of certificates for which reserves are computed on the Commissioners 1941 Standard Ordinary Mortality Table or the 1941 Standard Industrial Table, or any more recent table made applicable to life insurance companies and duly approved by the commissioner every paid-up nonforfeiture benefit and the amount of any cash surrender value, loan or other option granted shall not be less than the corresponding amount ascertained in accordance with the provisions of the laws of this state applicable to life insurance companies issuing policies containing like insurance benefits based upon such tables.

§33-23-32. Reports and synopses of annual statements; valuations.

In addition to the annual statement required by section fourteen of article four of this chapter, reports shall be filed and synopses of annual statements shall be published in accordance with the provisions of this section as follows:

(a) A synopsis of its annual statement providing an explanation of the facts concerning the condition of the society thereby disclosed shall be printed and mailed to each benefit
member of the society not later than the first day of June
of each year, or, in lieu thereof, such synopsis may be published
in the society's official publication.

(b) As a part of the annual statement required of each
society, it shall, on or before the first day of March, file
with the commissioner a valuation of its certificates in
force on December thirty-first last preceding provided, the
commissioner may, in his discretion for cause shown, extend
the time for filing such valuation for not more than two
calendar months. Such report of valuation shall show, as
reserve liabilities, the differences between the present mid-
year value of the promised benefits provided in the certificates,
of such society in force and the present midyear value of
the future net premiums as the same are in practice actually
collected, not including therein any value for the right to make
extra assessments and not including any amount by which the
present midyear value of future net premiums exceeds the
present midyear value of promised benefits on individual
certificates. At the option of any society, in lieu of the above,
the valuation may show the net tabular value. Such net
tabular value as to certificates issued prior to one year after
the effective date of this article shall be determined in ac-
cordance with the provisions of law applicable prior to the
effective date of this article and as to certificates issued on
or after one year from the effective date of this article shall
not be less than the reserves determined according to the
commissioners' reserve valuation method as hereinafter defined.
If the premium charged is less than the tabular net premium
according to the basis of valuation used, an additional reserve
equal to the present value of the deficiency in such premiums
shall be set up and maintained as a liability. The reserve lia-
abilities shall be properly adjusted in the event that the midyear
or tabular values are not appropriate.

(c) Reserves according to the commissioners' reserve val-
uation method, for the life insurance and endowment benefits
of certificates 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 cer-
tificates, over the then present value of any future modified net
premiums therefor. The modified net premiums for any such
certificate shall be such uniform percentage of the respective
contract premiums for such benefits that the present value, at
the date of issue of the certificate, of all such modified net
premiums shall be equal to the sum of the then present value
of such benefits provided for by the certificate and the excess
of (1) over (2), as follows:

(1) A net level premium equal to the present value, at
the date of issue, of such benefits provided for after the
first certificate 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 certificate 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 certificate; and

(2) A net one-year term premium for such benefits pro-
vided for in the first certificate year.

(d) Reserves according to the commissioners' reserve valu-
ation method for (1) life insurance benefits for varying
amounts of benefits or requiring the payment of varying
premiums, (2) annuity and pure endowment benefits, (3)
disability and accidental death benefits in all certificates and
contracts, and (4) all other benefits except life insurance and
endowment benefits, shall be calculated by a method con-
sistent with the principles of subdivision (c) of this section.

(e) The present value of deferred payments due under
incurred claims or matured certificates shall be deemed a
liability of the society and shall be computed upon mortality
and interest standards prescribed in the following subdivision.

(f) Such valuation and underlying data shall be certified
by a competent actuary or, at the expense of the society,
verified by the actuary of the department of insurance of the
state of domicile of the society.

(g) The minimum standards of valuation for certificates
issued prior to one year from the effective date of this article
shall be those provided by the law applicable immediately prior to the effective date of this article but not lower than the standards used in the calculating of rates for such certificates.

(h) The minimum standard of valuation for certificates issued after one year from the effective date of this article shall be three and one-half percent interest and the following tables:

(1) For certificates of life insurance—American Men Ultimate Table of Mortality, with Bowerman's or Davis' Extension thereof or with the consent of the commissioner, the Commissioners 1941 Standard Ordinary Mortality Table or the Commissioners 1941 Standard Industrial Table of Mortality;

(2) For annuity certificates, including life annuities provided or available under optional modes of settlement in such certificates—the 1937 Standard Annuity Table;

(3) For disability benefits issued in connection with life benefit certificates—Hunter's Disability Table, which for active lives, shall be combined with a mortality table permitted for calculating the reserves on life insurance certificates, except that the table known as Class III Disability Table (1926) modified to conform to the contractual waiting period, shall be used in computing reserves for disability benefits under a contract which presumes that total disability shall be considered to be permanent after a specified period;

(4) For accidental death benefits issued in connection with life benefit certificates—the Inter-Company Double Indemnity Mortality Table combined with a mortality table permitted for calculating the reserves for life insurance certificates; and

(5) For noncancellable accident and sickness benefits—the Class III Disability Table (1926) with conference modifications or, with the consent of the commissioner, tables based upon the society's own experience: Provided, That any society may value its certificates in accordance with valuation standards authorized by the laws of this state for the valuation of policies issued by life insurance companies.

(i) The commissioner may, in his discretion, accept other standards for valuation if he finds that the reserves produced thereby will not be less in the aggregate than reserves com-
puted in accordance with the minimum valuation standard herein prescribed. The commissioner may, in his discretion, vary the standards of mortality applicable to all certificates of insurance on substandard lives or other extra hazardous lives by any society authorized to do business in this state. Whenever the mortality experience under all certificates valued on the same mortality table is in excess of the expected mortality according to such table for a period of three consecutive years, the commissioner may require additional reserves when deemed necessary in his judgment on account of such certificates.

(j) Any society, with the consent of the insurance supervisory official of the state of domicile of the society and under such conditions, if any, which he may impose, may establish and maintain reserves on its certificates in excess of the reserves required thereunder, but the contractual rights of any insured member shall not be affected thereby.
The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

James L. Davis
Chairman Senate Committee

Originated in the House.
Takes effect ninety days from passage.

J.C. Lilly, Jr.
Clerk of the Senate

C.A. Blanchonsky
Clerk of the House of Delegates

W.E. Bechtel Jr.
President of the Senate

Speaker-House of Delegates

The within approved this the 11th day of March, 1976.

Ann R. Dasho,
Governor
PRESENTED TO THE GOVERNOR

Date 3/8/76
Time 2:12 p.m.