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OFFICE OF
SECRETARY OF STATE
STATE OF WEST VIRGINIA

WEST VIRGINIA LEGISLATURE
REGULAR SESSION, 1976



ENROLLED

HOUSE BILL No. 1139

(By Mr. Morasco)



PASSED February 21, 1976

In Effect ninety days from Passage



FILED IN THE OFFICE
JAMES R. McCARTNEY
SECRETARY OF STATE

THIS DATE 3/11/76

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.

§33-23-19. Nonforfeiture benefits, cash surrender values, loans and options.

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

6 (b) In the case of certificates other than those for which
7 reserves are computed on the Commissioners 1941 Standard
8 Ordinary Mortality Table or the 1941 Standard Industrial
9 Table, or any more recent table made applicable to life insur-
10 ance companies and duly approved by the commissioner the
11 value of every paid-up nonforfeiture benefit and the amount of

12 any cash surrender value, loan or other option granted shall
13 not be less than the excess, if any, of (1) over (2) as follows:

14 (1) The reserve under the certificate determined on the ba-
15 sis specified in the certificate; and

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

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

30 (d) In the case of certificates for which reserves are com-
31 puted on the Commissioners 1941 Standard Ordinary Mor-
32 tality Table or the 1941 Standard Industrial Table, or any
33 more recent table made applicable to life insurance companies
34 and duly approved by the commissioner every paid-up non-
35 forfeiture benefit and the amount of any cash surrender value,
36 loan or other option granted shall not be less than the
37 corresponding amount ascertained in accordance with the
38 provisions of the laws of this state applicable to life insurance
39 companies issuing policies containing like insurance benefits
40 based upon such tables.

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

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

5 (a) A synopsis of its annual statement providing an ex-
6 planation of the facts concerning the condition of the society
7 thereby disclosed shall be printed and mailed to each benefit

8 member of the society not later than the first day of June
9 of each year, or, in lieu thereof, such synopsis may be published
10 in the society's official publication.

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

41 (c) Reserves according to the commissioners' reserve val-
42 uation method, for the life insurance and endowment benefits
43 of certificates providing for a uniform amount of insurance
44 and requiring the payment of uniform premiums shall be the
45 excess, if any, of the present value, at the date of valuation,
46 of such future guaranteed benefits provided for by such cer-
47 tificates, over the then present value of any future modified net

48 premiums therefor. The modified net premiums for any such
49 certificate shall be such uniform percentage of the respective
50 contract premiums for such benefits that the present value, at
51 the date of issue of the certificate, of all such modified net
52 premiums shall be equal to the sum of the then present value
53 of such benefits provided for by the certificate and the excess
54 of (1) over (2), as follows:

55 (1) A net level premium equal to the present value, at
56 the date of issue, of such benefits provided for after the
57 first certificate year, divided by the present value, at the
58 date of issue, of an annuity of one per annum payable on the
59 first and each subsequent anniversary of such certificate on
60 which a premium falls due: *Provided, however,* That such net
61 level annual premium shall not exceed the net level annual
62 premium on the nineteen-year premium whole life plan for
63 insurance of the same amount at an age one year higher than
64 the age at issue of such certificate; and

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

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

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

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

83 (g) The minimum standards of valuation for certificates
84 issued prior to one year from the effective date of this article

85 shall be those provided by the law applicable immediately prior
86 to the effective date of this article but not lower than the
87 standards used in the calculating of rates for such certificates.

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

91 (1) For certificates of life insurance—American Men Ulti-
92 mate Table of Mortality, with Bowerman's or Davis' Extension
93 thereof or with the consent of the commissioner, the Commis-
94 sioners 1941 Standard Ordinary Mortality Table or the Com-
95 missioners 1941 Standard Industrial Table of Mortality;

96 (2) For annuity certificates, including life annuities pro-
97 vided or available under optional modes of settlement in such
98 certificates—the 1937 Standard Annuity Table;

99 (3) For disability benefits issued in connection with life
100 benefit certificates—Hunter's Disability Table, which for
101 active lives, shall be combined with a mortality table permitted
102 for calculating the reserves on life insurance certificates, ex-
103 cept that the table known as Class III Disability Table (1926)
104 modified to conform to the contractual waiting period, shall
105 be used in computing reserves for disability benefits under a
106 contract which presumes that total disability shall be con-
107 sidered to be permanent after a specified period;

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

112 (5) For noncancellable accident and sickness benefits—
113 the Class III Disability Table (1926) with conference modifica-
114 tions or, with the consent of the commissioner, tables based
115 upon the society's own experience: *Provided*, That any society
116 may value its certificates in accordance with valuation stan-
117 dards authorized by the laws of this state for the valuation
118 of policies issued by life insurance companies.

119 (i) The commissioner may, in his discretion, accept other
120 standards for valuation if he finds that the reserves produced
121 thereby will not be less in the aggregate than reserves com-

122 puted in accordance with the minimum valuation standard
123 herein prescribed. The commissioner may, in his discretion,
124 vary the standards of mortality applicable to all certificates
125 of insurance on substandard lives or other extra hazardous
126 lives by any society authorized to do business in this state.
127 Whenever the mortality experience under all certificates valued
128 on the same mortality table is in excess of the expected mor-
129 tality according to such table for a period of three consecutive
130 years, the commissioner may require additional reserves when
131 deemed necessary in his judgment on account of such certifi-
132 cates.

133 (j) Any society, with the consent of the insurance super-
134 visory official of the state of domicile of the society and under
135 such conditions, if any, which he may impose, may establish
136 and maintain reserves on its certificates in excess of the reserves
137 required thereunder, but the contractual rights of any insured
138 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

Clarence H. Christensen
Chairman House Committee

Originated in the House.

Takes effect ninety days from passage.

J. P. Willoughby
Clerk of the Senate

W. A. Blankenship
Clerk of the House of Delegates

W. T. Burtenton
President of the Senate

Levin W. Thomas
Speaker House of Delegates

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

Arch A. Bailey
Governor

PRESENTED TO THE
GOVERNOR

Date 3/8/76

Time 2:12 p.m.