

Commerce: Halverson of Clayton, Chair; Ciniolo and Shull.

*Dr. Pass, 3/18 (p. 814)*

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BY COMMITTEE ON COMMERCE

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Vote: Ayes 46 Nays 0 Vote: Ayes 92 Nays 0

Approved April 9, 1982 (p. 1149)

### A BILL FOR

1 An Act relating to reserve valuation standards for life  
2 insurance policies and annuity contracts, and nonfor-  
3 feiture benefits of life insurance policies.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 508.36, subsections 2 and 3, Code 1981,  
2 are amended to read as follows:

3 2. This subsection ~~shall-apply-to-only-these~~ applies only  
4 to policies and contracts issued prior to the operative date  
5 of section 508.37, (the Standard Nonforfeiture Law for Life  
6 Insurance).

7 Except as otherwise provided in subsection 3, paragraphs  
8 "g" and "h" and subsection 4 for group annuity and pure  
9 endowment contracts, the minimum standard of valuation for  
10 all policies of domestic life insurance companies shall be  
11 ~~the Commissioners-Reserve-Valuation-Method~~ commissioners  
12 reserve valuation method defined in ~~paragraph-"b"-of~~ subsection  
13 3, paragraph b, and the American Experience Table of Mortality  
14 and four and one-half percent interest or the Actuaries' (or  
15 Combined) Experience Table of Mortality and four percent  
16 interest, except that the minimum standard for the valuation  
17 of annuities and pure endowments purchased under group annuity  
18 and pure endowment contracts shall be that provided by this  
19 subsection but replacing the interest rates specified in this  
20 subsection by an interest rate of five percent per annum.

21 Reserves for ~~all-such~~ policies and contracts may be  
22 calculated, at the option of the company, according to any  
23 standards which produce greater aggregate reserves for all  
24 ~~sueh~~ policies and contracts than the minimum reserves required  
25 by this subsection.

26 3. This subsection ~~shall-apply-to-only-these~~ and  
27 subsections 4 and 5 apply only to policies and contracts  
28 issued on or after the operative date of section 508.37, (the  
29 Standard Nonforfeiture Law for Life Insurance), except as  
30 otherwise provided in paragraphs "g" and "h" and subsection  
31 4 for group annuity and pure endowment contracts issued prior  
32 to sueh the operative date of section 508.37.

33 a. Except as otherwise provided in paragraphs "g" and  
34 "h" and subsection 4, the minimum ~~standard~~ standards for the  
35 valuation of all ~~sueh~~ policies and contracts shall be the

1 ~~Commissioners-Reserve-Valuation-Methods~~ Commissioners reserve  
 2 valuation methods defined in paragraphs "b", "c", and "f"  
 3 ~~of this subsection-3~~, five percent interest for group annuity  
 4 and pure endowment contracts and three and one-half percent  
 5 interest for all other ~~such~~ policies and contracts, or in  
 6 the case of policies and contracts, other than annuity and  
 7 pure endowment contracts, issued on or after July 1, 1974,  
 8 four percent interest for ~~such~~ policies issued prior to January  
 9 1, 1980, and four and one-half percent interest for ~~such~~  
 10 policies issued on or after January 1, 1980, and the following  
 11 tables:

12 (1) For all ordinary policies of life insurance issued  
 13 on the standard basis, excluding any disability and accidental  
 14 death benefits in ~~such~~ the policies,--the Commissioners 1958  
 15 Standard Ordinary Mortality Table for policies issued prior  
 16 to the operative date of section 508.37, subsection 6, provided  
 17 that for any category of such policies issued on female risks  
 18 all modified net premiums and present values referred to in  
 19 this subsection 3 may be calculated according to an age not  
 20 more than six years younger than the actual age of the insured;  
 21 and for policies issued on or after the operative date of  
 22 section 508.37, subsection 6, the Commissioners 1980 Standard  
 23 Ordinary Mortality Table, or at the election of the company  
 24 for any one or more specified plans of life insurance, the  
 25 Commissioners 1980 Standard Ordinary Mortality Table with  
 26 Ten-Year Select Mortality Factors, or any ordinary mortality  
 27 table that is adopted after 1980 by the national association  
 28 of insurance commissioners and approved by rule adopted by  
 29 the commissioner for use in determining the minimum standard  
 30 of valuation for these policies.

31 (2) For all industrial life insurance policies issued  
 32 on the standard basis, excluding any disability and accidental  
 33 death benefits in ~~such~~ the policies, --the 1941 Standard  
 34 Industrial Mortality Table,--~~provided, however, that the~~  
 35 ~~Commissioners-1961-Standard-Industrial-Mortality-Table-shall~~

1 be-the-table-for-the-minimum-standard-when-said-table-becomes  
2 applicable-under-the-Standard-Nonforfeiture-Law-in-accordance  
3 with-section-508-37,-subsection-5 for policies issued prior  
4 to the operative date on which the Commissioners 1961 Standard  
5 Industrial Mortality Table becomes applicable under the  
6 Standard Nonforfeiture Law for Life Insurance in accordance  
7 with section 508.37, subsection 5, and for policies issued  
8 on or after that date the Commissioners 1961 Standard  
9 Industrial Mortality Table, or any industrial mortality table  
10 that is adopted after 1980 by the national association of  
11 insurance commissioners and approved by rule adopted by the  
12 commissioner for use in determining the minimum standard of  
13 valuation for these policies.

14 (3) For individual annuity and pure endowment contracts,  
15 excluding any disability and accidental death benefits in  
16 such the policies,--the 1937 Standard Annuity Mortality Table  
17 or, at the option of the company, the Annuity Mortality Table  
18 for 1949, Ultimate, or any modification of either of these  
19 tables approved by the commissioner.

20 (4) For group annuity and pure endowment contracts,  
21 excluding any disability and accidental death benefits in  
22 such the policies,--the Group Annuity Mortality Table for  
23 1951, any modification of such this table approved by the  
24 commissioner, or, at the option of the company, any of the  
25 tables or modifications of tables specified for individual  
26 annuity and pure endowment contracts.

27 (5) For total and permanent disability benefits in or  
28 supplementary to ordinary policies or contracts,--the tables  
29 of "Period 2" disablement rates and the 1930 to 1950  
30 termination rates of the 1952 Disability Study of the Society  
31 of Actuaries, with due regard to the type of benefit, or any  
32 tables of disablement rates and termination rates that are  
33 adopted after 1980 by the national association of insurance  
34 commissioners and approved by rule adopted by the commissioner  
35 for use in determining the minimum standard of valuation for

1 these policies. ~~Such~~ Any such table shall, for active lives,  
2 be combined with a mortality table permitted for calculating  
3 the reserves for life insurance policies.

4 (6) For accidental death benefits in or supplementary  
5 to policies,--the 1959 Accidental Death Benefits Table, or  
6 any accidental death benefit table that is adopted after 1980  
7 by the national association of insurance commissioners and  
8 approved by rule adopted by the commissioner for use in  
9 determining the minimum standard of valuation for these  
10 policies. Any such table shall be combined with a mortality  
11 table permitted for calculating the reserves for life insurance  
12 policies.

13 (7) For group life insurance, life insurance issued on  
14 the substandard basis and other special benefits,--~~such any~~  
15 tables as may be approved by the commissioner.

16 b. (1) Except as otherwise provided in paragraphs "c"  
17 and "f" ~~of this subsection,~~ reserves according to the  
18 Commissioners-Reserve-Valuation-Method commissioners reserve  
19 valuation method, for the life insurance and endowment benefits  
20 of policies providing for a uniform amount of insurance and  
21 requiring the payment of uniform premiums, shall be the excess,  
22 if any, of the present value, at the date of valuation, of  
23 ~~such the~~ the future guaranteed benefits provided for by ~~such the~~  
24 policies, over the then present value of any future modified  
25 net premiums therefor. The modified net premiums for any  
26 ~~such a~~ policy shall be such uniform percentage of the  
27 respective contract premiums for ~~such the~~ the benefits that the  
28 present value, at the date of issue of the policy, of all  
29 ~~such modified net premiums shall be~~ is equal to the sum of  
30 the then present value of ~~such the~~ the benefits provided for by  
31 the policy and the excess of ~~(x)~~ (a) over ~~(y)~~ (b), where (a)  
32 and (b) are as follows:

33 ~~(x)~~ (a) A net level annual premium equal to the present  
34 value, at the date of issue, of ~~such the~~ the benefits provided  
35 for after the first policy year, divided by the present value,

1 at the date of issue, of an annuity of one per annum payable  
2 on the first and each subsequent anniversary of ~~such~~ the  
3 policy on which a premium falls due; provided, ~~however,~~ that  
4 ~~such~~ the net level annual premium shall not exceed the net  
5 level annual premium on the nineteen-year premium whole life  
6 plan for insurance of the same amount at an age one year  
7 higher than the age at issue of ~~such~~ the policy.

8 (y) (b) A net one-year term premium for ~~such~~ the benefits  
9 provided for in the first policy year.

10 (2) Provided that for any life insurance policy issued  
11 on or after January 1, 1985 for which the contract premium  
12 in the first policy year exceeds that of the second year and  
13 for which no comparable additional benefit is provided in  
14 the first year for the excess and which provides an endowment  
15 benefit or a cash surrender value or a combination thereof  
16 in an amount greater than the excess premium, the reserve  
17 according to the commissioners reserve valuation method as  
18 of any policy anniversary occurring on or before the assumed  
19 ending date, which is defined as the first policy anniversary  
20 on which the sum of any endowment benefit and any cash  
21 surrender value then available is greater than the excess  
22 premium shall, except as otherwise provided in paragraph  
23 f, be the greater of the reserve as of the policy anniversary  
24 calculated as described in subparagraph (1) and the reserve  
25 as of the policy anniversary calculated as described in  
26 subparagraph (1), but with the value of (a) as defined in  
27 subparagraph (1) being reduced by fifteen percent of the  
28 amount of the excess first year premium, and with all present  
29 values of benefits and premiums being determined without  
30 reference to premiums or benefits provided for by the policy  
31 after the assumed ending date, and with the policy being  
32 assumed to mature on the assumed ending date as an endowment,  
33 and with the cash surrender value provided on the assumed  
34 ending date being considered as an endowment benefit. In  
35 making the above comparison the mortality and interest bases

1 stated in paragraph a and subsection 4 shall be used.

2     (3) Reserves according to the ~~Commissioners-Reserve~~  
3 ~~Valuation-Method~~ commissioners reserve valuation method for  
4 ~~(1)~~ life insurance policies providing for a varying amount  
5 of insurance or requiring the payment of varying premiums,  
6 ~~(2)~~ and for group annuity and pure endowment contracts  
7 purchased under a retirement plan or plan of deferred  
8 compensation, established or maintained by an employer  
9 (including a partnership or sole proprietorship) or by an  
10 employee organization, or by both, other than a plan providing  
11 individual retirement accounts or individual retirement  
12 annuities under section 408 of the United States Internal  
13 Revenue Code of 1954, as ~~now-or-hereafter~~ amended, ~~(3)~~ and  
14 for disability and accidental death benefits in all policies  
15 and contracts, and ~~(4)~~ for all other benefits, except life  
16 insurance and endowment benefits in life insurance policies  
17 and benefits provided by all other annuity and pure endowment  
18 contracts, shall be calculated by a method consistent with  
19 the principles of ~~this-paragraph-"b"~~ subparagraphs (1) and  
20 (2), except that any extra premiums charged because of  
21 impairments or special hazards shall be disregarded in the  
22 determination of modified net premiums.

23     c. ~~This section-shall-apply~~ paragraph applies to all  
24 annuity and pure endowment contracts other than group annuity  
25 and pure endowment contracts purchased under a retirement  
26 plan or plan of deferred compensation, established or  
27 maintained by an employer (including a partnership or sole  
28 proprietorship) or by an employee organization, or by both,  
29 other than a plan providing individual retirement accounts  
30 or individual retirement annuities under section 408 of the  
31 United States Internal Revenue Code of 1954, as ~~now-or~~  
32 ~~hereafter~~ amended.

33     Reserves according to the commissioner's annuity reserve  
34 method for benefits under annuity or pure endowment contracts,  
35 excluding any disability and accidental death benefits in

1 ~~such~~ the contracts, shall be the greatest of the respective  
2 excesses of the present values, at the date of valuation,  
3 of the future guaranteed benefits, including guaranteed  
4 nonforfeiture benefits, provided for by ~~such~~ the contracts  
5 at the end of each respective contract year, over the present  
6 value, at the date of valuation, of any future valuation  
7 considerations derived from future gross considerations,  
8 required by the terms of ~~such~~ the contract, that become payable  
9 prior to the end of ~~such~~ the respective contract year. The  
10 future guaranteed benefits shall be determined by using the  
11 mortality table, if any, and the interest rate, or rates,  
12 specified in ~~such~~ the contracts for determining guaranteed  
13 benefits. The valuation considerations are the portions of  
14 the respective gross considerations applied under the terms  
15 of ~~such~~ the contracts to determine nonforfeiture values.

16 d. ~~in-no-event-shall-a~~ A company's aggregate reserves  
17 for all life insurance policies, excluding disability and  
18 accidental death benefits, shall not be less than the aggregate  
19 reserves calculated in accordance with the methods set forth  
20 in paragraphs "b", "c", and "f" ~~of-this-subsection~~ and  
21 subsection 5 and the mortality ~~table-or~~ tables and ~~rate-or~~  
22 rates of interest used in calculating nonforfeiture benefits  
23 for ~~such~~ the policies.

24 e. Reserves for any category of policies, contracts or  
25 benefits, as the categories are established by the  
26 commissioner, may be calculated at the option of the company  
27 according to any standards which produce greater aggregate  
28 reserves for ~~such~~ the category than those calculated according  
29 to the minimum standard ~~herein~~ provided in this subsection.

30 f. If in any contract year the gross premium charged by  
31 ~~any a~~ a life insurance company on ~~any a~~ a policy or contract is  
32 less than the valuation net premium for the policy or contract  
33 according to the mortality table, rate of interest and method  
34 used in calculating the reserve ~~thereon~~ on the policy or  
35 contract, according to the minimum standard prescribed in

1 this section, then the minimum reserve required for such that  
2 policy or contract shall be the greater of either the reserve  
3 calculated according to the mortality table, rate of interest  
4 and method actually used for such the policy or contract,  
5 or the reserve calculated according to the mortality table,  
6 rate of interest and method used in calculating the reserve  
7 ~~thereon~~ on the policy or contract according to the minimum  
8 valuation standard prescribed by this section but replacing  
9 the valuation net premium by the actual gross premium in each  
10 contract year for which the valuation net premium exceeds  
11 the actual gross premium. The minimum valuation standards  
12 of mortality and rate of interest referred to in this section  
13 are those standards stated in paragraph a and subsection 4.

14 Provided that for any life insurance policy issued on or  
15 after January 1, 1985 for which the gross premium in the first  
16 policy year exceeds that of the second year and for which  
17 no comparable additional benefit is provided in the first  
18 year for the excess and which provides an endowment benefit  
19 or a cash surrender value or a combination thereof in an  
20 amount greater than the excess premium, this paragraph shall  
21 be applied as if the method actually used in calculating the  
22 reserve for the policy were the method described in paragraph  
23 b, ignoring subparagraph (2) of paragraph b. The minimum  
24 reserve at each policy anniversary of the policy shall be  
25 the greater of the minimum reserve calculated in accordance  
26 with paragraph b, including subparagraph (2) of that paragraph,  
27 and the minimum reserve calculated in accordance with this  
28 paragraph.

29 g. The Except as provided in subsection 4, the minimum  
30 standard for the valuation of all individual annuity and pure  
31 endowment contracts issued on or after the operative date  
32 of this paragraph, and for all annuities and pure endowments  
33 purchased on or after such that operative date under group  
34 annuity and pure endowment contracts, shall be the  
35 Commissioners-Reserve-Valuation-Methods commissioners reserve

1 valuation methods defined in paragraphs "b" and "c" of this  
2 subsection and the following tables and interest rates:

3 (1) For individual annuity and pure endowment contracts  
4 issued prior to January 1, 1980, excluding any disability  
5 and accidental death benefits in ~~such~~ the contracts,--the  
6 1971 Individual Annuity Mortality Table, or any modification  
7 of this table approved by the commissioner, and six percent  
8 interest for single premium immediate annuity contracts, and  
9 four percent interest for all other individual annuity and  
10 pure endowment contracts.

11 (2) For individual single premium immediate annuity  
12 contracts issued on or after January 1, 1980, excluding any  
13 disability and accidental death benefits in ~~such~~ the  
14 contracts,--the 1971 Individual Annuity Mortality Table, or  
15 any individual annuity mortality table that is adopted after  
16 1980 by the national association of insurance commissioners  
17 and approved by rule adopted by the commissioner for use in  
18 determining the minimum standard of valuation for the  
19 contracts, or any modification of ~~this-table~~ these tables  
20 approved by the commissioner, and seven and one-half percent  
21 interest.

22 (3) For individual annuity and pure endowment contracts  
23 issued on or after January 1, 1980 other than single premium  
24 immediate annuity contracts, excluding any disability and  
25 accidental death benefits in ~~such~~ the contracts,--the 1971  
26 Individual Annuity Mortality Table, or any individual annuity  
27 mortality table that is adopted after 1980 by the national  
28 association of insurance commissioners and approved by rule  
29 adopted by the commissioner for use in determining the minimum  
30 standard of valuation for the contracts, or any modification  
31 of ~~this-table~~ these tables approved by the commissioner, and  
32 five and one-half percent interest for single premium deferred  
33 annuity and pure endowment contracts and four and one-half  
34 percent interest for all other ~~such~~ individual annuity and  
35 pure endowment contracts.

1 (4) For all annuities and pure endowments purchased prior  
2 to January 1, 1980, under group annuity and pure endowment  
3 contracts, excluding any disability and accidental death  
4 benefits purchased under ~~such~~ the contracts,--the 1971 Group  
5 Annuity Mortality Table, or any modification of this table  
6 approved by the commissioner, and six percent interest.

7 (5) For all annuities and pure endowments purchased on  
8 or after January 1, 1980 under group annuity and pure endowment  
9 contracts, excluding any disability and accidental death  
10 benefits purchased under ~~such~~ the contracts,--the 1971 Group  
11 Annuity Mortality Table, or any group annuity mortality table  
12 that is adopted after 1980 by the national association of  
13 insurance commissioners and approved by rule adopted by the  
14 commissioner for use in determining the minimum standard of  
15 valuation for the annuities and pure endowments, or any  
16 modification of ~~this-table~~ these tables approved by the  
17 commissioner and seven and one-half percent interest.

18 h. After July 1, 1974, any company may file with the  
19 commissioner a written notice of its election to comply with  
20 ~~the-provisions-of~~ paragraph "g" after a specified date before  
21 January 1, 1979, which shall be the operative date of paragraph  
22 "g" for ~~such~~ that company; provided, a company may elect a  
23 different operative date for individual annuity and pure  
24 endowment contracts from that elected for group annuity and  
25 pure endowment contracts. If a company makes no ~~such~~ election,  
26 the operative date of paragraph "g" for ~~such~~ the company shall  
27 ~~be~~ is January 1, 1979.

28 Sec. 2. Section 508.36, Code 1981, is amended by adding  
29 the following new subsections as subsections 4 and 5  
30 respectively:

31 NEW SUBSECTION. 4. a. Applicability of This Subsection.  
32 The interest rates used in determining the minimum standard  
33 for the valuation of all life insurance policies issued in  
34 a particular calendar year, on or after the operative date  
35 of section 508.37, subsection 6, and of all individual annuity

1 and pure endowment contracts issued in a particular calendar  
2 year on or after January 1, 1982, and of all annuities and  
3 pure endowments purchased in a particular calendar year on  
4 or after January 1, 1982 under group annuity and pure endowment  
5 contracts, and of the net increase, if any, in a particular  
6 calendar year after January 1, 1982, in amounts held under  
7 guaranteed interest contracts, shall be the calendar year  
8 statutory valuation interest rates as defined in paragraph  
9 b.

10 b. Calendar Year Statutory Valuation Interest Rates.

11 The calendar year statutory valuation interest rates, referred  
12 to in this paragraph as "I", shall be determined as follows  
13 and the results rounded to the nearest one-quarter of one  
14 percent:

15 (1) For life insurance,

16 
$$I = .03 + W(R_1 - .03) + 2(R_2 - .09),$$

17 where  $R_1$  is the lesser of  $R$  and  $.09$ ,  $R_2$  is the greater of  
18  $R$  and  $.09$ ,  $R$  is the reference interest rate defined in  
19 paragraph d, and  $W$  is the weighting factor defined in paragraph  
20 c.

21 c.  
22 (2) For single premium immediate annuities and for annuity  
23 benefits involving life contingencies arising from other an-  
24 nuities with cash settlement options and from guaranteed  
25 interest contracts with cash settlement options,

26 
$$I = .03 + W(R - .03),$$

27 where  $R_1$  is the lesser of  $R$  and  $.09$ ,  $R_2$  is the greater of  
28  $R$  and  $.09$ ,  $R$  is the reference interest rate defined in  
29 paragraph d, and  $W$  is the weighting factor defined in paragraph  
30 c.

31 (3) For other annuities with cash settlement options and  
32 guaranteed interest contracts with cash settlement options,  
33 valued on an issue year basis, except as stated in subpara-  
34 graph (2), the formula for life insurance stated in subpara-  
35 graph (1) applies to annuities and guaranteed interest

1 contracts with guarantee durations in excess of ten years,  
2 and the formula for single premium immediate annuities stated  
3 in subparagraph (2) applies to annuities and guaranteed  
4 interest contracts with guarantee durations of ten years or  
5 less.

6 (4) For other annuities with no cash settlement options  
7 and for guaranteed interest contracts with no cash settlement  
8 options, the formula for single premium immediate annuities  
9 stated in subparagraph (2) applies.

10 (5) For other annuities with cash settlement options and  
11 guaranteed interest contracts with cash settlement options,  
12 valued on a change in fund basis, the formula for single pre-  
13 mium immediate annuities stated in subparagraph (2) applies.

14 However, if the calendar year statutory valuation interest  
15 rate for any life insurance policies issued in any calendar  
16 year determined under subparagraph (1) without reference to  
17 this sentence differs from the corresponding actual rate for  
18 similar policies issued in the immediately preceding calendar  
19 year by less than one-half of one percent, the calendar year  
20 statutory valuation interest rate for the life insurance  
21 policies shall be equal to the corresponding actual rate for  
22 the immediately preceding calendar year. For purposes of  
23 applying the immediately preceding sentence, the calendar  
24 year statutory valuation interest rate for life insurance  
25 policies issued in a calendar year shall be determined for  
26 1980, using the reference interest rate defined for 1979,  
27 and shall be determined for each subsequent calendar year  
28 regardless of when section 508.37, subsection 6 becomes  
29 operative.

30 c. Weighting Factors. The weighting factors referred  
31 to in paragraph b are given in the following tables:

32 (1) Weighting Factors for Life Insurance:

33

34 Guarantee Duration (Years)	Weighting Factors
35 10 or less	.50

1 More than 10, but not more than 20 .45  
 2 More than 20 .35

3 For life insurance, the guarantee duration is the maximum  
 4 number of years the life insurance can remain in force on  
 5 a basis guaranteed in the policy or under options to convert  
 6 to plans of life insurance with premium rates or nonforfeiture  
 7 values or both which are guaranteed in the original policy.

8 (2) The weighting factor for single premium immediate  
 9 annuities and for annuity benefits involving life contingencies  
 10 arising from other annuities with cash settlement options  
 11 and guaranteed interest contracts with cash settlement options  
 12 is .80.

13 (3) Weighting factors for other annuities and for  
 14 guaranteed interest contracts, except as stated in subparagraph  
 15 (2), shall be as specified in subdivisions i, ii, and iii  
 16 of this subparagraph, according to the rules and definitions  
 17 in subdivisions iv, v, and vi of this subparagraph:

18 i. For annuities and guaranteed interest contracts valued  
 19 on an issue year basis:

20 21 22 Guarantee Duration (Years)	23 Weighting Factor		
	24 for Plan Type		
	A	B	C
25 5 or less	.80	.60	.50
26 More than 5, but not more than 10	.75	.60	.50
27 More than 10, but not more than 20	.65	.50	.45
28 More than 20	.45	.35	.35

29 ii. For annuities and guaranteed interest contracts valued  
 30 on a change in fund basis, the factors shown in subdivision  
 31 i of this subparagraph increased by:

32	33 Plan Type		
	A	B	C
34	.15	.25	.05

35 iii. For annuities and guaranteed interest contracts  
 36 valued on an issue year basis (other than those with no cash  
 37 settlement options) which do not guarantee interest on

1 considerations received more than one year after issue or  
 2 purchase and for annuities and guaranteed interest contracts  
 3 valued on a change in fund basis which do not guarantee  
 4 interest rates on considerations received more than twelve  
 5 months beyond the valuation date, the factors shown in  
 6 subdivision i of this subparagraph or derived in subdivision  
 7 ii of this subparagraph increased by:

	Plan Type		
	A	B	C
8			
9			
10	.05	.05	.05

11 iv. For other annuities with cash settlement options and  
 12 guaranteed interest contracts with cash settlement options,  
 13 the guarantee duration is the number of years for which the  
 14 contract guarantees interest rates in excess of the calendar  
 15 year statutory valuation interest rate for life insurance  
 16 policies with guarantee duration in excess of twenty years.  
 17 For other annuities with no cash settlement options and for  
 18 guaranteed interest contracts with no cash settlement options,  
 19 the guarantee duration is the number of years from the date  
 20 of issue or date of purchase to the date annuity benefits  
 21 are scheduled to commence.

22 v. "Plan type", as used in subdivisions i, ii and iii  
 23 of this subparagraph, is defined as follows:

24 "Plan Type A": At any time, the policyholder may withdraw  
 25 funds only with an adjustment to reflect changes in interest  
 26 rates or asset values since receipt of the funds by the  
 27 insurance company, or may withdraw funds without that  
 28 adjustment but in installments over five years or more, or  
 29 may withdraw funds as an immediate life annuity; or no  
 30 withdrawal is permitted.

31 "Plan Type B": Before expiration of the interest rate  
 32 guarantee, the policyholder may withdraw funds only with an  
 33 adjustment to reflect changes in interest rates or asset  
 34 values since receipt of the funds by the insurance company,  
 35 or may withdraw funds without that adjustment but in

1 installments over five years or more; or no withdrawal is  
2 permitted. At the end of interest rate guarantee, funds may  
3 be withdrawn without adjustment in a single sum or installments  
4 over less than five years.

5 "Plan Type C": The policyholder may withdraw funds before  
6 expiration of the interest rate guarantee in a single sum  
7 or installments over less than five years either without  
8 adjustment to reflect changes in interest rates or asset  
9 values since receipt of the funds by the insurance company,  
10 or subject only to a fixed surrender charge stipulated in  
11 the contract as a percentage of the fund.

12 vi. A company may elect to value guaranteed interest con-  
13 tracts with cash settlement options and annuities with cash  
14 settlement options on either an issue-year basis or on a  
15 change-in-fund basis. Guaranteed interest contracts with  
16 no cash settlement options and other annuities with no cash  
17 settlement options must be valued on an issue-year basis.  
18 As used in this subsection, an issue-year basis of valuation  
19 refers to a valuation basis under which the interest rate  
20 used to determine the minimum valuation standard for the  
21 entire duration of the annuity or guaranteed interest contract  
22 is the calendar year valuation interest rate for the year  
23 of issue or year of purchase of the annuity or guaranteed  
24 interest contract, and the change-in-fund basis of valuation  
25 refers to a valuation basis under which the interest rate  
26 used to determine the minimum valuation standard applicable  
27 to each change in the fund held under the annuity or guaranteed  
28 interest contract is the calendar year valuation interest  
29 rate for the year of the change in the fund.

30 d. Reference Interest Rate. The reference interest rate  
31 referred to in paragraph b is defined as follows:

32 (1) For all life insurance, the rate as determined by  
33 any method that is adopted by the national association of  
34 insurance commissioners and approved by rule adopted by the  
35 commissioner, including but not limited to the lesser of the

1 average over a period of thirty-six months and the average  
2 over a period of twelve months, ending on June 30 of the  
3 calendar year next preceding the year of issue, of Moody's  
4 Corporate Bond Yield Average-Monthly Average Corporates, as  
5 published by Moody's Investors Service, Inc. or any successor  
6 to that corporation.

7 (2) For single premium immediate annuities and for annuity  
8 benefits involving life contingencies arising from other  
9 annuities with cash settlement options and guaranteed interest  
10 contracts with cash settlement options, the rate as determined  
11 by any method that is adopted by the national association  
12 of insurance commissioners and approved by rule adopted by  
13 the commissioner, including but not limited to the average  
14 over a period of twelve months, ending on June 30 of the  
15 calendar year of issue or year of purchase, of Moody's  
16 Corporate Bond Yield Average-Monthly Average Corporates, as  
17 published by Moody's Investors Service, Inc. or any successor  
18 to that corporation.

19 (3) For other annuities with cash settlement options and  
20 guaranteed interest contracts with cash settlement options,  
21 valued on an issue-year basis, except as stated in subpara-  
22 graph (2), with guarantee duration in excess of ten years,  
23 the rate as determined by any method that is adopted by the  
24 national association of insurance commissioners and approved  
25 by rule adopted by the commissioner, including but not limited  
26 to the lesser of the average over a period of thirty-six  
27 months and the average over a period of twelve months, ending  
28 on June 30 of the calendar year of issue or purchase of Moody's  
29 Corporate Bond Yield Average-Monthly Average Corporates, as  
30 published by Moody's Investors Service, Inc. or any successor  
31 to that corporation.

32 (4) For other annuities with cash settlement options and  
33 guaranteed interest contracts with cash settlement options,  
34 valued on an issue-year basis, except as stated in subpara-  
35 graph (2), with guarantee duration of ten years or less, the

1 rate as determined by any method that is adopted by the  
2 national association of insurance commissioners and approved  
3 by rule adopted by the commissioner, including but not limited  
4 to the average over a period of twelve months, ending on June  
5 30 of the calendar year of issue or purchase, of Moody's  
6 Corporate Bond Yield Average-Monthly Average Corporates, as  
7 published by Moody's Investors Service, Inc. or any successor  
8 to that corporation.

9 (5) For other annuities with no cash settlement options  
10 and for guaranteed interest contracts with no cash settlement  
11 options, the rate as determined by any method that is adopted  
12 by the national association of insurance commissioners and  
13 approved by rule adopted by the commissioner, including but  
14 not limited to the average over a period of twelve months,  
15 ending on June 30 of the calendar year of issue or purchase,  
16 of Moody's Corporate Bond Yield Average-Monthly Average  
17 Corporates, as published by Moody's Investors Service, Inc.  
18 or any successor to that corporation.

19 (6) For other annuities with cash settlement options and  
20 guaranteed interest contracts with cash settlement options,  
21 valued on a change-in-fund basis, except as stated in subpara-  
22 graph (2), the rate as determined by any method that is adopted  
23 by the national association of insurance commissioners and  
24 approved by rule adopted by the commissioner, including but  
25 not limited to the average over a period of twelve months,  
26 ending on June 30 of the calendar year of the change in the  
27 fund, of Moody's Corporate Bond Yield Average-Monthly Average  
28 Corporates, as published by Moody's Investors Service, Inc.  
29 or any successor to that corporation.

30 NEW SUBSECTION. 5. In the case of a plan of life insurance  
31 which provides for future premium determination, the amounts  
32 of which are to be determined by the insurance company based  
33 on then estimates of future experience, or in the case of  
34 a plan of life insurance or annuity which is of such a nature  
35 that the minimum reserves cannot be determined by the methods

1 described in subsection 3, paragraphs b, c and f, the reserves  
 2 which are held under the plan must be appropriate in relation  
 3 to the benefits and the pattern of premiums for that plan,  
 4 and must be computed by a method which is consistent with  
 5 the principles of this section, as determined by rule adopted  
 6 by the commissioner.

7 Sec. 3. Section 508.37, subsections 1, 2, 3, 4 and 5,  
 8 Code 1981, are amended to read as follows:

9 1. In the case of policies issued on or after the operative  
 10 date of this section as defined in subsection 8 11, ~~no~~ a  
 11 policy of life insurance shall not, except as stated in  
 12 subsection 7 10, shall-be-issued-or be delivered or issued  
 13 for delivery in this state unless it shall-contains contains  
 14 in substance the following provisions, or corresponding  
 15 provisions which in the opinion of the commissioner are at  
 16 least as favorable to the defaulting or surrendering  
 17 policyholder as the following provisions and are essentially  
 18 in compliance with subsection 9:

19 a. That, in the event of default in any premium payment,  
 20 the company will grant, upon proper request not later than  
 21 sixty days after the due date of the premium in default, a  
 22 paid-up nonforfeiture benefit on a plan stipulated in the  
 23 policy, effective as of ~~such~~ the due date of the premium in  
 24 default, and of such-value an amount as may-be-hereinafter  
 25 specified in this section. In lieu of the stipulated paid-  
 26 up nonforfeiture benefit, the company may substitute, upon  
 27 proper request not later than sixty days after the due date  
 28 of the premium in default, an actuarially equivalent  
 29 alternative paid-up nonforfeiture benefit which provides a  
 30 greater amount or longer period of death benefits or, if  
 31 applicable, a greater amount or earlier payment of endowment  
 32 benefits.

33 b. That, upon surrender of the policy within sixty days  
 34 after the due date of any premium payment in default after  
 35 premiums have been paid for at least three full years in the

1 case of ordinary insurance or five full years in the case  
2 of industrial insurance, the company will pay, in lieu of  
3 any paid-up nonforfeiture benefit, a cash surrender value  
4 of ~~such~~ an amount as may be ~~hereinafter~~ specified in this  
5 section.

6 c. That a specified paid-up nonforfeiture benefit shall  
7 become effective as specified in the policy unless the person  
8 entitled to make ~~such~~ an election elects another available  
9 option not later than sixty days after the due date of the  
10 premium in default.

11 d. That, if the policy ~~shall-have-become~~ has become paid  
12 up by completion of all premium payments or if it is continued  
13 under any paid-up nonforfeiture benefit which became effective  
14 on or after the third policy anniversary in the case of  
15 ordinary insurance or the fifth policy anniversary in the  
16 case of industrial insurance, the company will pay, upon  
17 surrender of the policy within thirty days after any policy  
18 anniversary, a cash surrender value of ~~such~~ an amount as ~~may~~  
19 ~~be-hereinafter~~ specified in this section.

20 e. A In the case of policies which cause on a basis  
21 guaranteed in the policy unscheduled changes in benefits or  
22 premiums, or which provide an option for changes in benefits  
23 or premiums other than a change to a new policy, a statement  
24 of the mortality table, interest rate, and method used in  
25 calculating cash surrender values and the paid-up nonforfeiture  
26 benefits available under the policy. In the case of all other  
27 policies, a statement of the mortality table and interest  
28 rate used in calculating the cash surrender values and the  
29 paid-up nonforfeiture benefits available under the policy,  
30 together with a table showing the cash surrender value, if  
31 any, and paid-up nonforfeiture benefit, if any, available  
32 under the policy on each policy anniversary, either during  
33 the first twenty policy years or during the term of the policy,  
34 whichever is shorter, ~~such~~ the values and benefits to be  
35 calculated upon the assumption that there are no dividends

1 or paid-up additions credited to the policy and that there  
2 is no indebtedness to the company on the policy.

3 f. A statement that the cash surrender values and the  
4 paid-up nonforfeiture benefits available under the policy  
5 are not less than the minimum values and benefits required  
6 by or pursuant to the insurance law of the state in which  
7 the policy is delivered; an explanation of the manner in which  
8 the cash surrender values and the paid-up nonforfeiture  
9 benefits are altered by the existence of any paid-up additions  
10 credited to the policy or any indebtedness to the company  
11 on the policy; if a detailed statement of the method of  
12 computation of the values and benefits shown in the policy  
13 is not stated ~~therein~~ in the policy, a statement that such  
14 the method of computation has been filed with the insurance  
15 supervisory official of the state in which the policy is  
16 delivered; and a statement of the method to be used in  
17 calculating the cash surrender value and paid-up nonforfeiture  
18 benefit available under the policy on any policy anniversary  
19 beyond the last anniversary for which such values and benefits  
20 are consecutively shown in the policy.

21 2. Any of the provisions or portions ~~thereof~~ of provisions  
22 set forth in subsection 1 which are not applicable by reason  
23 of the plan of insurance may, to the extent inapplicable,  
24 be omitted from the policy. The company shall reserve the  
25 right to defer the payment of any cash surrender value for  
26 a period of six months after demand ~~therefor~~ with surrender  
27 of the policy.

28 3. a. Any cash surrender value available under the policy  
29 in the event of default in a premium payment due on any policy  
30 anniversary, whether or not required by subsection 1, shall  
31 be an amount not less than the excess, if any, of the present  
32 value, on ~~such~~ that anniversary, of the future guaranteed  
33 benefits which would have been provided for by the policy,  
34 including any existing paid-up additions, if there had been  
35 no default, over the sum of (a) the then present value of

1 the adjusted premiums as defined in ~~subsection-5~~ subsections  
2 5 and 6, corresponding to premiums which would have fallen  
3 due on and after ~~such~~ that anniversary, ~~and-(b)~~ plus the  
4 amount of any indebtedness to the company on the policy.

5 b. However, for a policy issued on or after the operative  
6 date of subsection 6 as defined in paragraph k of that  
7 subsection, which provides supplemental life insurance or  
8 annuity benefits at the option of the insured and for an  
9 identifiable additional premium by rider or supplemental  
10 policy provision, the cash surrender value referred to in  
11 paragraph a shall be an amount not less than the sum of the  
12 cash surrender value as defined in that paragraph for an  
13 otherwise similar policy issued at the same age without such  
14 rider or supplemental policy provision and the cash surrender  
15 value as defined in that paragraph for a policy which provides  
16 only the benefits otherwise provided by such rider or sup-  
17 plemental policy provision.

18 c. Provided further that for a family policy issued on  
19 or after the operative date of subsection 6 as defined in  
20 paragraph k of that subsection, which defines a primary insured  
21 and provides term insurance on the life of the spouse of the  
22 primary insured expiring before the spouse's age seventy-one,  
23 the cash surrender value referred to in paragraph a shall  
24 be an amount not less than the sum of the cash surrender value  
25 as defined in paragraph a for an otherwise similar policy  
26 issued at the same age without term insurance on the life  
27 of the spouse and the cash surrender value as defined in para-  
28 graph a for a policy which provides only the benefits otherwise  
29 provided by the term insurance on the life of the spouse.

30 d. Any cash surrender value available within thirty days  
31 after any policy anniversary under any policy paid up by  
32 completion of all premium payments or any policy continued  
33 under any paid-up nonforfeiture benefit, whether or not  
34 required by subsection 1, shall be an amount not less than  
35 the present value, on ~~such~~ the anniversary, of the future

1 guaranteed benefits provided for by the policy, including  
 2 any existing paid-up additions, decreased by any indebtedness  
 3 to the company on the policy.

4 4. Any paid-up nonforfeiture benefit available under the  
 5 policy in the event of default in a premium payment due on  
 6 any policy anniversary shall be such that its present value  
 7 as of ~~such~~ that anniversary shall be at least equal to the  
 8 cash surrender value then provided for by the policy or, if  
 9 none is provided for, that cash surrender value which would  
 10 have been required by this section in the absence of the  
 11 condition that premiums shall have been paid for at least  
 12 a specified period.

13 5. a. This subsection does not apply to policies issued  
 14 on or after the operative date of subsection 6 as defined  
 15 in paragraph k of that subsection. Except as provided in  
 16 ~~the third paragraph of this subsection c,~~ the adjusted premiums  
 17 for any policy shall be calculated on an annual basis and  
 18 shall be such uniform percentage of the respective premiums  
 19 specified in the policy for each policy year, excluding any  
 20 extra premiums charged because of impairments or special  
 21 hazards, that the present value, at the date of issue of the  
 22 policy, of all such adjusted premiums ~~shall be~~ is equal to  
 23 the sum of ~~(a)~~ the following:

24 (1) The then present value of the future guaranteed  
 25 benefits provided for by the policy, ~~(b) two.~~

26 (2) Two percent of the amount of the insurance, if the  
 27 insurance be is uniform in amount, or of the equivalent uniform  
 28 amount, as ~~hereinafter~~ defined in paragraph b, if the amount  
 29 of insurance varies with duration of the policy, ~~(c) forty.~~

30 (3) Forty percent of the adjusted premium for the first  
 31 policy year, ~~(d) twenty-five.~~

32 (4) Twenty-five percent of either the adjusted premium  
 33 for the first policy year or the adjusted premium for a whole  
 34 life policy of the same uniform or equivalent uniform amount  
 35 with uniform premiums for the whole of life issued at the

1 same age for the same amount of insurance, whichever is less.

2 PARAGRAPH DIVIDED. ~~Provided, however, that~~ However, in  
3 applying the percentages specified in ~~"e" and "d" above~~  
4 subparagraphs (3) and (4), no adjusted premium shall be deemed  
5 to exceed four percent of the amount of insurance or an  
6 equivalent uniform amount equivalent thereto. The date of  
7 issue of a policy for the purpose of this subsection ~~5 shall~~  
8 be is the date as of which the rated age of the insured is  
9 determined.

10 b. In the case of a policy providing an amount of insurance  
11 varying with duration of the policy, the equivalent uniform  
12 amount ~~thereof~~ for the purpose of this subsection 5 shall  
13 be deemed to be the uniform amount of insurance provided by  
14 an otherwise similar policy, containing the same endowment  
15 benefit or benefits, if any, issued at the same age and for  
16 the same term, the amount of which does not vary with duration  
17 and the benefits under which have the same present value at  
18 the date of issue as the benefits under the policy, provided,  
19 ~~however,~~ that in the case of a policy providing a varying  
20 amount of insurance issued on the life of a child under age  
21 ten, the equivalent uniform amount may be computed as though  
22 the amount of insurance provided by the policy prior to the  
23 attainment of age ten were the amount provided by ~~such~~ the  
24 policy at age ten.

25 c. The adjusted premiums for ~~any~~ a policy providing term  
26 insurance benefits by rider or supplemental policy provision  
27 shall be equal to ~~(e)~~ (1) the adjusted premiums for an  
28 otherwise similar policy issued at the same age without such  
29 term insurance benefits, increased during the period for which  
30 premiums for such term insurance benefits are payable, by  
31 ~~(f)~~ (2) the adjusted premiums for such term insurance, the  
32 foregoing items ~~"e" and "f"~~ (1) and (2) being calculated  
33 separately and as specified in ~~the first two~~ paragraphs a  
34 and b of this subsection except that, for the purposes of  
35 ~~"b", "e" and "d"~~ subparagraphs (2), (3) and (4) of ~~the first~~

1 guaranteed benefits provided for by the policy, including  
 2 any existing paid-up additions, decreased by any indebtedness  
 3 to the company on the policy.

4 4. Any paid-up nonforfeiture benefit available under the  
 5 policy in the event of default in a premium payment due on  
 6 any policy anniversary shall be such that its present value  
 7 as of ~~such~~ that anniversary shall be at least equal to the  
 8 cash surrender value then provided for by the policy or, if  
 9 none is provided for, that cash surrender value which would  
 10 have been required by this section in the absence of the  
 11 condition that premiums shall have been paid for at least  
 12 a specified period.

13 5. a. This subsection does not apply to policies issued  
 14 on or after the operative date of subsection 6 as defined  
 15 in paragraph k of that subsection. Except as provided in  
 16 ~~the third paragraph of this subsection c,~~ the adjusted premiums  
 17 for any policy shall be calculated on an annual basis and  
 18 shall be such uniform percentage of the respective premiums  
 19 specified in the policy for each policy year, excluding any  
 20 extra premiums charged because of impairments or special  
 21 hazards, that the present value, at the date of issue of the  
 22 policy, of all such adjusted premiums ~~shall be~~ is equal to  
 23 the sum of ~~(a)~~ the following:

24 (1) The then present value of the future guaranteed  
 25 benefits provided for by the policy, ~~(b) two.~~

26 (2) Two percent of the amount of the insurance, if the  
 27 insurance be is uniform in amount, or of the equivalent uniform  
 28 amount, as hereinafter defined in paragraph b, if the amount  
 29 of insurance varies with duration of the policy, ~~(e) forty.~~

30 (3) Forty percent of the adjusted premium for the first  
 31 policy year, ~~(d) twenty-five.~~

32 (4) Twenty-five percent of either the adjusted premium  
 33 for the first policy year or the adjusted premium for a whole  
 34 life policy of the same uniform or equivalent uniform amount  
 35 with uniform premiums for the whole of life issued at the

1 same age for the same amount of insurance, whichever is less.

2 PARAGRAPH DIVIDED. ~~Provided, however, that~~ However, in  
3 applying the percentages specified in ~~"e" and "d" above~~  
4 subparagraphs (3) and (4), no adjusted premium shall be deemed  
5 to exceed four percent of the amount of insurance or an  
6 equivalent uniform amount equivalent thereto. The date of  
7 issue of a policy for the purpose of this subsection ~~shall~~  
8 be is the date as of which the rated age of the insured is  
9 determined.

10 b. In the case of a policy providing an amount of insurance  
11 varying with duration of the policy, the equivalent uniform  
12 amount ~~thereof~~ for the purpose of this subsection 5 shall  
13 be deemed to be the uniform amount of insurance provided by  
14 an otherwise similar policy, containing the same endowment  
15 benefit or benefits, if any, issued at the same age and for  
16 the same term, the amount of which does not vary with duration  
17 and the benefits under which have the same present value at  
18 the date of issue as the benefits under the policy, provided,  
19 ~~however,~~ that in the case of a policy providing a varying  
20 amount of insurance issued on the life of a child under age  
21 ten, the equivalent uniform amount may be computed as though  
22 the amount of insurance provided by the policy prior to the  
23 attainment of age ten were the amount provided by such the  
24 policy at age ten.

25 c. The adjusted premiums for any a policy providing term  
26 insurance benefits by rider or supplemental policy provision  
27 shall be equal to ~~(e)~~ (1) the adjusted premiums for an  
28 otherwise similar policy issued at the same age without such  
29 term insurance benefits, increased during the period for which  
30 premiums for such term insurance benefits are payable, by  
31 ~~(f)~~ (2) the adjusted premiums for such term insurance, the  
32 foregoing items ~~"e" and "f"~~ (1) and (2) being calculated  
33 separately and as specified in ~~the first two~~ paragraphs a  
34 and b of this subsection except that, for the purposes of  
35 ~~"b", "e" and "d"~~ subparagraphs (2), (3) and (4) of the first

1 paragraph ~~of this subsection~~ a, the amount of insurance or  
2 equivalent uniform amount of insurance used in the calculation  
3 of the adjusted premiums referred to in ~~"f"~~ item (2) in  
4 this paragraph shall be equal to the excess of the  
5 corresponding amount determined for the entire policy over  
6 the amount used in the calculation of the adjusted premiums  
7 in ~~"e"~~ item (1) in this paragraph.

8 d. (1) All adjusted premiums and present values referred  
9 to in this section shall for ~~all~~ policies of ordinary insurance  
10 be calculated on the basis of the Commissioners 1958 Standard  
11 Ordinary Mortality Table, provided that for any category of  
12 ordinary insurance issued on female risks, adjusted premiums  
13 and present values may be calculated according to an age not  
14 more than six years younger than the actual age of the insured.  
15 ~~Such~~ The calculations for all policies of industrial insurance  
16 issued before January 1, 1968 shall be made on the basis of  
17 the 1941 Standard Industrial Mortality Table, ~~provided,~~  
18 ~~however, that any,~~ except that a company may file with the  
19 commissioner a written notice of its election that ~~such the~~  
20 adjusted premiums and present values shall be calculated on  
21 the basis of the Commissioners 1961 Standard Industrial  
22 Mortality Table, after a specified date before January 1,  
23 1968, ~~provided, further, that, whether.~~ Whether or not any  
24 election has been made, ~~such the~~ the Commissioners 1961 Standard  
25 Industrial Mortality Table shall be the basis for ~~such these~~  
26 calculations as to all policies of industrial insurance issued  
27 on or after January 1, 1968. All calculations shall be made  
28 on the basis of the rate of interest specified in the policy  
29 for calculating cash surrender values and paid-up nonforfeiture  
30 benefits, ~~provided,~~ that ~~such the~~ the rate of interest shall  
31 not exceed three and one-half percent per annum, except that  
32 a rate of interest not exceeding four percent per annum may  
33 be used for policies issued on or after July 1, 1974, and  
34 prior to January 1, 1980, and a rate of interest not exceeding  
35 five and one-half percent per annum may be used for policies

1 issued on or after January 1, 1980. ~~Provided, however, that~~  
2 (2) However, in calculating the present value under  
3 subparagraph (1) of any paid-up term insurance with  
4 accompanying pure endowment, if any, offered as a nonforfeiture  
5 benefit, the rates of mortality assumed in the case of policies  
6 of ordinary insurance, may be not more than those shown in  
7 the Commissioners 1958 Extended Term Insurance Table, and,  
8 in the case of policies of industrial insurance, may be not  
9 more than one hundred thirty percent of the rates of mortality  
10 according to the 1941 Standard Industrial Mortality Table,  
11 except that when the Commissioners 1961 Standard Industrial  
12 Mortality Table becomes applicable, ~~as hereinbefore provided,~~  
13 such as specified in this paragraph, the rates of mortality  
14 assumed may be not more than those shown in the Commissioners  
15 1961 Industrial Extended Term Insurance Table, ~~provided,~~  
16 ~~further, that.~~ In addition, for insurance issued on a  
17 substandard basis, the calculation under subparagraph (1)  
18 of any ~~such~~ adjusted premiums and present values may be based  
19 on such any other table of mortality ~~as may be~~ that is  
20 specified by the company and approved by the commissioner.

21 Sec. 4. Section 508.37, Code 1981, is amended by adding  
22 the following new subsections as subsections 6 and 7 re-  
23 spectively:

24 NEW SUBSECTION. 6. a. This subsection applies to all  
25 policies issued on or after the operative date of this  
26 subsection, as defined in paragraph k. Except as provided  
27 in paragraph g, the adjusted premiums for a policy shall be  
28 calculated on an annual basis and shall be such uniform  
29 percentage of the respective premiums specified in the policy  
30 for each policy year, excluding amounts payable as extra  
31 premiums to cover impairments or special hazards and also  
32 excluding any uniform annual contract charge or policy fee  
33 specified in the policy in a statement of the method to be  
34 used in calculating the cash surrender values and paid-up  
35 nonforfeiture benefits, that the present value, at the date

1 of issue of the policy, of all adjusted premiums is equal  
2 to the sum of the following:

3 (1) The then present value of the future guaranteed  
4 benefits provided for by the policy.

5 (2) One percent of either the amount of insurance, if  
6 the insurance is uniform in amount, or the average amount  
7 of insurance at the beginning of each of the first ten policy  
8 years.

9 (3) One hundred twenty-five percent of the nonforfeiture  
10 net level premium, as defined in paragraph b. However, in  
11 applying this percentage a nonforfeiture net level premium  
12 shall not be deemed to exceed four percent of either the  
13 amount of insurance, if the insurance is uniform in amount,  
14 or the average amount of insurance at the beginning of each  
15 of the first ten policy years.

16 The date of issue of a policy for the purpose of this  
17 subsection is the date as of which the rated age of the insured  
18 is determined.

19 b. The nonforfeiture net level premium shall be equal  
20 to the present value, at the date of issue of the policy,  
21 of the guaranteed benefits provided for by the policy divided  
22 by the present value, at the date of issue of the policy,  
23 of an annuity of one per annum payable on the date of issue  
24 of the policy and on each anniversary of the policy on which  
25 a premium falls due.

26 c. In the case of policies which on a basis guaranteed  
27 in the policy cause unscheduled changes in benefits or  
28 premiums, or which provide an option for changes in benefits  
29 or premiums other than a change to a new policy, the adjusted  
30 premiums and present values shall initially be calculated  
31 on the assumption that future benefits and premiums do not  
32 change from those stipulated at the date of issue of the  
33 policy. At the time of a change in the benefits or premiums,  
34 the future adjusted premiums, nonforfeiture net level premiums,  
35 and present values shall be recalculated on the assumption

1 that future benefits and premiums do not change from those  
2 stipulated by the policy immediately after the change.

3 d. Except as otherwise provided in paragraph g, the  
4 recalculated future adjusted premiums for a policy shall be  
5 such uniform percentage of the respective future premiums  
6 specified in the policy for each policy year, excluding amounts  
7 payable as extra premiums to cover impairments and special  
8 hazards, and also excluding any uniform annual contract charge  
9 or policy fee specified in the policy in a statement of the  
10 method to be used in calculating the cash surrender values  
11 and paid-up nonforfeiture benefits, that the present value,  
12 at the time of change to the newly defined benefits or  
13 premiums, of all future adjusted premiums is equal to the  
14 excess of the sum of the then present value of the then future  
15 guaranteed benefits provided for by the policy plus the  
16 additional expense allowance, if any, over the then cash  
17 surrender value, if any, or present value of any paid-up  
18 nonforfeiture benefit under the policy.

19 e. The additional expense allowance, at the time of the  
20 change to the newly defined benefits or premiums, shall be  
21 the sum of one percent of the excess, if positive, of the  
22 average amount of insurance at the beginning of each of the  
23 first ten policy years subsequent to the change over the  
24 average amount of insurance prior to the change at the  
25 beginning of each of the first ten policy years subsequent  
26 to the time of the most recent previous change, or, if there  
27 has been no previous change, the date of issue of the policy,  
28 plus one hundred twenty-five percent of the increase, if  
29 positive, in the nonforfeiture net level premium.

30 f. The recalculated nonforfeiture net level premium shall  
31 be equal to the result obtained by dividing (1) by (2), where  
32 (1) and (2) are as follows:

33 (1) The sum of the nonforfeiture net level premium  
34 applicable prior to the change times the present value of  
35 an annuity of one per annum payable on each anniversary of

1 the policy on or subsequent to the date of the change on which  
2 a premium would have fallen due had the change not occurred,  
3 plus the present value of the increase in future guaranteed  
4 benefits provided for by the policy.

5 (2) The present value of an annuity of one per annum  
6 payable on each anniversary of the policy on or subsequent  
7 to the date of change on which a premium falls due.

8 g. Notwithstanding any contrary provision of this  
9 subsection, in the case of a policy issued on a substandard  
10 basis which provides reduced graded amounts of insurance so  
11 that, in each policy year, the policy has the same tabular  
12 mortality cost as an otherwise similar policy issued on the  
13 standard basis which provides higher uniform amounts of insur-  
14 ance, adjusted premiums and present values for the substandard  
15 policy may be calculated as if it were issued to provide those  
16 higher uniform amounts of insurance on the standard basis.

17 h. Adjusted premiums and present values referred to in  
18 this section shall for all policies of ordinary insurance  
19 be calculated on the basis of either the Commissioners 1980  
20 Standard Ordinary Mortality Table or, at the election of the  
21 company for any one or more specified plans of life insurance,  
22 the Commissioners 1980 Standard Ordinary Mortality Table with  
23 Ten-Year Select Mortality Factors; shall for all policies  
24 of industrial insurance be calculated on the basis of the  
25 Commissioners 1961 Standard Industrial Mortality Table; and  
26 shall for all policies issued in a particular calendar year  
27 be calculated on the basis of a rate of interest not exceeding  
28 the nonforfeiture interest rate as defined in paragraph i  
29 for policies issued in that calendar year. However:

30 (1) At the option of the company, calculations for all  
31 policies issued in a particular calendar year may be made  
32 on the basis of a rate of interest not exceeding the nonfor-  
33 feiture interest rate, as defined in paragraph i, for policies  
34 issued in the immediately preceding calendar year.

35 (2) Under any paid-up nonforfeiture benefit, including

1 any paid-up dividend additions, any cash surrender value  
2 available, whether or not required by subsection 1, shall  
3 be calculated on the basis of the mortality table and rate  
4 of interest used in determining the amount of the paid-up  
5 nonforfeiture benefit and paid-up dividend additions, if any.

6 (3) A company may calculate the amount of any guaranteed  
7 paid-up nonforfeiture benefit including any paid-up additions  
8 under the policy on the basis of an interest rate no lower  
9 than that specified in the policy for calculating cash  
10 surrender values.

11 (4) In calculating the present value of any paid-up term  
12 insurance with accompanying pure endowment, if any, offered  
13 as a nonforfeiture benefit, the rates of mortality assumed  
14 may be not more than those shown in the Commissioners 1980  
15 Extended Term Insurance Table for policies of ordinary  
16 insurance and not more than the Commissioners 1961 Industrial  
17 Extended Term Insurance Table for policies of industrial  
18 insurance.

19 (5) For insurance issued on a substandard basis, the  
20 calculation of adjusted premiums and present values may be  
21 based on appropriate modifications of the tables referred  
22 to in this paragraph.

23 (6) Any ordinary mortality tables adopted after 1980 by  
24 the national association of insurance commissioners and  
25 approved by rule adopted by the commissioner for use in deter-  
26 mining the minimum nonforfeiture standard may be substituted  
27 for the Commissioners 1980 Standard Ordinary Mortality Table  
28 with or without Ten-Year Select Mortality Factors or for the  
29 Commissioners 1980 Extended Term Insurance Table.

30 (7) Any industrial mortality tables adopted after 1980  
31 by the national association of insurance commissioners and  
32 approved by rule adopted by the commissioner for use in  
33 determining the minimum nonforfeiture standard may be  
34 substituted for the Commissioners 1961 Standard Industrial  
35 Mortality Table or the Commissioners 1961 Industrial Extended

1 Term Insurance Table.

2 i. The nonforfeiture interest rate per annum for any  
3 policy issued in a particular calendar year shall be equal  
4 to one hundred twenty-five percent of the calendar year  
5 statutory valuation interest rate for the policy as defined  
6 in section 508.36, rounded to the nearest one quarter of one  
7 percent.

8 j. Notwithstanding any contrary provision of the insurance  
9 laws of this state, any refiling of nonforfeiture values or  
10 their methods of computation for any previously approved  
11 policy form which involves only a change in the interest rate  
12 or mortality table used to compute nonforfeiture values shall  
13 not require refiling of any other provisions of that policy  
14 form.

15 k. After the effective date of this subsection, a company  
16 may file with the commissioner a written notice of its election  
17 to comply with this subsection after a specified date before  
18 January 1, 1989, which shall be the operative date of this  
19 subsection for that company. If a company makes no elec-  
20 tion, the operative date of this subsection for the company  
21 is January 1, 1989.

22 NEW SUBSECTION. 7. In the case of any plan of life  
23 insurance which provides for future premium determination,  
24 the amounts of which are to be determined by the insurance  
25 company based on then estimates of future experience, or in  
26 the case of any plan of life insurance which is of such a  
27 nature that minimum values cannot be determined by the methods  
28 described in subsection 1, 2, 3, 4, 5, or 6, then all of the  
29 following conditions must be met:

30 a. The commissioner must be satisfied that the benefits  
31 provided under the plan are substantially as favorable to  
32 policyholders and insureds as the minimum benefits otherwise  
33 required by subsection 1, 2, 3, 4, 5, or 6.

34 b. The commissioner must be satisfied that the benefits  
35 and the pattern of premiums of that plan are not misleading

1 to prospective policyholders or insureds.

2 c. The cash surrender values and paid-up nonforfeiture  
3 benefits provided by the plan must not be less than the minimum  
4 values and benefits required for the plan computed by a method  
5 consistent with the principles of this section, as determined  
6 by rules adopted by the commissioner.

7 Sec. 5. Section 508.37, subsection 6, Code 1981, is  
8 renumbered as subsection 8 and amended to read as follows:

9 6 8. Any cash surrender value and any paid-up nonforfeiture  
10 benefit, available under the policy in the event of default  
11 in a premium payment due at any time other than on the policy  
12 anniversary, shall be calculated with allowance for the lapse  
13 of time and the payment of fractional premiums beyond the  
14 last preceding policy anniversary. All values referred to  
15 in subsections 3, ~~4~~ 4, 5, and 6 may be calculated upon  
16 the assumption that any death benefit is payable at the end  
17 of the policy year of death. The net value of any paid-up  
18 additions, other than paid-up term additions, shall be not  
19 less than the ~~dividends~~ amounts used to provide ~~such~~ the  
20 additions. Notwithstanding ~~the provisions of~~ subsection 3  
21 ~~above~~, additional benefits payable ~~(a)~~ in the event of death  
22 or dismemberment by accident or accidental means, ~~(b)~~ or in  
23 the event of total and permanent disability, ~~(c)~~ or as  
24 reversionary annuity or deferred reversionary annuity benefits,  
25 ~~(d)~~ or as term insurance benefits provided by a rider or  
26 supplemental policy provision to which, if issued as a separate  
27 policy, this section would not apply, ~~(e)~~ or as term insurance  
28 on the life of a child or on the lives of children provided  
29 in a policy on the life of a parent of the child, if ~~such~~  
30 the term insurance expires before the child's age is twenty-  
31 six, is uniform in amount after the child's age is one, and  
32 has not become paid up by reason of the death of a parent  
33 of the child, ~~and-(f)~~ or as other policy benefits additional  
34 to life insurance and endowment benefits, and the premiums  
35 for all ~~such~~ of these additional benefits, shall be disregarded

1 as in ascertaining cash surrender values and nonforfeiture  
2 benefits required by this section, and ~~no such~~ none of these  
3 additional benefits shall be required to be included in any  
4 paid-up nonforfeiture benefits.

5 Sec. 6. Section 508.37, Code 1981, is amended by adding  
6 the following new subsection as subsection 9:

7 NEW SUBSECTION. 9. a. This subsection, in addition to  
8 all other applicable subsections of this section, applies  
9 to all policies issued on or after January 1, 1985. Any cash  
10 surrender value available under the policy in the event of  
11 default in a premium payment due on any policy anniversary  
12 shall be in an amount which does not differ by more than two-  
13 tenths of one percent of either the amount of insurance, if  
14 the insurance is uniform in amount, or the average amount  
15 of insurance at the beginning of each of the first ten policy  
16 years, from the sum of the greater of zero and the basic cash  
17 value specified in paragraph b plus the present value of any  
18 existing paid-up additions less the amount of any indebtedness  
19 to the company under the policy.

20 b. The basic cash value shall be equal to the present  
21 value, on the anniversary, of the future guaranteed benefits  
22 which would have been provided for by the policy, excluding  
23 any existing paid-up additions and before deduction of any  
24 indebtedness to the company, if there had been no default,  
25 less the then present value of the nonforfeiture factors,  
26 as defined in paragraph c, corresponding to premiums which  
27 would have fallen due on and after the anniversary. However,  
28 the effects on the basic cash value of supplemental life  
29 insurance or annuity benefits or of family coverage, as  
30 described in subsection 3 or 5, whichever is applicable, shall  
31 be the same as the effects specified in subsection 3 or 5,  
32 whichever is applicable, on the cash surrender values defined  
33 in that subsection.

34 c. (1) The nonforfeiture factor for each policy year  
35 shall be an amount equal to a percentage of the adjusted

1 premium for the policy year, as defined in subsection 5 or  
2 6, whichever is applicable. Except as is required by  
3 subparagraph (2) of this paragraph, this percentage must  
4 satisfy both of the following requirements:

5 (a) It must be the same percentage for each policy year  
6 between the second policy anniversary and the later of the  
7 fifth policy anniversary or the first policy anniversary at  
8 which there is available under the policy a cash surrender  
9 value in an amount, before including any paid-up additions  
10 and before deducting any indebtedness, of at least two-tenths  
11 of one percent of either the amount of insurance, if the  
12 insurance is uniform in amount, or the average amount of  
13 insurance at the beginning of each of the first ten policy  
14 years.

15 (b) It must be such that no percentage after the later  
16 of the two policy anniversaries specified in subdivision (a)  
17 of this subparagraph may apply to fewer than five consecutive  
18 policy years.

19 (2) A basic cash value shall not be less than the value  
20 which would be obtained if the adjusted premiums for the  
21 policy, as defined in subsection 5 or 6, whichever is  
22 applicable, were substituted for the nonforfeiture factors  
23 in the calculation of the basic cash value.

24 d. Adjusted premiums and present values referred to in  
25 this subsection shall for a particular policy be calculated  
26 on the same mortality and interest bases as are used in  
27 demonstrating the policy's compliance with the other  
28 subsections of this section. The cash surrender values  
29 referred to in this subsection shall include any endowment  
30 benefits provided for by the policy.

31 e. Any cash surrender value available other than in the  
32 event of default in a premium payment due on a policy anni-  
33 versary, and the amount of any paid-up nonforfeiture benefit  
34 available under the policy in the event of default in a pre-  
35 mium payment, shall be determined in manners consistent with

1 the manners specified for determining the analogous minimum  
 2 amounts in subsections 1, 2, 3, 4, 6, and 8. The amounts  
 3 of any cash surrender values and of any paid-up nonforfeiture  
 4 benefits granted in connection with additional benefits such  
 5 as those described in subsection 8 shall conform with the  
 6 principles of this subsection.

7 Sec. 7. Section 508.37, subsections 7 and 8, Code 1981,  
 8 are renumbered as subsections 10 and 11 and are amended to  
 9 read as follows:

10 7 10. a. This section shall does not apply to any  
 11 ~~reinsurance, group insurance, pure endowment, annuity or~~  
 12 ~~reversionary annuity contract, nor to any term policy of~~  
 13 ~~uniform amount, or renewal thereof, of fifteen years or less~~  
 14 ~~expiring before age sixty-six, for which uniform premiums~~  
 15 ~~are payable during the entire term of the policy, nor to any~~  
 16 ~~term policy of decreasing amount on which each adjusted~~  
 17 ~~premium, calculated as specified in subsection 5 above, is~~  
 18 ~~less than the adjusted premium so calculated, on such fifteen~~  
 19 ~~year term policy issued at the same age and for the same~~  
 20 ~~initial amount of insurance, nor to any policy which shall~~  
 21 ~~be delivered outside this state through an agent or other~~  
 22 ~~representative of the company issuing the policy.~~ of the  
 23 following:

24 (1) Reinsurance.

25 (2) Group insurance.

26 (3) Pure endowment contracts.

27 (4) Annuity or reversionary annuity contracts.

28 (5) A term policy of uniform amount which provides no  
 29 guaranteed nonforfeiture or endowment benefits, or a renewal  
 30 thereof of twenty years or less expiring before age seventy-  
 31 one, for which uniform premiums are payable during the entire  
 32 term of the policy.

33 (6) A term policy of decreasing amount, which provides  
 34 no guaranteed nonforfeiture or endowment benefits, on which  
 35 each adjusted premium, calculated as specified in subsections

1 5 and 6, is less than the adjusted premium so calculated,  
2 on a term policy of uniform amount, or renewal thereof, which  
3 provides no guaranteed nonforfeiture or endowment benefits,  
4 issued at the same age and for the same initial amount of  
5 insurance and for a term of twenty years or less expiring  
6 before age seventy-one, for which uniform premiums are payable  
7 during the entire term of the policy.

8 (7) A policy, which provides no guaranteed nonforfeiture  
9 or endowment benefits, for which no cash surrender value,  
10 if any, or present value of any paid-up nonforfeiture benefit,  
11 at the beginning of any policy year, calculated as specified  
12 in subsections 3, 4, 5 and 6, exceeds two and one-half percent  
13 of the amount of insurance at the beginning of the same policy  
14 year.

15 (8) A policy delivered outside this state through an agent  
16 or other representative of the company issuing the policy.

17 b. For purposes of determining the applicability of this  
18 section, the age at expiry for a joint term life insurance  
19 policy shall be the age at expiry of the oldest life.

20 8 11. After July 4, 1963, any a company may file with  
21 the commissioner a written notice of its election to comply  
22 with ~~the provisions of~~ this section after a specified date  
23 before January 1, 1966. ~~After the filing of such notice,~~  
24 ~~then upon such specified date (which~~ The date specified by  
25 the company in the notice shall be the operative date of this  
26 section for ~~such~~ the company), and this section shall become  
27 ~~operative with respect~~ apply to the policies thereafter issued  
28 after that date by ~~such~~ the company. If a company makes no  
29 ~~such~~ election, the operative date of this section for ~~such~~  
30 ~~the~~ company ~~shall be~~ is January 1, 1966.

31 EXPLANATION

32 This bill contains amendments to the standard valuation  
33 law for life insurance policies and annuity contracts, and  
34 to the standard nonforfeiture law for life insurance policies.  
35 This bill also makes changes in the drafting style used in

1 the existing law.

2 The amendments were adopted by the national association  
3 of insurance commissioners in December, 1980.

4 According to information distributed by the NAIC, the pur-  
5 poses of the amendments are as follows:

6 "1. Update the minimum standards for reserves and nonfor-  
7 feiture benefits and provide for future automatic updating  
8 of these standards in order to permit company operations and  
9 the products offered to the consumer to keep pace with changes  
10 in the economy and in longevity.

11 2. Accommodate more effectively products that have been  
12 introduced since the laws were first enacted.

13 3. Accommodate new products that may be developed in the  
14 future, thereby increasing company flexibility to offer, and  
15 insurance department flexibility to regulate, products that  
16 meet new public needs and expectations."

17 The NAIC summarizes the principal features of the amend-  
18 ments as follows:

19 "1. A system for the automatic annual updating of the  
20 statutory valuation and nonforfeiture interest rate standards  
21 applicable to new business.

22 2. New mortality tables for ordinary life insurance and  
23 authority for the insurance commissioner to promulgate more  
24 modern life insurance, annuity, and disability tables.

25 3. Changes in the allowance for company excess initial  
26 expenses that is used in calculating minimum nonforfeiture  
27 benefits for life insurance.

28 4. Provisions to require appropriate patterns of non-  
29 forfeiture benefits.

30 5. Provisions that take account of special features of  
31 products not contemplated in the original versions of these  
32 laws, such as family policies, policies that provide for  
33 changes in benefits and premiums after issue at the option  
34 of the policyholder, and policies that provide for the pay-  
35 ment of an additional premium in the first policy year.

1 6. Provisions to authorize the insurance commissioner  
2 to promulgate valuation and nonforfeiture regulations to  
3 accommodate life insurance plans providing for future pre-  
4 mium determination by the company and plans for which mini-  
5 mum reserves or nonforfeiture values cannot be determined  
6 by the other provisions of the laws."

7 The bill would take effect July 1 following enactment,  
8 although certain provisions would apply to policies issued  
9 on or after January 1, 1985.

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SENATE FILE 2182

AN ACT

RELATING TO RESERVE VALUATION STANDARDS FOR LIFE INSURANCE  
POLICIES AND ANNUITY CONTRACTS, AND NONFORFEITURE BENEFITS  
OF LIFE INSURANCE POLICIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 508.36, subsections 2 and 3, Code 1981, are amended to read as follows:

2. This subsection ~~shall apply to only those~~ applies only to policies and contracts issued prior to the operative date of section 508.37, (the Standard Nonforfeiture Law for Life Insurance).

Except as otherwise provided in subsection 3, paragraphs "g" and "h" and subsection 4 for group annuity and pure endowment contracts, the minimum standard of valuation for all policies of domestic life insurance companies shall be the ~~Commissioners-Reserve-Valuation-Method~~ commissioners reserve valuation method defined in ~~paragraph "b" of~~ subsection 3, paragraph b, and the American Experience Table of Mortality and four and one-half percent interest or the Actuaries' (or Corbined) Experience Table of Mortality and four percent interest, except that the minimum standard for the valuation of annuities and pure endowments purchased under group annuity and pure endowment contracts shall be that provided by this subsection but replacing the interest rates specified in this subsection by an interest rate of five percent per annum.

Reserves for ~~all such~~ policies and contracts may be calculated, at the option of the company, 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 and~~ subsections 4 and 5 apply only to policies and contracts issued on or after the operative date of section 508.37, (the Standard Nonforfeiture Law for Life Insurance), except as otherwise provided in paragraphs "g" and "h" and subsection 4 for group annuity and pure endowment contracts issued prior to ~~such the~~ the operative date of section 508.37.

a. Except as otherwise provided in paragraphs "g" and "h" and subsection 4, the minimum ~~standard standards~~ commissioners reserve valuation methods for the valuation of all ~~such~~ policies and contracts shall be the ~~Commissioners-Reserve-Valuation-Method~~ commissioners reserve valuation methods defined in paragraphs "b", "c", and "f" ~~of this subsection 3~~, five percent interest for group annuity and pure endowment contracts and three and one-half percent interest for all other ~~such~~ policies and contracts, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after July 1, 1974, four percent interest for ~~such~~ policies issued prior to January 1, 1980, and four and one-half percent interest for ~~such~~ policies issued on or after January 1, 1980, and the following tables:

(1) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in ~~such the~~ policies, --the Commissioners 1958 Standard Ordinary Mortality Table for policies issued prior to the operative date of section 508.37, subsection 6, provided that for any category of such policies issued on female risks all modified net premiums and present values referred to in this subsection 3 may be calculated according to an age not more than six years younger than the actual age of the insured; and for policies issued on or after the operative date of section 508.37, subsection 6, the Commissioners 1980 Standard Ordinary Mortality Table, or at the election of the company for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with

Ten-Year Select Mortality Factors, or any ordinary mortality table that is adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the Commissioner for use in determining the minimum standard of valuation for these policies.

(2) For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such the policies,--the 1941 Standard Industrial Mortality Table, ~~provided, however, that the Commissioners 1961 Standard Industrial Mortality Table shall be the table for the minimum standard when said table becomes applicable under the Standard Nonforfeiture Law in accordance with section 508.37, subsection 5~~ for policies issued prior to the operative date on which the Commissioners 1961 Standard Industrial Mortality Table becomes applicable under the Standard Nonforfeiture Law for Life Insurance in accordance with section 508.37, subsection 5, and for policies issued on or after that date the Commissioners 1961 Standard Industrial Mortality Table, or any industrial mortality table that is adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for these policies.

(3) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such the 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.

(4) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such the policies,--the Group Annuity Mortality Table for 1951, any modification of such this 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.

(5) For total and permanent disability benefits in or supplementary to ordinary policies or contracts,--the tables of "Period 2" disablement rates and the 1930 to 1950 termination rates of the 1952 Disability Study of the Society of Actuaries, with due regard to the type of benefit, or any tables of disablement rates and termination rates that are adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for these policies. Such Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(6) For accidental death benefits in or supplementary to policies,--the 1959 Accidental Death Benefits Table, or any accidental death benefit table that is adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for these policies. Any such table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(7) For group life insurance, life insurance issued on the substandard basis and other special benefits,--such any tables as may be approved by the commissioner.

b. (1) Except as otherwise provided in paragraphs "c" and "f" ~~of this subsection~~, reserves according to the Commissioners Reserve Valuation Method commissioners 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 the future guaranteed benefits provided for by such the policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such a policy shall be such uniform percentage of the

respective contract premiums for ~~such~~ the benefits that the present value, at the date of issue of the policy, of all ~~such~~ modified net premiums ~~shall be~~ is equal to the sum of the then present value of ~~such~~ the benefits provided for by the policy and the excess of ~~(x)~~ (a) over ~~(y)~~ (b), where (a) and (b) are as follows:

~~(x)~~ (a) A net level annual premium equal to the present value, at the date of issue, of ~~such~~ the 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~~ the policy on which a premium falls due; provided, ~~however,~~ that ~~such~~ the 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~~ the policy.

~~(y)~~ (b) A net one-year term premium for ~~such~~ the benefits provided for in the first policy year.

(2) Provided that for any life insurance policy issued on or after January 1, 1985 for which the contract premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for the excess and which provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than the excess premium, the reserve according to the commissioners reserve valuation method as of any policy anniversary occurring on or before the assumed ending date, which is defined as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than the excess premium shall, except as otherwise provided in paragraph f, be the greater of the reserve as of the policy anniversary calculated as described in subparagraph (1) and the reserve as of the policy anniversary calculated as described in subparagraph (1), but with the value of (a) as defined in

subparagraph (1) being reduced by fifteen percent of the amount of the excess first year premium, and with all present values of benefits and premiums being determined without reference to premiums or benefits provided for by the policy after the assumed ending date, and with the policy being assumed to mature on the assumed ending date as an endowment, and with the cash surrender value provided on the assumed ending date being considered as an endowment benefit. In making the above comparison the mortality and interest bases stated in paragraph a and subsection 4 shall be used.

(3) Reserves according to the ~~Commissioners-Reserve~~ Valuation-Method ~~commissioners~~ reserve valuation method for ~~(1)~~ life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums, ~~(2)~~ and for group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the United States Internal Revenue Code of 1954, as ~~now or hereafter~~ amended, ~~(3)~~ and for disability and accidental death benefits in all policies and contracts, and ~~(4)~~ for all other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts, shall be calculated by a method consistent with the principles of ~~this paragraph-<sup>b</sup>~~ subparagraphs (1) and (2), except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

c. This ~~section shall apply~~ paragraph applies to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or

maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the United States Internal Revenue Code of 1954, as ~~now or~~ hereafter amended.

Reserves according to the commissioner's annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in ~~such the~~ contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by ~~such the~~ contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of ~~such the~~ contract, that become payable prior to the end of ~~such the~~ respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate, or rates, specified in ~~such the~~ contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of ~~such the~~ contracts to determine nonforfeiture values.

d. ~~in no event shall a~~ A company's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, shall not be less than the aggregate reserves calculated in accordance with the methods set forth in paragraphs "b", "c", and "f" ~~of this subsection and subsection 5~~ and the mortality ~~table or~~ tables and ~~rate or~~ rates of interest used in calculating nonforfeiture benefits for ~~such the~~ policies.

e. Reserves for any category of policies, contracts or benefits, as the categories are established by the commissioner, may be calculated at the option of the company

according to any standards which produce greater aggregate reserves for ~~such the~~ category than those calculated according to the minimum standard ~~herein~~ provided in this subsection.

f. If in any contract year the gross premium charged by ~~any a~~ life insurance company on ~~any a~~ policy or contract is less than the valuation net premium for the policy or contract according to the mortality table, rate of interest and method used in calculating the reserve ~~thereon on the policy or contract~~, according to the minimum standard prescribed in this section, then the minimum reserve required for ~~such that~~ policy or contract shall be the greater of either the reserve calculated according to the mortality table, rate of interest and method actually used for ~~such the~~ policy or contract, or the reserve calculated according to the mortality table, rate of interest and method used in calculating the reserve ~~thereon on the policy or contract~~ according to the minimum valuation standard prescribed by this section but replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium. The minimum valuation standards of mortality and rate of interest referred to in this section are those standards stated in paragraph a and subsection 4.

Provided that for any life insurance policy issued on or after January 1, 1985 for which the gross premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for the excess and which provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than the excess premium, this paragraph shall be applied as if the method actually used in calculating the reserve for the policy were the method described in paragraph b, ignoring subparagraph (2) of paragraph b. The minimum reserve at each policy anniversary of the policy shall be the greater of the minimum reserve calculated in accordance with paragraph b, including subparagraph (2) of that paragraph,

and the minimum reserve calculated in accordance with this paragraph.

g. ~~The~~ Except as provided in subsection 4, the minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this paragraph, and for all annuities and pure endowments purchased on or after ~~such~~ that operative date under group annuity and pure endowment contracts, shall be the ~~Commissioners-Reserve-Valuation-Methods~~ commissioners reserve valuation methods defined in paragraphs "b" and "c" of this subsection and the following tables and interest rates:

(1) For individual annuity and pure endowment contracts issued prior to January 1, 1980, excluding any disability and accidental death benefits in ~~such~~ the contracts,--the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the commissioner, and six percent interest for single premium immediate annuity contracts, and four percent interest for all other individual annuity and pure endowment contracts.

(2) For individual single premium immediate annuity contracts issued on or after January 1, 1980, excluding any disability and accidental death benefits in ~~such~~ the contracts,--the 1971 Individual Annuity Mortality Table, or any individual annuity mortality table that is adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for the contracts, or any modification of ~~this-table~~ these tables approved by the commissioner, and seven and one-half percent interest.

(3) For individual annuity and pure endowment contracts issued on or after January 1, 1980 other than single premium immediate annuity contracts, excluding any disability and accidental death benefits in ~~such~~ the contracts,--the 1971 Individual Annuity Mortality Table, or any individual annuity

mortality table that is adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for the contracts, or any modification of this-table these tables approved by the commissioner, and five and one-half percent interest for single premium deferred annuity and pure endowment contracts and four and one-half percent interest for all other ~~such~~ individual annuity and pure endowment contracts.

(4) For all annuities and pure endowments purchased prior to January 1, 1980, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under ~~such~~ the contracts,--the 1971 Group Annuity Mortality Table, or any modification of this table approved by the commissioner, and six percent interest.

(5) For all annuities and pure endowments purchased on or after January 1, 1980 under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under ~~such~~ the contracts,--the 1971 Group Annuity Mortality Table, or any group annuity mortality table that is adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for the annuities and pure endowments, or any modification of ~~this-table~~ these tables approved by the commissioner and seven and one-half percent interest.

h. After July 1, 1974, any company may file with the commissioner a written notice of its election to comply with ~~the-provisions-of~~ paragraph "g" after a specified date before January 1, 1979, which shall be the operative date of paragraph "g" for ~~such~~ that company; provided, a company may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If a company makes no ~~such~~ election, the operative date of paragraph "g" for ~~such~~ the company shall be is January 1, 1979.

Sec. 2. Section 508.36, Code 1981, is amended by adding the following new subsections as subsections 4 and 5 respectively:

NEW SUBSECTION. 4. a. Applicability of This Subsection. The interest rates used in determining the minimum standard for the valuation of all life insurance policies issued in a particular calendar year, on or after the operative date of section 508.37, subsection 6, and of all individual annuity and pure endowment contracts issued in a particular calendar year on or after January 1, 1982, and of all annuities and pure endowments purchased in a particular calendar year on or after January 1, 1982 under group annuity and pure endowment contracts, and of the net increase, if any, in a particular calendar year after January 1, 1982, in amounts held under guaranteed interest contracts, shall be the calendar year statutory valuation interest rates as defined in paragraph b.

b. Calendar Year Statutory Valuation Interest Rates. The calendar year statutory valuation interest rates, referred to in this paragraph as "I", shall be determined as follows and the results rounded to the nearest one-quarter of one percent:

(1) For life insurance,

$$I = \frac{W}{2}$$

I equals  $.03 + W(R1 - .03) + 2(R2 - .09)$ ,

where R1 is the lesser of R and .09, R2 is the greater of R and .09, R is the reference interest rate defined in paragraph d, and W is the weighting factor defined in paragraph c.

(2) For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options,

I equals  $.03 + W(R - .03)$ ,

where R1 is the lesser of R and .09, R2 is the greater of R and .09, R is the reference interest rate defined in paragraph d, and W is the weighting factor defined in paragraph c.

(3) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis, except as stated in subparagraph (2), the formula for life insurance stated in subparagraph (1) applies to annuities and guaranteed interest contracts with guarantee durations in excess of ten years, and the formula for single premium immediate annuities stated in subparagraph (2) applies to annuities and guaranteed interest contracts with guarantee durations of ten years or less.

(4) For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the formula for single premium immediate annuities stated in subparagraph (2) applies.

(5) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, the formula for single premium immediate annuities stated in subparagraph (2) applies.

However, if the calendar year statutory valuation interest rate for any life insurance policies issued in any calendar year determined under subparagraph (1) without reference to this sentence differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than one-half of one percent, the calendar year statutory valuation interest rate for the life insurance policies shall be equal to the corresponding actual rate for the immediately preceding calendar year. For purposes of applying the immediately preceding sentence, the calendar year statutory valuation interest rate for life insurance policies issued in a calendar year shall be determined for 1980, using the reference interest rate defined for 1979,

and shall be determined for each subsequent calendar year regardless of when section 508.37, subsection 6 becomes operative.

c. Weighting Factors. The weighting factors referred to in paragraph b are given in the following tables:

(1) Weighting Factors for Life Insurance:

Guarantee Duration (Years)	Weighting Factors
10 or less	.50
More than 10, but not more than 20	.45
More than 20	.35

For life insurance, the guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in the policy or under options to convert to plans of life insurance with premium rates or nonforfeiture values or both which are guaranteed in the original policy.

(2) The weighting factor for single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options is .80.

(3) Weighting factors for other annuities and for guaranteed interest contracts, except as stated in subparagraph (2), shall be as specified in subdivisions i, ii, and iii of this subparagraph, according to the rules and definitions in subdivisions iv, v, and vi of this subparagraph:

i. For annuities and guaranteed interest contracts valued on an issue year basis:

Guarantee Duration (Years)	Weighting Factor for Plan Type		
	A	B	C
5 or less	.80	.60	.50
More than 5, but not more than 10	.75	.60	.50
More than 10, but not more than 20	.65	.50	.45
More than 20	.45	.35	.35

ii. For annuities and guaranteed interest contracts valued on a change in fund basis, the factors shown in subdivision i of this subparagraph increased by:

Plan Type		
A	B	C
.15	.25	.05

iii. For annuities and guaranteed interest contracts valued on an issue year basis (other than those with no cash settlement options) which do not guarantee interest on considerations received more than one year after issue or purchase and for annuities and guaranteed interest contracts valued on a change in fund basis which do not guarantee interest rates on considerations received more than twelve months beyond the valuation date, the factors shown in subdivision i of this subparagraph or derived in subdivision ii of this subparagraph increased by:

Plan Type		
A	B	C
.05	.05	.05

iv. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the guarantee duration is the number of years for which the contract guarantees interest rates in excess of the calendar year statutory valuation interest rate for life insurance policies with guarantee duration in excess of twenty years. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the guarantee duration is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence.

v. "Plan type", as used in subdivisions i, ii and iii of this subparagraph, is defined as follows:

"Plan Type A": At any time, the policyholder may withdraw funds only with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the

insurance company, or may withdraw funds without that adjustment but in installments over five years or more, or may withdraw funds as an immediate life annuity; or no withdrawal is permitted.

"Plan Type B": Before expiration of the interest rate guarantee, the policyholder may withdraw funds only with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or may withdraw funds without that adjustment but in installments over five years or more; or no withdrawal is permitted. At the end of interest rate guarantee, funds may be withdrawn without adjustment in a single sum or installments over less than five years.

"Plan Type C": The policyholder may withdraw funds before expiration of the interest rate guarantee in a single sum or installments over less than five years either without adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund.

vi. A company may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on either an issue-year basis or on a change-in-fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options must be valued on an issue-year basis. As used in this subsection, an issue-year basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract, and the change-in-fund basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable

to each change in the fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

d. Reference Interest Rate. The reference interest rate referred to in paragraph b is defined as follows:

(1) For all life insurance, the rate as determined by any method that is adopted by the national association of insurance commissioners and approved by rule adopted by the commissioner, including but not limited to the lesser of the average over a period of thirty-six months and the average over a period of twelve months, ending on June 30 of the calendar year next preceding the year of issue, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. or any successor to that corporation.

(2) For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the rate as determined by any method that is adopted by the national association of insurance commissioners and approved by rule adopted by the commissioner, including but not limited to the average over a period of twelve months, ending on June 30 of the calendar year of issue or year of purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. or any successor to that corporation.

(3) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue-year basis, except as stated in subparagraph (2), with guarantee duration in excess of ten years, the rate as determined by any method that is adopted by the national association of insurance commissioners and approved by rule adopted by the commissioner, including but not limited to the lesser of the average over a period of thirty-six

months and the average over a period of twelve months, ending on June 30 of the calendar year of issue or purchase of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. or any successor to that corporation.

(4) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue-year basis, except as stated in subparagraph (2), with guarantee duration of ten years or less, the rate as determined by any method that is adopted by the national association of insurance commissioners and approved by rule adopted by the commissioner, including but not limited to the average over a period of twelve months, ending on June 30 of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. or any successor to that corporation.

(5) For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the rate as determined by any method that is adopted by the national association of insurance commissioners and approved by rule adopted by the commissioner, including but not limited to the average over a period of twelve months, ending on June 30 of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. or any successor to that corporation.

(6) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change-in-fund basis, except as stated in subparagraph (2), the rate as determined by any method that is adopted by the national association of insurance commissioners and approved by rule adopted by the commissioner, including but not limited to the average over a period of twelve months, ending on June 30 of the calendar year of the change in the

fund, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. or any successor to that corporation.

NEW SUBSECTION. 5. In the case of a plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurance company based on then estimates of future experience, or in the case of a plan of life insurance or annuity which is of such a nature that the minimum reserves cannot be determined by the methods described in subsection 3, paragraphs b, c and f, the reserves which are held under the plan must be appropriate in relation to the benefits and the pattern of premiums for that plan, and must be computed by a method which is consistent with the principles of this section, as determined by rule adopted by the commissioner.

Sec. 3. Section 508.37, subsections 1, 2, 3, 4 and 5, Code 1981, are amended to read as follows:

1. In the case of policies issued on or after the operative date of this section as defined in subsection 8 11, no a policy of life insurance shall not, except as stated in subsection 7 10, ~~shall be issued or be~~ delivered or issued for delivery in this state unless it ~~shall contain~~ contains in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the defaulting or surrendering policyholder as the following provisions and are essentially in compliance with subsection 9:

a. That, in the event of default in any premium payment, the company will grant, upon proper request not later than sixty days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such the due date of the premium in default, and of such value an amount as may be hereinafter specified in this section. In lieu of the stipulated paid-up nonforfeiture benefit, the company may substitute, upon

proper request not later than sixty days after the due date of the premium in default, an actuarially equivalent alternative paid-up nonforfeiture benefit which provides a greater amount or longer period of death benefits or, if applicable, a greater amount or earlier payment of endowment benefits.

b. That, upon surrender of the policy within sixty days after the due date of any premium payment in default after premiums have been paid for at least three full years in the case of ordinary insurance or five full years in the case of industrial insurance, the company will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such an amount as may be hereinafter specified in this section.

c. That a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make such an election elects another available option not later than sixty days after the due date of the premium in default.

d. That, if the policy ~~shall have become~~ has become paid up by completion of all premium payments or if it is continued under any paid-up nonforfeiture benefit which became effective on or after the third policy anniversary in the case of ordinary insurance or the fifth policy anniversary in the case of industrial insurance, the company will pay, upon surrender of the policy within thirty days after any policy anniversary, a cash surrender value of such an amount as may be hereinafter specified in this section.

e. A in the case of policies which cause on a basis guaranteed in the policy unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, a statement of the mortality table, interest rate, and method used in calculating cash surrender values and the paid-up nonforfeiture benefits available under the policy. In the case of all other

policies, a statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy, together with a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary, either during the first twenty policy years or during the term of the policy, whichever is shorter, such the values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the company on the policy.

f. A statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance law of the state in which the policy is delivered; an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the company on the policy; if a detailed statement of the method of computation of the values and benefits shown in the policy is not stated ~~therein in the policy,~~ a statement that such the method of computation has been filed with the insurance supervisory official of the state in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values and benefits are consecutively shown in the policy.

2. Any of the provisions or portions ~~thereof of provisions~~ set forth in subsection 1 which are not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from the policy. The company shall reserve the right to defer the payment of any cash surrender value for a period of six months after demand ~~therefor~~ with surrender of the policy.

3. a. Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, whether or not required by subsection 1, shall be an amount not less than the excess, if any, of the present value, on ~~such~~ that anniversary, of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions, if there had been no default, over the sum of ~~{a}~~ the then present value of the adjusted premiums as defined in ~~subsection 5~~ subsections 5 and 6, corresponding to premiums which would have fallen due on and after ~~such~~ that anniversary, ~~and {b}~~ plus the amount of any indebtedness to the company on the policy.

b. However, for a policy issued on or after the operative date of subsection 6 as defined in paragraph k of that subsection, which provides supplemental life insurance or annuity benefits at the option of the insured and for an identifiable additional premium by rider or supplemental policy provision, the cash surrender value referred to in paragraph a shall be an amount not less than the sum of the cash surrender value as defined in that paragraph for an otherwise similar policy issued at the same age without such rider or supplemental policy provision and the cash surrender value as defined in that paragraph for a policy which provides only the benefits otherwise provided by such rider or supplemental policy provision.

c. Provided further that for a family policy issued on or after the operative date of subsection 6 as defined in paragraph k of that subsection, which defines a primary insured and provides term insurance on the life of the spouse of the primary insured expiring before the spouse's age seventy-one, the cash surrender value referred to in paragraph a shall be an amount not less than the sum of the cash surrender value as defined in paragraph a for an otherwise similar policy issued at the same age without term insurance on the life of the spouse and the cash surrender value as defined in para-

graph a for a policy which provides only the benefits otherwise provided by the term insurance on the life of the spouse.

d. Any cash surrender value available within thirty days after any policy anniversary under any policy paid up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefit, whether or not required by subsection 1, shall be an amount not less than the present value, on ~~such~~ the anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the company on the policy.

4. Any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due on any policy anniversary shall be such that its present value as of ~~such~~ that anniversary shall be at least equal to the cash surrender value then provided for by the policy or, if none is provided for, that cash surrender value which would have been required by this section in the absence of the condition that premiums shall have been paid for at least a specified period.

5. a. This subsection does not apply to policies issued on or after the operative date of subsection 6 as defined in paragraph k of that subsection. Except as provided in the third paragraph of this subsection c, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding any extra premiums charged because of impairments or special hazards, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be is equal to the sum of {a} the following:

(1) The then present value of the future guaranteed benefits provided for by the policy, {b} two.

(2) Two percent of the amount of the insurance, if the insurance be is uniform in amount, or of the equivalent uniform

amount, as hereinafter defined in paragraph b, if the amount of insurance varies with duration of the policy, ~~(e) forty.~~

(3) ~~Forty~~ percent of the adjusted premium for the first policy year, ~~(d) twenty-five.~~

(4) Twenty-five percent of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less.

PARAGRAPH DIVIDED. ~~Provided, however, that~~ However, in applying the percentages specified in ~~"e" and "d" above~~ subparagraphs (3) and (4), no adjusted premium shall be deemed to exceed four percent of the amount of insurance or an equivalent uniform amount ~~equivalent thereto~~. The date of issue of a policy for the purpose of this subsection ~~5 shall be~~ is the date as of which the rated age of the insured is determined.

b. In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount ~~thereof~~ for the purpose of this subsection 5 shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy, provided, ~~however,~~ that in the case of a policy providing a varying amount of insurance issued on the life of a child under age ten, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten were the amount provided by ~~such the~~ policy at age ten.

c. The adjusted premiums for ~~any a~~ policy providing term insurance benefits by rider or supplemental policy provision shall be equal to ~~(e) (1)~~ (1) the adjusted premiums for an

otherwise similar policy issued at the same age without such term insurance benefits, increased during the period for which premiums for such term insurance benefits are payable, by ~~(f) (2)~~ (2) the adjusted premiums for such term insurance, the foregoing items ~~"e" and "f" (1) and (2)~~ (1) and (2) being calculated separately and as specified in ~~the first two~~ paragraphs a and b of this subsection except that, for the purposes of ~~"b", "e" and "d"~~ subparagraphs (2), (3) and (4) of ~~the first~~ paragraph of this subsection a, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premium referred to in ~~"f" of item (2) in~~ item (2) in this paragraph shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in ~~"e" of item (1) in~~ item (1) in this paragraph.

d. (1) All adjusted premiums and present values referred to in this section shall for ~~all~~ policies of ordinary insurance be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table, provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than six years younger than the actual age of the insured. ~~Such~~ The calculations for all policies of industrial insurance issued before January 1, 1968 shall be made on the basis of the 1941 Standard Industrial Mortality Table, ~~provided,~~ however, that any, except that a company may file with the commissioner a written notice of its election that ~~such the~~ adjusted premiums and present values shall be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table, after a specified date before January 1, 1968, ~~provided, further, that, whether,~~ whether or not any election has been made, ~~such the~~ Commissioners 1961 Standard Industrial Mortality Table shall be the basis for ~~such these~~ these calculations as to all policies of industrial insurance issued on or after January 1, 1968. All calculations shall be made

on the basis of the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided, that ~~such the~~ rate of interest shall not exceed three and one-half percent per annum, except that a rate of interest not exceeding four percent per annum may be used for policies issued on or after July 1, 1974, and prior to January 1, 1980, and a rate of interest not exceeding five and one-half percent per annum may be used for policies issued on or after January 1, 1980. ~~Provided, however, that~~

(2) However, in calculating the present value under subparagraph (1) of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed in the case of policies of ordinary insurance, may be not more than those shown in the Commissioners 1958 Extended Term Insurance Table, and, in the case of policies of industrial insurance, may be not more than one hundred thirty percent of the rates of mortality according to the 1941 Standard Industrial Mortality Table, except that when the Commissioners 1961 Standard Industrial Mortality Table becomes applicable, ~~as hereinbefore provided, such as specified in this paragraph,~~ the rates of mortality assumed may be not more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table, ~~provided, further, that.~~ In addition, for insurance issued on a substandard basis, the calculation under subparagraph (1) of any ~~such~~ adjusted premiums and present values may be based on ~~such any~~ other table of mortality ~~as may be that is~~ specified by the company and approved by the commissioner.

Sec. 4. Section 508.37, Code 1981, is amended by adding the following new subsections as subsections 6 and 7 respectively:

NEW SUBSECTION. 6. a. This subsection applies to all policies issued on or after the operative date of this subsection, as defined in paragraph k. Except as provided in paragraph g, the adjusted premiums for a policy shall be

calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments or special hazards and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the date of issue of the policy, of all adjusted premiums is equal to the sum of the following:

- (1) The then present value of the future guaranteed benefits provided for by the policy.
- (2) One percent of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years.
- (3) One hundred twenty-five percent of the nonforfeiture net level premium, as defined in paragraph b. However, in applying this percentage a nonforfeiture net level premium shall not be deemed to exceed four percent of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years.

The date of issue of a policy for the purpose of this subsection is the date as of which the rated age of the insured is determined.

b. The nonforfeiture net level premium shall be equal to the present value, at the date of issue of the policy, of the guaranteed benefits provided for by the policy divided by the present value, at the date of issue of the policy, of an annuity of one per annum payable on the date of issue of the policy and on each anniversary of the policy on which a premium falls due.

c. In the case of policies which on a basis guaranteed in the policy cause unscheduled changes in benefits or

premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, the adjusted premiums and present values shall initially be calculated on the assumption that future benefits and premiums do not change from those stipulated at the date of issue of the policy. At the time of a change in the benefits or premiums, the future adjusted premiums, nonforfeiture net level premiums, and present values shall be recalculated on the assumption that future benefits and premiums do not change from those stipulated by the policy immediately after the change.

d. Except as otherwise provided in paragraph g, the recalculated future adjusted premiums for a policy shall be such uniform percentage of the respective future premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments and special hazards, and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the time of change to the newly defined benefits or premiums, of all future adjusted premiums is equal to the excess of the sum of the then present value of the then future guaranteed benefits provided for by the policy plus the additional expense allowance, if any, over the then cash surrender value, if any, or present value of any paid-up nonforfeiture benefit under the policy.

e. The additional expense allowance, at the time of the change to the newly defined benefits or premiums, shall be the sum of one percent of the excess, if positive, of the average amount of insurance at the beginning of each of the first ten policy years subsequent to the change over the average amount of insurance prior to the change at the beginning of each of the first ten policy years subsequent to the time of the most recent previous change, or, if there has been no previous change, the date of issue of the policy,

plus one hundred twenty-five percent of the increase, if positive, in the nonforfeiture net level premium.

f. The recalculated nonforfeiture net level premium shall be equal to the result obtained by dividing (1) by (2), where (1) and (2) are as follows:

(1) The sum of the nonforfeiture net level premium applicable prior to the change times the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of the change on which a premium would have fallen due had the change not occurred, plus the present value of the increase in future guaranteed benefits provided for by the policy.

(2) The present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of change on which a premium falls due.

g. Notwithstanding any contrary provision of this subsection, in the case of a policy issued on a substandard basis which provides reduced graded amounts of insurance so that, in each policy year, the policy has the same tabular mortality cost as an otherwise similar policy issued on the standard basis which provides higher uniform amounts of insurance, adjusted premiums and present values for the substandard policy may be calculated as if it were issued to provide those higher uniform amounts of insurance on the standard basis.

h. Adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of either the Commissioners 1980 Standard Ordinary Mortality Table or, at the election of the company for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors; shall for all policies of industrial insurance be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table; and shall for all policies issued in a particular calendar year be calculated on the basis of a rate of interest not exceeding

the nonforfeiture interest rate as defined in paragraph i for policies issued in that calendar year. However:

(1) At the option of the company, calculations for all policies issued in a particular calendar year may be made on the basis of a rate of interest not exceeding the nonforfeiture interest rate, as defined in paragraph i, for policies issued in the immediately preceding calendar year.

(2) Under any paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by subsection 1, shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of the paid-up nonforfeiture benefit and paid-up dividend additions, if any.

(3) A company may calculate the amount of any guaranteed paid-up nonforfeiture benefit including any paid-up additions under the policy on the basis of an interest rate no lower than that specified in the policy for calculating cash surrender values.

(4) In calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1980 Extended Term Insurance Table for policies of ordinary insurance and not more than the Commissioners 1961 Industrial Extended Term Insurance Table for policies of industrial insurance.

(5) For insurance issued on a substandard basis, the calculation of adjusted premiums and present values may be based on appropriate modifications of the tables referred to in this paragraph.

(6) Any ordinary mortality tables adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners 1980 Standard Ordinary Mortality Table

with or without Ten-Year Select Mortality Factors or for the Commissioners 1980 Extended Term Insurance Table.

(7) Any industrial mortality tables adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners 1961 Standard Industrial Mortality Table or the Commissioners 1961 Industrial Extended Term Insurance Table.

i. The nonforfeiture interest rate per annum for any policy issued in a particular calendar year shall be equal to one hundred twenty-five percent of the calendar year statutory valuation interest rate for the policy as defined in section 508.36, rounded to the nearest one quarter of one percent.

j. Notwithstanding any contrary provision of the insurance laws of this state, any refiling of nonforfeiture values or their methods of computation for any previously approved policy form which involves only a change in the interest rate or mortality table used to compute nonforfeiture values shall not require refiling of any other provisions of that policy form.

k. After the effective date of this subsection, a company may file with the commissioner a written notice of its election to comply with this subsection after a specified date before January 1, 1989, which shall be the operative date of this subsection for that company. If a company makes no election, the operative date of this subsection for the company is January 1, 1989.

NEW SUBSECTION. 7. In the case of any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurance company based on then estimates of future experience, or in the case of any plan of life insurance which is of such a nature that minimum values cannot be determined by the methods

described in subsection 1, 2, 3, 4, 5, or 6, then all of the following conditions must be met:

a. The commissioner must be satisfied that the benefits provided under the plan are substantially as favorable to policyholders and insureds as the minimum benefits otherwise required by subsection 1, 2, 3, 4, 5, or 6.

b. The commissioner must be satisfied that the benefits and the pattern of premiums of that plan are not misleading to prospective policyholders or insureds.

c. The cash surrender values and paid-up nonforfeiture benefits provided by the plan must not be less than the minimum values and benefits required for the plan computed by a method consistent with the principles of this section, as determined by rules adopted by the commissioner.

Sec. 5. Section 508.37, subsection 6, Code 1981, is renumbered as subsection 8 and amended to read as follows:

6 8. Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in subsections 3, ~~4~~ 4, 5, and 6 may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the dividend amounts used to provide ~~such the~~ additional benefits payable ~~in the event of death or dismemberment by accident or accidental means, (b) or in the event of total and permanent disability, (e) or as reversionary annuity or deferred reversionary annuity benefits, (d) or as term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply, (e) or as term insurance~~ in the event of death or dismemberment by accident or accidental means, (b) or in the event of total and permanent disability, (e) or as reversionary annuity or deferred reversionary annuity benefits, (d) or as term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply, (e) or as term insurance

on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if ~~such~~ the term insurance expires before the child's age is twenty-six, is uniform in amount after the child's age is one, and has not become paid up by reason of the death of a parent of the child, ~~and (f) or~~ or as other policy benefits additional to life insurance and endowment benefits, and the premiums for all ~~such of these~~ of these additional benefits, shall be disregarded ~~as in~~ in ascertaining cash surrender values and nonforfeiture benefits required by this section, and ~~no such~~ none of these additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

Sec. 6. Section 508.37, Code 1981, is amended by adding the following new subsection as subsection 9:

NEW SUBSECTION. 9. a. This subsection, in addition to all other applicable subsections of this section, applies to all policies issued on or after January 1, 1985. Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary shall be in an amount which does not differ by more than two-tenths of one percent of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years, from the sum of the greater of zero and the basic cash value specified in paragraph b plus the present value of any existing paid-up additions less the amount of any indebtedness to the company under the policy.

b. The basic cash value shall be equal to the present value, on the anniversary, of the future guaranteed benefits which would have been provided for by the policy, excluding any existing paid-up additions and before deduction of any indebtedness to the company, if there had been no default, less the then present value of the nonforfeiture factors, as defined in paragraph c, corresponding to premiums which would have fallen due on and after the anniversary. However,

the effects on the basic cash value of supplemental life insurance or annuity benefits or of family coverage, as described in subsection 3 or 5, whichever is applicable, shall be the same as the effects specified in subsection 3 or 5, whichever is applicable, on the cash surrender values defined in that subsection.

c. (1) The nonforfeiture factor for each policy year shall be an amount equal to a percentage of the adjusted premium for the policy year, as defined in subsection 5 or 6, whichever is applicable. Except as is required by subparagraph (2) of this paragraph, this percentage must satisfy both of the following requirements:

(a) It must be the same percentage for each policy year between the second policy anniversary and the later of the fifth policy anniversary or the first policy anniversary at which there is available under the policy a cash surrender value in an amount, before including any paid-up additions and before deducting any indebtedness, of at least two-tenths of one percent of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years.

(b) It must be such that no percentage after the later of the two policy anniversaries specified in subdivision (a) of this subparagraph may apply to fewer than five consecutive policy years.

(2) A basic cash value shall not be less than the value which would be obtained if the adjusted premiums for the policy, as defined in subsection 5 or 6, whichever is applicable, were substituted for the nonforfeiture factors in the calculation of the basic cash value.

d. Adjusted premiums and present values referred to in this subsection shall for a particular policy be calculated on the same mortality and interest bases as are used in demonstrating the policy's compliance with the other

subsections of this section. The cash surrender values referred to in this subsection shall include any endowment benefits provided for by the policy.

e. Any cash surrender value available other than in the event of default in a premium payment due on a policy anniversary, and the amount of any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment, shall be determined in manners consistent with the manners specified for determining the analogous minimum amounts in subsections 1, 2, 3, 4, 6, and 8. The amounts of any cash surrender values and of any paid-up nonforfeiture benefits granted in connection with additional benefits such as those described in subsection 8 shall conform with the principles of this subsection.

Sec. 7. Section 508.37, subsections 7 and 8, Code 1981, are renumbered as subsections 10 and 11 and are amended to read as follows:

7 10. a. This section shall ~~does~~ not apply to any ~~reinsurance, group insurance, pure endowment, annuity or reversionary annuity contract, nor to any term policy of uniform amount, or renewal thereof, of fifteen years or less expiring before age sixty-six, for which uniform premiums are payable during the entire term of the policy, nor to any term policy of decreasing amount on which cash-adjusted premium, calculated as specified in subsection 5 above, is less than the adjusted premium so calculated, on such fifteen year term policy issued at the same age and for the same initial amount of insurance, nor to any policy which shall be delivered outside this state through an agent or other representative of the company issuing the policy, of the following:~~

- (1) Reinsurance.
- (2) Group insurance.
- (3) Pure endowment contracts.
- (4) Annuity or reversionary annuity contracts.

(5) A term policy of uniform amount which provides no guaranteed nonforfeiture or endowment benefits, or a renewal thereof of twenty years or less expiring before age seventy-one, for which uniform premiums are payable during the entire term of the policy.

(6) A term policy of decreasing amount, which provides no guaranteed nonforfeiture or endowment benefits, on which each adjusted premium, calculated as specified in subsections 5 and 6, is less than the adjusted premium so calculated, on a term policy of uniform amount, or renewal thereof, which provides no guaranteed nonforfeiture or endowment benefits, issued at the same age and for the same initial amount of insurance and for a term of twenty years or less expiring before age seventy-one, for which uniform premiums are payable during the entire term of the policy.

(7) A policy, which provides no guaranteed nonforfeiture or endowment benefits, for which no cash surrender value, if any, or present value of any paid-up nonforfeiture benefit, at the beginning of any policy year, calculated as specified in subsections 3, 4, 5 and 6, exceeds two and one-half percent of the amount of insurance at the beginning of the same policy year.

(8) A policy delivered outside this state through an agent or other representative of the company issuing the policy.

b. For purposes of determining the applicability of this section, the age at expiry for a joint term life insurance policy shall be the age at expiry of the oldest life.

§ 11. After July 4, 1963, any a company may file with the commissioner a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1966. After the filing of such notice, then upon such specified date (which The date specified by the company in the notice shall be the operative date of this section for such the company), and this section shall become operative with respect apply to the policies thereafter issued

after that date by such the company. If a company makes no such election, the operative date of this section for such the company shall be is January 1, 1966.

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TERRY E. BRANSTAD  
President of the Senate

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DELWYN STROMER  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2182, Sixty-ninth General Assembly.

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K. MARIE THAYER  
Secretary of the Senate

Approved April 9, 1982

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ROBERT D. RAY  
Governor