CHAPTER 1072

LIFE INSURANCE POLICIES AND ANNUITY CONTRACTS

S.F. 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 Combined) 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 operative date of section 508.37.

a. Except as otherwise provided in paragraphs "g" and "h" and subsection 4, the minimum ~~standard~~ standards for the valuation of all ~~such~~ policies and contracts shall be the ~~Commissioners Reserve Valuation Methods~~ 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 "b"~~ 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,

$$I \text{ equals } .03 + W(R1 - .03) + \frac{W}{2}(R2 - .09),$$

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,

$$I \text{ equals } .03 + W(R - .03),$$

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:

	Weighting Factor for Plan Type		
Guarantee Duration (Years)	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 paragraph 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~~; (c) 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 ~~"c" 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) 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) the adjusted premiums for such term insurance, the foregoing items ~~"e" and "f"~~ (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", "c" 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 premiums referred to in ~~"f" of~~ 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 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 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 ~~and 5~~ 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 ~~dividends~~ amounts used to provide ~~such~~ the additions. Notwithstanding ~~the provisions of~~ subsection 3 ~~above~~, additional benefits payable ~~(a)~~ in the event of death or dismemberment by accident or accidental means, ~~(b)~~ or in the event of total and permanent disability, ~~(c)~~ 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 as other policy benefits additional to life insurance and endowment benefits, and the premiums for all ~~such~~ of these additional benefits, shall be disregarded ~~as~~ 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 each 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.

~~8~~ 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.

Approved April 9, 1982