

CHAPTER 303

SUBSIDIARIES OF LIFE INSURANCE COMPANIES

H. F. 21

AN ACT relating to subsidiary companies of life insurance companies.

Be It Enacted by the General Assembly of the State of Iowa:

1 Chapter five hundred eight (508), Code 1962, is hereby amended by
2 adding thereto the following new sections:

1 SECTION 1. Any life insurance company incorporated in this state
2 may organize, or acquire by purchase, in whole or in part subsidiary
3 insurance and investment companies in which it owns not less than
4 fifty-one percent (51%) of the common stock, and notwithstanding
5 any other provisions of this chapter inconsistent herewith may (1)
6 invest funds from surplus for such purpose, (2) make loans to such
7 subsidiaries, and (3) permit all or part of its officers and directors to
8 serve as officers or directors of such subsidiary companies.

1 SEC. 2. Any subsidiary company shall be a separate and distinct
2 company, with neither the organizing or acquiring life company or
3 such subsidiary having any liability to the creditors, policyholders or
4 stockholders, if any, of the other. The organizing or acquiring com-
5 pany may be either a mutual or stock company.

1 SEC. 3. Any such subsidiary company organized by any such life
2 insurance company shall comply with all the laws of the state of its
3 incorporation pertaining to the organization and qualification to do
4 business of its class or kind, and if incorporated outside of the State
5 of Iowa shall be admitted to do business in this state only upon qual-
6 ification under the laws of the State of Iowa relating to such foreign
7 corporations.

Approved February 27, 1963.

CHAPTER 304

NONFORFEITURE BENEFITS OF LIFE INSURANCE

S. F. 393

AN ACT relating to valuation and nonforfeiture benefits of life insurance policies.

Be It Enacted by the General Assembly of the State of Iowa:

1 Chapter five hundred eight (508), Code 1962, is hereby amended
2 by adding thereto the following two sections:

1 SECTION 1. This section shall be known as the Standard Valua-
2 tion Law.

3 1. The commissioner shall annually value, or cause to be valued,
4 the reserve liabilities (hereinafter called reserves) for all outstand-

5 ing life insurance policies and annuity and pure endowment contracts
6 of every life insurance company doing business in this state, except
7 that in the case of an alien company, such valuation shall be limited
8 to its United States business, and may certify the amount of any such
9 reserves, specifying the mortality table or tables, rate or rates of
10 interest and methods (net level premium method or other) used in
11 the calculation of such reserves. In calculating such reserves, he may
12 use group methods and approximate averages for fractions of a year
13 or otherwise. For the purpose of making such valuation the commis-
14 sioner may employ a competent actuary who shall be paid by the
15 company for which the service is rendered; but a domestic company
16 may make such valuation and it shall be received by the commissioner
17 upon satisfactory proof of its correctness. In lieu of the valuation of
18 the reserves herein required of any foreign or alien company, the
19 commissioner may accept any valuation made, or caused to be made,
20 by the insurance supervisory official of any state or other jurisdiction
21 when such valuation complies with the minimum standard herein
22 provided and if the official of such state or jurisdiction accepts as
23 sufficient and valid for all legal purposes the certificate of valuation
24 of the commissioner when such certificate states the valuation to have
25 been made in a specified manner according to which the aggregate
26 reserves would be at least as large as if they had been computed in
27 the manner prescribed by the law of that state or jurisdiction.

28 Any such company which at any time shall have adopted any
29 standard of valuation producing greater aggregate reserves than
30 those calculated according to the minimum standard herein provided
31 may, with the approval of the commissioner, adopt any lower stand-
32 ard of valuation, but not lower than the minimum herein provided.

33 2. This subsection shall apply to only those policies and contracts
34 issued prior to the operative date of section two (2) of this Act (the
35 Standard Nonforfeiture Law).

36 The minimum standard of valuation for all policies of domestic life
37 insurance companies shall be the Commissioners Reserve Valuation
38 Method defined in paragraph "b" of subsection three (3) and the
39 American Experience Table of Mortality and four and one-half per-
40 cent interest or the Actuaries' (or Combined) Experience Table of
41 Mortality and four percent interest.

42 Reserves for all such policies and contracts may be calculated, at
43 the option of the company, according to any standards which produce
44 greater aggregate reserves for all such policies and contracts than
45 the minimum reserves required by this subsection.

46 3. This subsection shall apply to only those policies and contracts
47 issued on or after the operative date of section two (2) of this Act
48 (the Standard Nonforfeiture Law).

49 a. The minimum standard for the valuation of all such policies
50 and contracts shall be the Commissioners Reserve Valuation Method
51 defined in paragraph "b" of this subsection three (3), three and one-
52 half percent interest, and the following tables:

53 (1) For all ordinary policies of life insurance issued on the stand-
54 ard basis, excluding any disability and accidental death benefits in
55 such policies, —the Commissioners 1958 Standard Ordinary Mortal-
56 ity Table, provided that for any category of such policies issued on
57 female risks all modified net premiums and present values referred

58 to in this subsection three (3) may be calculated according to an age
59 not more than three years younger than the actual age of the insured.

60 (2) For all industrial life insurance policies issued on the standard
61 basis, excluding any disability and accidental death benefits in such
62 policies, —the 1941 Standard Industrial Mortality Table; provided,
63 however, that the Commissioners 1961 Standard Industrial Mortality
64 Table shall be the table for the minimum standard when said table
65 becomes applicable under the Standard Nonforfeiture Law in accord-
66 ance with subsection five (5) of section two (2) of this Act.

67 (3) For individual annuity and pure endowment contracts, ex-
68 cluding any disability and accidental death benefits in such policies,
69 —the 1937 Standard Annuity Mortality Table or, at the option of the
70 company, the Annuity Mortality Table for 1949, Ultimate, or any
71 modification of either of these tables approved by the commissioner.

72 (4) For group annuity and pure endowment contracts, excluding
73 any disability and accidental death benefits in such policies, —the
74 Group Annuity Mortality Table for 1951, any modification of such
75 table approved by the commissioner, or, at the option of the company,
76 any of the tables or modifications of tables specified for individual
77 annuity and pure endowment contracts.

78 (5) For total and permanent disability benefits in or supplement-
79 ary to ordinary policies or contracts, —the tables of "Period 2"
80 disablement rates and the 1930 to 1950 termination rates of the 1952
81 Disability Study of the Society of Actuaries, with due regard to the
82 type of benefit. Such table shall, for active lives, be combined with a
83 mortality table permitted for calculating the reserves for life insur-
84 ance policies.

85 (6) For accidental death benefits in or supplementary to policies,
86 —the 1959 Accidental Death Benefits Table combined with a mortal-
87 ity table permitted for calculating the reserves for life insurance
88 policies.

89 (7) For group life insurance, life insurance issued on the sub-
90 standard basis and other special benefits, —such tables as may be
91 approved by the commissioner.

92 *b.* Reserves according to the Commissioners Reserve Valuation
93 Method, for the life insurance and endowment benefits of policies
94 providing for a uniform amount of insurance and requiring the pay-
95 ment of uniform premiums shall be the excess, if any, of the present
96 value, at the date of valuation, of such future guaranteed benefits
97 provided for by such policies, over the then present value of any future
98 modified net premiums therefor. The modified net premiums for any
99 such policy shall be such uniform percentage of the respective con-
100 tract premiums for such benefits that the present value, at the date
101 of issue of the policy, of all such modified net premiums shall be equal
102 to the sum of the then present value of such benefits provided for by
103 the policy and the excess of (*x*) over (*y*), as follows:

104 (*x*) A net level annual premium equal to the present value, at the
105 date of issue, of such benefits provided for after the first policy year,
106 divided by the present value, at the date of issue, of an annuity of one
107 per annum payable on the first and each subsequent anniversary of
108 such policy on which a premium falls due; provided, however, that
109 such net level annual premium shall not exceed the net level annual
110 premium on the nineteen year premium whole life plan for insurance

111 of the same amount at an age one year higher than the age at issue
112 of such policy.

113 (y) A net one year term premium for such benefits provided for
114 in the first policy year.

115 Reserves according to the Commissioners Reserve Valuation Meth-
116 od for (a) life insurance policies providing for a varying amount of
117 insurance or requiring the payment of varying premiums, (b) an-
118 nuity and pure endowment contracts, (c) disability and accidental
119 death benefits in all policies and contracts, and (d) all other benefits,
120 except life insurance and endowment benefits in life insurance poli-
121 cies, shall be calculated by a method consistent with the principles of
122 this paragraph "b", except that any extra premiums charged because
123 of impairments or special hazards shall be disregarded in the deter-
124 mination of modified net premiums.

125 c. In no event shall a company's aggregate reserves for all life
126 insurance policies, excluding disability and accidental death benefits,
127 be less than the aggregate reserves calculated in accordance with the
128 method set forth in paragraph "b" above and the mortality table or
129 tables and rate or rates of interest used in calculating nonforfeiture
130 benefits for such policies.

131 d. Reserves for any category of policies, contracts or benefits as
132 established by the commissioner, may be calculated at the option of
133 the company according to any standards which produce greater ag-
134 gregate reserves for such category than those calculated according
135 to the minimum standard herein provided. Provided, however, that
136 reserves for participating life insurance policies may, with the con-
137 sent of the commissioner, be calculated according to a rate of interest
138 lower than the rate of interest used in calculating the nonforfeiture
139 benefits in such policies, with the further proviso that if such lower
140 rate differs from the rate used in the calculation of the nonforfeiture
141 benefits by more than one-half percent the company issuing such
142 policies shall file with the commissioner a plan providing for such
143 equitable increase, if any, in the cash surrender values and nonfor-
144 feiture benefits in such policies as the commissioner shall approve.

145 e. If the gross premium charged by any life insurance company
146 on any policy or contract is less than the net premium for the policy
147 or contract according to the mortality table, rate of interest and
148 method used in calculating the reserve thereon, there shall be main-
149 tained on such policy or contract a deficiency reserve in addition to
150 all other reserves required by law. For each such policy or contract
151 the deficiency reserve shall be the present value, according to such
152 standard, of an annuity of the difference between such net premium
153 and the premium charged for such policy or contract, running for
154 the remainder of the premium-paying period.

1 SEC. 2. This section shall be known as the Standard Nonforfei-
2 ture Law.

3 1. In the case of policies issued on or after the operative date of
4 this section as defined in subsection eight (8), no policy of life insur-
5 ance, except as stated in subsection seven (7), shall be issued or
6 delivered in this state unless it shall contain in substance the follow-
7 ing provisions, or corresponding provisions which in the opinion of

8 the commissioner are at least as favorable to the defaulting or sur-
9 rendering policyholder:

10 a. That, in the event of default in any premium payment, the com-
11 pany will grant, upon proper request not later than sixty days after
12 the due date of the premium in default, a paid-up nonforfeiture bene-
13 fit on a plan stipulated in the policy, effective as of such due date, of
14 such value as may be hereinafter specified.

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

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

25 d. That, if the policy shall have become paid-up by completion of
26 all premium payments or if it is continued under any paid-up non-
27 forfeiture benefit which became effective on or after the third policy
28 anniversary in the case of ordinary insurance or the fifth policy anni-
29 versary in the case of industrial insurance, the company will pay,
30 upon surrender of the policy within thirty days after any policy anni-
31 versary, a cash surrender value of such amount as may be hereinafter
32 specified.

33 e. A statement of the mortality table and interest rate used in cal-
34 culating the cash surrender values and the paid-up nonforfeiture
35 benefits available under the policy, together with a table showing the
36 cash surrender value, if any, and paid-up nonforfeiture benefit, if
37 any, available under the policy on each policy anniversary, either
38 during the first twenty policy years or during the term of the policy,
39 whichever is shorter, such values and benefits to be calculated upon
40 the assumption that there are no dividends or paid-up additions
41 credited to the policy and that there is no indebtedness to the com-
42 pany on the policy.

43 f. A statement that the cash surrender values and the paid-up non-
44 forfeiture benefits available under the policy are not less than the
45 minimum values and benefits required by or pursuant to the insur-
46 ance law of the state in which the policy is delivered; an explanation
47 of the manner in which the cash surrender values and the paid-up
48 nonforfeiture benefits are altered by the existence of any paid-up
49 additions credited to the policy or any indebtedness to the company
50 on the policy; if a detailed statement of the method of computation
51 of the values and benefits shown in the policy is not stated therein, a
52 statement that such method of computation has been filed with the
53 insurance supervisory official of the state in which the policy is de-
54 livered; and a statement of the method to be used in calculating the
55 cash surrender value and paid-up nonforfeiture benefit available
56 under the policy on any policy anniversary beyond the last anniver-
57 sary for which such values and benefits are consecutively shown in
58 the policy.

59 2. Any of the provisions or portions thereof set forth in subsection
60 one (1) which are not applicable by reason of the plan of insurance

61 may, to the extent inapplicable, be omitted from the policy. The com-
62 pany shall reserve the right to defer the payment of any cash sur-
63 render value for a period of six months after demand therefor with
64 surrender of the policy.

65 3. Any cash surrender value available under the policy in the
66 event of default in a premium payment due on any policy anniver-
67 sary, whether or not required by subsection one (1), shall be an
68 amount not less than the excess, if any, of the present value, on such
69 anniversary, of the future guaranteed benefits which would have been
70 provided for by the policy, including any existing paid-up additions,
71 if there had been no default, over the sum of (a) the then present
72 value of the adjusted premiums as defined in subsection five (5),
73 corresponding to premiums which would have fallen due on and after
74 such anniversary, and (b) the amount of any indebtedness to the
75 company on the policy. Any cash surrender value available within
76 thirty days after any policy anniversary under any policy paid-up by
77 completion of all premium payments or any policy continued under
78 any paid-up nonforfeiture benefit, whether or not required by sub-
79 section one (1), shall be an amount not less than the present value,
80 on such anniversary, of the future guaranteed benefits provided for
81 by the policy, including any existing paid-up additions, decreased by
82 any indebtedness to the company on the policy.

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

91 5. Except as provided in the third paragraph of this subsection,
92 the adjusted premiums for any policy shall be calculated on an annual
93 basis and shall be such uniform percentage of the respective pre-
94 miums specified in the policy for each policy year, excluding any
95 extra premiums charged because of impairments or special hazards,
96 that the present value, at the date of issue of the policy, of all such
97 adjusted premiums shall be equal to the sum of (a) the then present
98 value of the future guaranteed benefits provided for by the policy;
99 (b) two percent of the amount of the insurance, if the insurance be
100 uniform in amount, or of the equivalent uniform amount, as herein-
101 after defined, if the amount of insurance varies with duration of the
102 policy; (c) forty percent of the adjusted premium for the first policy
103 year; (d) twenty-five percent of either the adjusted premium for the
104 first policy year or the adjusted premium for a whole life policy of
105 the same uniform or equivalent uniform amount with uniform pre-
106 miums for the whole of life issued at the same age for the same
107 amount of insurance, whichever is less. Provided, however, that in
108 applying the percentages specified in (c) and (d) above, no adjusted
109 premium shall be deemed to exceed four percent of the amount of
110 insurance or uniform amount equivalent thereto. The date of issue
111 of a policy for the purpose of this subsection five (5) shall be the date
112 as of which the rated age of the insured is determined.

113 In the case of a policy providing an amount of insurance varying

114 with duration of the policy, the equivalent uniform amount thereof
115 for the purpose of this subsection five (5) shall be deemed to be the
116 uniform amount of insurance provided by an otherwise similar pol-
117 icy, containing the same endowment benefit or benefits, if any, issued
118 at the same age and for the same term, the amount of which does not
119 vary with duration and the benefits under which have the same
120 present value at the date of issue as the benefits under the policy,
121 provided, however, that in the case of a policy providing a varying
122 amount of insurance issued on the life of a child under age ten, the
123 equivalent uniform amount may be computed as though the amount
124 of insurance provided by the policy prior to the attainment of age
125 ten were the amount provided by such policy at age ten.

126 The adjusted premiums for any policy providing term insurance
127 benefits by rider or supplemental policy provision shall be equal to
128 (a) the adjusted premiums for an otherwise similar policy issued at
129 the same age without such term insurance benefits, increased during
130 the period for which premiums for such term insurance benefits are
131 payable, by (b) the adjusted premiums for such term insurance, the
132 foregoing items (a) and (b) being calculated separately and as
133 specified in the first two paragraphs of this subsection except that,
134 for the purposes of (b), (c) and (d) of the first paragraph of this
135 subsection, the amount of insurance or equivalent uniform amount of
136 insurance used in the calculation of the adjusted premiums referred
137 to in (b) of this paragraph shall be equal to the excess of the cor-
138 responding amount determined for the entire policy over the amount
139 used in the calculation of the adjusted premiums in (a) of this para-
140 graph.

141 All adjusted premiums and present values referred to in this sec-
142 tion shall for all policies of ordinary insurance be calculated on the
143 basis of the Commissioners 1958 Standard Ordinary Mortality Table,
144 provided that for any category of ordinary insurance issued on fe-
145 male risks, adjusted premiums and present values may be calculated
146 according to an age not more than three years younger than the
147 actual age of the insured. Such calculations for all policies of indus-
148 trial insurance shall be made on the basis of the 1941 Standard In-
149 dustrial Mortality Table; provided, however, that any company may
150 file with the commissioner a written notice of its election that such
151 adjusted premiums and present values shall be calculated on the
152 basis of the Commissioners 1961 Standard Industrial Mortality Table,
153 after a specified date before January 1, 1968; provided, further, that,
154 whether or not any election has been made, such Commissioners 1961
155 Standard Industrial Mortality Table shall be the basis for such cal-
156 culations as to all policies of industrial insurance issued on or after
157 January 1, 1968. All calculations shall be made on the basis of the
158 rate of interest, not exceeding three and one-half percent per annum,
159 specified in the policy for calculating cash surrender values and paid-
160 up nonforfeiture benefits; provided, however, that in calculating the
161 present value of any paid-up term insurance with accompanying pure
162 endowment, if any, offered as a nonforfeiture benefit, the rates of
163 mortality assumed in the case of policies of ordinary insurance, may
164 be not more than those shown in the Commissioners 1958 Extended
165 Term Insurance Table, and, in the case of policies of industrial in-
166 surance, may be not more than one hundred thirty percent of the

167 rates of mortality according to the 1941 Standard Industrial Mortal-
168 ity Table, except that when the Commissioners 1961 Standard Indus-
169 trial Mortality Table becomes applicable, as hereinbefore provided,
170 such rates of mortality assumed may be not more than those shown
171 in the Commissioners 1961 Industrial Extended Term Insurance
172 Table, provided, further, that for insurance issued on a substandard
173 basis, the calculation of any such adjusted premiums and present
174 values may be based on such other table of mortality as may be speci-
175 fied by the company and approved by the commissioner.

176 6. Any cash surrender value and any paid-up nonforfeiture bene-
177 fit, available under the policy in the event of default in a premium
178 payment due at any time other than on the policy anniversary, shall
179 be calculated with allowance for the lapse of time and the payment
180 of fractional premiums beyond the last preceding policy anniversary.
181 All values referred to in subsections three (3), four (4) and five (5)
182 may be calculated upon the assumption that any death benefit is pay-
183 able at the end of the policy year of death. The net value of any
184 paid-up additions, other than paid-up term additions, shall be not
185 less than the dividends used to provide such additions. Notwith-
186 standing the provisions of subsection three (3) above, additional
187 benefits payable (a) in the event of death or dismemberment by
188 accident or accidental means, (b) in the event of total and permanent
189 disability, (c) as reversionary annuity or deferred reversionary an-
190 nuity benefits, (d) as term insurance benefits provided by a rider or
191 supplemental policy provision to which, if issued as a separate policy,
192 this section would not apply, (e) as term insurance on the life of a
193 child or on the lives of children provided in a policy on the life of a
194 parent of the child, if such term insurance expires before the child's
195 age is twenty-six, is uniform in amount after the child's age is one,
196 and has not become paid-up by reason of the death of a parent of the
197 child, and (f) as other policy benefits additional to life insurance and
198 endowment benefits, and premiums for all such additional benefits,
199 shall be disregarded as ascertaining cash surrender values and non-
200 forfeiture benefits required by this section, and no such additional
201 benefits shall be required to be included in any paid-up nonforfeiture
202 benefits.

203 7. This section shall not apply to any reinsurance, group insurance,
204 pure endowment, annuity or reversionary annuity contract, nor to
205 any term policy of uniform amount, or renewal thereof, of fifteen
206 years or less expiring before age sixty-six, for which uniform pre-
207 miums are payable during the entire term of the policy, nor to any
208 term policy of decreasing amount on which each adjusted premium,
209 calculated as specified in subsection five (5) above, is less than the
210 adjusted premium so calculated, on such fifteen year term policy
211 issued at the same age and for the same initial amount of insurance,
212 nor to any policy which shall be delivered outside this state through
213 an agent or other representative of the company issuing the policy.

214 8. After the effective date of this Act, any company may file with
215 the commissioner a written notice of its election to comply with the
216 provisions of this section after a specified date before January 1,
217 1966. After the filing of such notice, then upon such specified date
218 (which shall be the operative date of this section for such company),
219 this section shall become operative with respect to the policies there-

220 after issued by such company. If a company makes no such election,
 221 the operative date of this section for such company shall be January
 222 1, 1966.

1 SEC. 3. Section five hundred eight point twelve (508.12), Code
 2 1962, is hereby repealed.

Approved April 15, 1963.

CHAPTER 305

MULTIPLE PERIL FIRE INSURANCE

H. F. 25

AN ACT to permit the writing of multiple peril insurance policies by fire insurance companies.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Subsection one (1) of section five hundred fifteen point
 2 forty-eight (515.48), Code 1962, is hereby amended by adding the fol-
 3 lowing paragraph:

4 "d. Risks under a multiple peril nonassessable policy reasonably
 5 related to the ownership, use or occupancy of a private dwelling or
 6 dwellings."

Approved April 5, 1963.

CHAPTER 306

ACCIDENT AND SICKNESS INSURANCE

S. F. 443

AN ACT relating to benefits under accident and sickness insurance policies.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section five hundred fifteen point forty-eight (515.48),
 2 Code 1962, is hereby amended by striking the period (.) in line 6 of
 3 subsection 5, and by inserting in lieu thereof the following: ", but
 4 such benefits shall not include the furnishing or replacing in kind of
 5 whole human blood or blood products of any kind; however, this pro-
 6 vision shall not prohibit payments of indemnity for human blood or
 7 blood products."

Approved May 3, 1963.