



SENATE BILL No. 716

June 23, 1993, Introduced by Senator WARTNER and referred to the Committee on Commerce.

A bill to amend sections 834, 2226, 4012, 4018, 4024, 4026, 4060, and 4430 of Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

section 834 as amended by Act No. 221 of the Public Acts of 1982, section 4060 as amended by Act No. 222 of the Public Acts of 1982, and section 4430 as amended by Act No. 305 of the Public Acts of 1990, being sections 500.834, 500.2226, 500.4012, 500.4018, 500.4024, 500.4026, 500.4060, and 500.4430 of the Michigan Compiled Laws; and to add sections 837, 2236a, 4001, 4037, 4038, and 4061.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 834, 2226, 4012, 4018, 4024, 4026,
2 4060, and 4430 of Act No. 218 of the Public Acts of 1956,

1 section 834 as amended by Act No. 221 of the Public Acts of 1982,
2 section 4060 as amended by Act No. 222 of the Public Acts of
3 1982, and section 4430 as amended by Act No. 305 of the Public
4 Acts of 1990, being sections 500.834, 500.2226, 500.4012,
5 500.4018, 500.4024, 500.4026, 500.4060, and 500.4430 of the
6 Michigan Compiled Laws, are amended and sections 837, 2236a,
7 4001, 4037, 4038, and 4061 are added to read as follows:

8 Sec. 834. ~~This section shall apply to only life insurance~~
9 ~~policies and contracts issued on and after the operative date of~~
10 ~~section 4060, the standard nonforfeiture law, except as otherwise~~
11 ~~provided in sections 835 and 836 for group annuity and pure~~
12 ~~endowment contracts issued on or after the operative date of sec-~~
13 ~~tion 4060.~~

14 (1) Except as otherwise provided in sections 835, ~~and~~ 836,
15 AND 837, the minimum standard for the valuation of ~~these~~ poli-
16 cies and contracts DESCRIBED IN SUBSECTION (8) shall be the
17 ~~commissioners~~ COMMISSIONER'S reserve valuation methods defined
18 in subsections (2), (3), and (6), 5% interest for group annuity
19 and pure endowment contracts, provided that prior notice of any
20 revaluation of reserves with respect to these group annuity and
21 pure endowment contracts is given to the commissioner in the same
22 manner as is required before a revaluation of reserves under sec-
23 tion 832(2), and 3-1/2% interest for all other of these policies
24 and contracts; or in the case of policies and contracts, other
25 than annuity and pure endowment contracts, issued on or after
26 October 21, 1974, 4% interest for those policies issued before

1 October 1, 1980, and 4-1/2% interest for those policies issued on
2 or after October 1, 1980, and the following tables:

3 (I) For all ordinary policies of life insurance issued on
4 the standard basis, excluding any disability and accidental death
5 benefits in these policies: the ~~commissioners~~ COMMISSIONER'S
6 1941 standard ordinary mortality table, for these policies issued
7 before the operative date of paragraph 5 of section 4060(5); and
8 the ~~commissioners~~ COMMISSIONER'S 1958 standard ordinary mortal-
9 ity table for these policies issued on or after that operative
10 date and before the operative date of paragraphs 9 to 19 of sec-
11 tion 4060(5). For any category of these policies issued on
12 female risks, all modified net premiums and present values
13 referred to in this section may be calculated according to an age
14 not more than 6 years younger than the actual age of the insured;
15 and, for such policies issued on or after the operative date of
16 paragraphs 9 to 19 of section 4060(5), the ~~commissioners~~
17 COMMISSIONER'S 1980 standard ordinary mortality table or, at the
18 election of the company for any 1 or more specified plans of life
19 insurance, the ~~commissioners~~ COMMISSIONER'S 1980 standard ordi-
20 nary mortality table with 10-year select mortality factors or any
21 ordinary mortality table adopted after 1980 by the national asso-
22 ciation of insurance commissioners that is approved by a rule
23 promulgated by the commissioner for use in determining the mini-
24 mum standard of valuation for such policies.

25 (II) For all industrial life insurance policies issued on
26 the standard basis, excluding any disability and accidental death
27 benefits in these policies: the 1941 standard industrial

1 mortality table for these policies issued before the operative
2 date of paragraph 7 of section 4060(5); and for these policies
3 issued on or after that operative date, the ~~commissioners~~
4 COMMISSIONER'S 1961 standard industrial mortality table or any
5 industrial mortality table adopted after 1980 by the national
6 association of insurance commissioners that is approved by a rule
7 promulgated by the commissioner for use in determining the mini-
8 mum standard of valuation for such policies.

9 (III) For individual annuity and pure endowment contracts,
10 excluding any disability and accidental death benefits in these
11 policies: the 1937 standard annuity mortality table or, at the
12 option of the company, the annuity mortality table for 1949,
13 ultimate, or any modification of either of these tables approved
14 by the commissioner.

15 (IV) For group annuity and pure endowment contracts, exclud-
16 ing any disability and accidental death benefits in these
17 policies: the group annuity mortality table for 1951, any modi-
18 fication of that table approved by the commissioner, or, at the
19 option of the company, any of the tables or modifications of
20 tables specified for individual annuity and pure endowment
21 contracts.

22 (V) For total and permanent disability benefits in or sup-
23 plementary to ordinary policies or contracts: for policies or
24 contracts issued on or after January 1, 1966, the tables of
25 period 2 disablement rates and the 1930 to 1950 termination rates
26 of the 1952 disability study of the society of actuaries, with
27 due regard to the type of benefit or any tables of disablement

1 rates and termination rates adopted after 1980 by the national
2 association of insurance commissioners that are approved by a
3 rule promulgated by the commissioner for use in determining the
4 minimum standard of valuation for such policies; for policies or
5 contracts issued on or after January 1, 1961, and before January
6 1, 1966, either these tables or, at the option of the company,
7 the class (3) disability table, 1926; and for policies issued
8 before January 1, 1961, the class (3) disability table, 1926.
9 For active lives, a table shall be combined with a mortality
10 table permitted for calculating the reserves for life insurance
11 policies.

12 (VI) For accidental death benefits in or supplementary to
13 policies: for policies issued on or after January 1, 1966, the
14 1959 accidental death benefits table or any accidental death ben-
15 efits table adopted after 1980 by the national association of
16 insurance commissioners that is approved by a rule promulgated by
17 the commissioner for use in determining the minimum standard of
18 valuation for such policies; for policies issued on or after
19 January 1, 1961, and before January 1, 1966; the intercompany
20 double indemnity mortality table. A table shall be combined with
21 a mortality table permitted for calculating the reserves for life
22 insurance policies.

23 (VII) For group life insurance, life insurance issued on the
24 substandard basis, and other special benefits: any table
25 approved by the commissioner.

26 (2) Except as otherwise provided in subsections (3) and (6),
27 reserves according to the ~~commissioners~~ COMMISSIONER'S reserve

1 valuation method, for the life insurance and endowment benefits
2 of policies providing for a uniform amount of insurance and
3 requiring the payment of uniform premiums, shall be the excess,
4 if any, of the present value, at the date of valuation, of the
5 future guaranteed benefits provided for by these policies over
6 the then present value of any future modified net premiums for
7 the policies. The modified net premiums for such a policy shall
8 be a uniform percentage of the respective contract premiums for
9 the future guaranteed benefits so that the present value of all
10 modified net premiums equals, at the date of issue of the policy,
11 the sum of the then present value of these benefits provided for
12 by the policy and the excess of ~~(x)~~ (G) over ~~(y)~~ (H), as
13 follows:

14 (G) ~~(x)~~ A net level annual premium equal to the present
15 value, at the date of issue, of the future guaranteed benefits
16 provided for after the first policy year divided by the present
17 value, at the date of issue, of an annuity of 1 per annum payable
18 on the first and each subsequent anniversary of the policy on
19 which a premium falls due. However, the net level annual premium
20 shall not exceed the net level annual premium on the 19-year pre-
21 mium whole life plan for insurance of the same amount at an age 1
22 year higher than the age at issue of the policy.

23 (H) ~~(y)~~ A net 1-year term premium for the future guaran-
24 teed benefits provided for in the first policy year.

25 However, for any life insurance policy issued on or after
26 January 1, 1986 ~~of the fourth calendar year commencing after the~~
27 ~~effective date of this amendatory act of 1982~~ for which the

1 contract premium in the first policy year exceeds that of the
2 second year and for which no comparable additional benefit is
3 provided in the first year for that excess and ~~which~~ THAT pro-
4 vides an endowment benefit or a cash surrender value or a combi-
5 nation of them in an amount greater than the excess premium, the
6 reserve according to the ~~commissioners~~ COMMISSIONER'S reserve
7 valuation method as of any policy anniversary occurring on or
8 before the assumed ending date, defined as the first policy anni-
9 versary on which the sum of any endowment benefit and any cash
10 surrender value then available is greater than the excess premi-
11 um, shall be, except as otherwise provided in subsection (6), the
12 greater of the reserve as of that policy anniversary calculated
13 as described in paragraph 1 of this subsection and the reserve as
14 of that policy anniversary calculated as described in that para-
15 graph, but with the value defined in ~~(*)~~ (G) being reduced by
16 15% of the amount of the excess first year premium; all present
17 values of benefits and premiums being determined without refer-
18 ence to premiums or benefits provided for by the policy after the
19 assumed ending date; the policy being assumed to mature on that
20 date as an endowment; and the cash surrender value provided on
21 that date being considered as an endowment benefit. In making
22 the above comparison, the mortality and interest bases stated in
23 subsection (1) and section 836 shall be used.

24 Reserves according to the ~~commissioners~~ COMMISSIONER'S
25 reserve valuation method for (I) life insurance policies provid-
26 ing for a varying amount of insurance or requiring the payment of
27 varying premiums, (II) group annuity and pure endowment contracts

1 purchased under a retirement plan or plan of deferred
2 compensation, established or maintained by an employer, including
3 a partnership or sole proprietorship, or by an employee organi-
4 zation, or by both, other than a plan providing individual
5 retirement accounts or individual retirement annuities under sec-
6 tion 408 of the internal revenue code, (III) disability and acci-
7 dental death benefits in all policies and contracts, and (IV) all
8 other benefits, except life insurance and endowment benefits in
9 life insurance policies and benefits provided by all other annu-
10 ity and pure endowment contracts, shall be calculated by a method
11 consistent with the principles of this subsection. However,
12 extra premiums charged because of impairments or special hazards
13 shall be disregarded in the determination of modified net
14 premiums.

15 (3) This subsection shall apply to all annuity and pure
16 endowment contracts other than group annuity and pure endowment
17 contracts purchased under a retirement plan or plan of deferred
18 compensation, established or maintained by an employer, including
19 a partnership or sole proprietorship, or by an employee organi-
20 zation, or by both, other than a plan providing individual
21 retirement accounts or individual retirement annuities under sec-
22 tion 408 of the internal revenue code. Reserves according to the
23 ~~commissioners~~ COMMISSIONER'S annuity reserve method for bene-
24 fits under annuity or pure endowment contracts, excluding any
25 disability and accidental death benefits in these contracts,
26 shall be the greatest of the respective excesses of the present
27 values, at the date of valuation, of the future guaranteed

1 benefits, including guaranteed nonforfeiture benefits, provided
2 for by these contracts at the end of each respective contract
3 year, over the present value, at the date of valuation, of any
4 future valuation considerations derived from future gross consid-
5 erations, required by the terms of the contract, that become pay-
6 able before the end of that respective contract year. The future
7 guaranteed benefits shall be determined by using the mortality
8 table, if any, and the interest rate specified in these contracts
9 for determining guaranteed benefits. The valuation considera-
10 tions are the portions of the respective gross considerations
11 applied under the terms of these contracts to determine nonfor-
12 feiture values.

13 (4) An insurer's aggregate reserves for all life insurance
14 policies, excluding disability and accidental death benefits,
15 shall not be less than the aggregate reserves calculated in
16 accordance with the methods set forth in subsections (2), (3),
17 (6), and (7), and the mortality table or tables and rate or rates
18 of interest used in calculating nonforfeiture benefits for the
19 policies.

20 (5) Reserves for a category of policies, contracts, or bene-
21 fits as established by the commissioner, may be calculated, at
22 the option of the insurer, according to any standards ~~which~~
23 THAT produce greater aggregate reserves for the category than
24 those calculated according to the minimum standard provided in
25 this act. However, the rate or rates of interest used for poli-
26 cies and contracts, other than annuity and pure endowment
27 contracts, shall not be higher than the corresponding rate or

1 rates of interest used in calculating any nonforfeiture benefits
2 provided for therein.

3 (6) If in any contract year the gross premium charged by a
4 life insurer on a policy or contract is less than the valuation
5 net premium for the policy or contract calculated by the method
6 used in calculating the reserve thereon, but at the option of the
7 insurer using the minimum valuation standards of mortality either
8 at the time of issue or the time of valuation of such policy or
9 contract and the minimum valuation rate of interest at time of
10 issue or the time of valuation of such policy or contract, the
11 minimum reserve required for the policy or contract shall be the
12 greater of either the reserve calculated according to the mortal-
13 ity table, rate of interest, and method actually used for the
14 policy or contract, or the reserve calculated by the method actu-
15 ally used for the policy or contract using the minimum valuation
16 standards of mortality and rate of interest and replacing the
17 valuation net premium by the actual gross premium in each con-
18 tract year for which the valuation net premium exceeds the actual
19 gross premium. However, with respect to any policy or contract,
20 issued before January 1, 1985, for which gross premiums vary by
21 duration, including renewable term plans where renewal premiums
22 beyond the current term period are guaranteed in the policy, the
23 valuation net premiums shall be calculated as a uniform percen-
24 tage of all the respective gross premiums or premiums guaranteed
25 in the policy or contract. With respect to policies issued on or
26 after January 1, 1985, the method described in the preceding
27 sentence for the calculation of valuation net premiums shall

1 apply unless the commissioner shall determine and issue a report
2 to the legislature before January 1, 1985, that such method
3 either would produce an inadequate amount of reserves and will
4 lead to serious financial consequences for insurers or would
5 produce an excessive amount of reserves. The minimum valuation
6 standards of mortality and rate of interest referred to in this
7 subsection are those standards stated in subsection (1) and sec-
8 tion 836. However, for any life insurance policy issued on or
9 after January 1, 1986 ~~of the fourth calendar year commencing~~
10 ~~after the effective date of this amendatory act of 1982~~ for
11 which the gross premium in the first policy year exceeds that of
12 the second year and for which no comparable additional benefit is
13 provided in the first year for that excess and which provides an
14 endowment benefit or a cash surrender value or a combination
15 thereof in an amount greater than the excess premium, the provi-
16 sions of this subsection shall be applied as if the method actu-
17 ally used in calculating the reserve for that policy were the
18 method described in subsection (2), ignoring paragraph 2 of that
19 subsection. The minimum reserve at each policy anniversary of
20 such a policy shall be the greater of the minimum reserve calcu-
21 lated in accordance with subsection (2), including paragraph 2 of
22 that subsection, and the minimum reserve calculated in accordance
23 with this subsection.

24 (7) In the case of any plan of life insurance ~~which~~ THAT
25 provides for future premium determination, the amounts of which
26 are to be determined by the insurance company based on then
27 estimates of future experience, or, in the case of any plan of

1 life insurance or annuity ~~which~~ THAT is of such a nature that
 2 the minimum reserves cannot be determined by the methods
 3 described in subsections (2), (3), and (6), the reserves ~~which~~
 4 THAT are held under those plans must be appropriate in relation
 5 to the benefits and the pattern of premiums for that plan and
 6 computed by a method ~~which~~ THAT is consistent with the princi-
 7 ples of this standard valuation law, as determined by rules
 8 promulgated by the commissioner.

SCHEDULE									
BASIC VALUES COMMISSIONERS COMMISSIONER'S STANDARD ORDINARY									
1958 TABLE OF MORTALITY									
Values of number living at exact age (lx) (lx) number dying									
(dx)									
and expectation of life (ex)									
Age	lx	lx	dx	ex	Age	lx	lx	dx	ex
0	10,000,000		70,800	68.30	23	9,612,127		18,167	47.64
1	9,929,200		17,475	67.78	24	9,593,960		18,324	46.73
2	9,911,725		15,066	66.90	25	9,575,636		18,481	45.82
3	9,896,659		14,449	66.00	26	9,557,155		18,732	44.90
4	9,882,210		13,835	65.10	27	9,538,423		18,981	43.99
5	9,868,375		13,322	64.19	28	9,519,442		19,324	43.08
6	9,855,053		12,812	63.27	29	9,500,118		19,760	42.16
7	9,842,241		12,401	62.35	30	9,480,358		20,193	41.25
8	9,829,840		12,091	61.43	31	9,460,165		20,718	40.34
9	9,817,749		11,879	60.51	32	9,439,447		21,239	39.43
10	9,805,870		11,865	59.58	33	9,418,208		21,850	38.51
11	9,794,005		12,047	58.65	34	9,396,358		22,551	37.60
12	9,781,958		12,325	57.72	35	9,373,807		23,528	36.69
13	9,769,633		12,896	56.80	36	9,350,279		24,685	35.78
14	9,756,736		13,562	55.87	37	9,325,594		26,112	34.88
15	9,743,175		14,225	54.95	38	9,299,482		27,991	33.97
16	9,728,950		14,983	54.03	39	9,271,491		30,132	33.07
17	9,713,967		15,737	53.11	40	9,241,359		32,622	32.18
18	9,698,230		16,390	52.19	41	9,208,737		35,362	31.29
19	9,681,840		16,846	51.28	42	9,173,375		38,253	30.41
20	9,664,994		17,300	50.37	43	9,135,122		41,382	29.54
21	9,647,694		17,655	49.46	44	9,093,740		44,741	28.67
22	9,630,039		17,912	48.55	45	9,048,999		48,412	27.81

Age	lx	lx	dx	ex	Age	lx	lx	dx	ex
2	46	9,000,587	52,473	26.95	73	4,731,089	299,289	8.69	
3	47	8,948,114	56,910	26.11	74	4,431,800	301,894	8.24	
4	48	8,891,204	61,794	25.27	75	4,129,906	303,011	7.81	
5	49	8,829,410	67,104	24.45	76	3,826,895	303,014	7.39	
6	50	8,762,306	72,902	23.63	77	3,523,881	301,997	6.98	
7	51	8,689,404	79,160	22.82	78	3,221,884	299,829	6.59	
8	52	8,610,244	85,758	22.03	79	2,922,055	295,683	6.21	
9	53	8,524,486	92,832	21.25	80	2,626,372	288,848	5.85	
10	54	8,431,654	100,337	20.47	81	2,337,524	278,983	5.51	
11	55	8,331,317	108,307	19.71	82	2,058,541	265,902	5.19	
12	56	8,223,010	116,849	18.97	83	1,792,639	249,858	4.89	
13	57	8,106,161	125,970	18.23	84	1,542,781	231,433	4.60	
14	58	7,980,191	135,663	17.51	85	1,311,348	211,311	4.32	
15	59	7,844,528	145,830	16.81	86	1,100,037	190,109	4.06	
16	60	7,698,698	156,592	16.12	87	909,929	168,455	3.80	
17	61	7,542,106	167,736	15.44	88	741,474	146,997	3.55	
18	62	7,374,370	179,271	14.78	89	594,477	126,303	3.31	
19	63	7,195,099	191,174	14.14	90	468,174	106,809	3.06	
20	64	7,003,925	203,394	13.51	91	361,365	88,813	2.82	
21	65	6,800,531	215,917	12.90	92	272,552	72,480	2.58	
22	66	6,584,614	228,749	12.31	93	200,072	57,881	2.33	
23	67	6,355,865	241,777	11.73	94	142,191	45,026	2.07	
24	68	6,114,088	254,835	11.17	95	97,165	34,128	1.80	
25	69	5,859,253	267,241	10.64	96	63,037	25,250	1.51	
26	70	5,592,012	278,426	10.12	97	37,787	18,456	1.18	
27	71	5,313,586	287,731	9.63	98	19,331	12,916	.83	
28	72	5,025,855	294,766	9.15	99	6,415	6,415	.50	

(8) THIS SECTION APPLIES TO ONLY LIFE INSURANCE POLICIES AND CONTRACTS ISSUED ON AND AFTER THE OPERATIVE DATE OF SECTION 4060, THE STANDARD NONFORFEITURE LAW, EXCEPT AS OTHERWISE PROVIDED IN SECTIONS 835 AND 836 FOR GROUP ANNUITY AND PURE ENDOWMENT CONTRACTS ISSUED ON OR AFTER THE OPERATIVE DATE OF SECTION 4060 AND EXCEPT AS OTHERWISE PROVIDED IN SECTION 837 FOR UNIVERSAL LIFE CONTRACTS.

SEC. 837. (1) AS USED IN THIS SECTION:

(A) "A" MEANS THE PRESENT VALUE OF ALL FUTURE GUARANTEED BENEFITS AT THE DATE OF VALUATION.

(B) "B" MEANS THE QUANTITY $\frac{PVFB}{a_x} a_{x+t}$.

1 (C) "C" IS THE QUANTITY $((g)-(h)) \frac{({}^a_x+t)}{{}^a_x} (r)$ WHERE
2

3 (g) and (h) ARE THE SAME AS (g) AND (h) AS DEFINED IN
4 SECTION 834(2) FOR THE PLAN OF INSURANCE DEFINED AT ISSUE BY THE
5 GUARANTEED MATURITY PREMIUMS AND ALL GUARANTEES CONTAINED IN THE
6 POLICY OR DECLARED BY THE INSURER.

7 (D) "D" IS THE SUM OF ANY ADDITIONAL QUANTITIES ANALOGOUS TO
8 "C" THAT ARISE BECAUSE OF STRUCTURAL CHANGES IN THE POLICY, WITH
9 EACH SUCH QUANTITY BEING DETERMINED ON A BASIS CONSISTENT WITH
10 THAT OF "C" USING THE MATURITY DATE IN EFFECT AT THE TIME OF THE
11 CHANGE.

12 (E) "GUARANTEED MATURITY FUND AT ANY DURATION" MEANS THAT
13 AMOUNT WHICH, TOGETHER WITH FUTURE GUARANTEED MATURITY PREMIUMS,
14 WILL MATURE THE POLICY BASED ON ALL POLICY GUARANTEES AT ISSUE.

15 (F) "GUARANTEED MATURITY PREMIUM FOR FIXED PREMIUM UNIVERSAL
16 LIFE INSURANCE POLICIES" SHALL BE THE PREMIUM DEFINED IN THE
17 POLICY THAT AT ISSUE PROVIDES THE MINIMUM POLICY GUARANTEES.

18 (G) "GUARANTEED MATURITY PREMIUM FOR FLEXIBLE PREMIUM UNI-
19 VERSAL LIFE INSURANCE POLICIES" MEANS THAT LEVEL GROSS PREMIUM,
20 PAID AT ISSUE AND PERIODICALLY THEREAFTER OVER THE PERIOD DURING
21 WHICH PREMIUMS ARE ALLOWED TO BE PAID, WHICH WILL MATURE THE
22 POLICY ON THE LATEST MATURITY DATE, IF ANY, PERMITTED UNDER THE
23 POLICY FOR AN AMOUNT THAT IS IN ACCORDANCE WITH THE POLICY
24 STRUCTURE. IF THERE IS NO APPLICABLE LATEST MATURITY DATE, THE
25 HIGHEST AGE IN THE VALUATION MORTALITY TABLE SHALL BE USED.

26 (H) "MATURITY AMOUNT" MEANS THE INITIAL DEATH BENEFIT IF THE
27 DEATH BENEFIT IS LEVEL OVER THE LIFETIME OF THE POLICY EXCEPT FOR
28 THE EXISTENCE OF A MINIMUM DEATH BENEFIT CORRIDOR, OR MEANS THE

1 SPECIFIC AMOUNT IF THE DEATH BENEFIT EQUALS A SPECIFIED AMOUNT
2 PLUS THE POLICY VALUE OR CASH SURRENDER VALUE EXCEPT FOR THE
3 EXISTENCE OF A MINIMUM DEATH BENEFIT CORRIDOR.

4 (I) "PVFB" MEANS THE PRESENT VALUE OF ALL BENEFITS GUARAN-
5 TEED AT ISSUE ASSUMING FUTURE GUARANTEED MATURITY PREMIUMS ARE
6 PAID BY THE POLICYOWNER AND TAKING INTO ACCOUNT ALL GUARANTEES
7 CONTAINED IN THE POLICY OR DECLARED BY THE INSURER.

8 (J) "STRUCTURAL CHANGES" ARE THOSE CHANGES THAT ARE SEPARATE
9 FROM THE AUTOMATIC WORKINGS OF THE POLICY. SUCH CHANGES USUALLY
10 WOULD BE INITIATED BY THE POLICYHOLDER AND INCLUDE CHANGES IN THE
11 GUARANTEED BENEFITS, CHANGES IN LATEST MATURITY DATE, OR CHANGES
12 IN ALLOWABLE PREMIUM PAYMENT PERIOD. FOR FIXED PREMIUM UNIVERSAL
13 LIFE POLICIES WITH REDETERMINATION OF ALL CREDITS AND CHARGES NO
14 MORE FREQUENTLY THAN ANNUALLY, ON POLICY ANNIVERSARIES, STRUC-
15 TURAL CHANGES ALSO INCLUDE CHANGES IN GUARANTEED BENEFITS, OR IN
16 FIXED PREMIUMS, UNANTICIPATED BY THE GUARANTEED MATURITY PREMIUM
17 FOR SUCH POLICIES AT THE DATE OF ISSUE, EVEN IF SUCH CHANGES
18 ARISE FROM AUTOMATIC WORKINGS OF THE POLICY.

19 (K) THE LETTER "r" IS EQUAL TO 1, UNLESS THE POLICY IS A
20 FLEXIBLE PREMIUM POLICY AND THE POLICY VALUE IS LESS THAN THE
21 GUARANTEED MATURITY FUND, IN WHICH CASE "r" IS THE RATIO OF THE
22 POLICY VALUE TO THE GUARANTEED MATURITY FUND.

23 (L) THE LETTER "t" MEANS THE DURATION OF THE POLICY.

24 (M) THE LETTER "x" MEANS THE ISSUE AGE.

25 (N) " a_x " AND " a_{x+t} " ARE PRESENT VALUES OF AN ANNUITY OF 1
26 PER YEAR PAYABLE ON POLICY ANNIVERSARIES BEGINNING AT AGES x AND

1 $x+t$, RESPECTIVELY, AND CONTINUING UNTIL THE HIGHEST ATTAINED AGE
2 AT WHICH A PREMIUM MAY BE PAID UNDER THE POLICY.

3 (2) ALL OF THE FOLLOWING ARE VALUATION REQUIREMENTS FOR UNI-
4 VERSAL LIFE INSURANCE POLICIES:

5 (A) THE MINIMUM VALUATION STANDARD FOR UNIVERSAL LIFE INSUR-
6 ANCE POLICIES SHALL BE THE COMMISSIONER'S RESERVE VALUATION
7 METHOD AS DESCRIBED IN THIS SECTION AND THE TABLES AND INTEREST
8 RATES AS SPECIFIED IN THIS SECTION.

9 (B) THE TERMINAL RESERVE FOR THE BASIC POLICY AND ANY BENE-
10 FITS OR RIDERS FOR WHICH PREMIUMS ARE NOT PAID SEPARATELY AS OF
11 ANY POLICY ANNIVERSARY SHALL BE EQUAL TO THE NET LEVEL PREMIUM
12 RESERVES LESS "C" AND LESS "D", WHERE NET LEVEL PREMIUM RESERVES
13 SHALL BE EQUAL TO $(A-B)(r)$.

14 (C) THE GUARANTEED MATURITY PREMIUM IS CALCULATED AT ISSUE
15 BASED ON ALL POLICY GUARANTEES AT ISSUE, EXCLUDING GUARANTEES
16 LINKED TO AN EXTERNAL REFERENT. THE GUARANTEED MATURITY PREMIUM
17 FOR BOTH FLEXIBLE AND FIXED PREMIUM POLICIES SHALL BE ADJUSTED
18 FOR DEATH BENEFIT CORRIDORS PROVIDED BY THE POLICY. THE GUARAN-
19 TEED MATURITY PREMIUM MAY BE LESS THAN THE PREMIUM NECESSARY TO
20 PAY ALL CHARGES.

21 (D) THE GUARANTEED MATURITY PREMIUM, THE GUARANTEED MATURITY
22 FUND, AND "B" SHALL BE RECALCULATED TO REFLECT ANY STRUCTURAL
23 CHANGES IN THE POLICY. THIS RECALCULATION SHALL BE DONE IN A
24 MANNER CONSISTENT WITH THIS SECTION.

25 (E) THE RECOMPUTATION OF "B", FOR FIXED PREMIUM UNIVERSAL
26 LIFE STRUCTURAL CHANGES, SHALL EXCLUDE FROM "PVFB", THE PRESENT
27 VALUE OF FUTURE GUARANTEED BENEFITS, THOSE GUARANTEED BENEFITS

1 THAT ARE FUNDED BY THE EXCESS OF THE INSURER'S DECLARED
2 GUARANTEES OF INTEREST, MORTALITY AND EXPENSES, OVER THE GUARAN-
3 TEES CONTAINED IN THE POLICY AT THE DATE OF ISSUE.

4 (F) FUTURE GUARANTEED BENEFITS SHALL BE DETERMINED BY BOTH
5 OF THE FOLLOWING:

6 (i) PROJECTING THE GREATER OF THE GUARANTEED MATURITY FUND
7 AND THE POLICY VALUE, TAKING INTO ACCOUNT FUTURE GUARANTEED MATU-
8 RITY PREMIUMS, IF ANY, AND USING ALL GUARANTEES OF INTEREST, MOR-
9 TALITY, EXPENSE DEDUCTIONS, ETC., CONTAINED IN THE POLICY OR
10 DECLARED BY THE INSURER.

11 (ii) TAKING INTO ACCOUNT ANY BENEFITS GUARANTEED IN THE
12 POLICY OR BY DECLARATION THAT DO NOT DEPEND ON THE POLICY VALUE.

13 (G) TO THE EXTENT THAT THE INSURER DECLARES GUARANTEES MORE
14 FAVORABLE THAN THE CONTRACTUAL GUARANTEES IN THE POLICY, THE
15 DECLARED GUARANTEES SHALL BE APPLICABLE TO THE DETERMINATION OF
16 FUTURE GUARANTEED BENEFITS.

17 (H) ALL PRESENT VALUES SHALL BE DETERMINED USING ALL OF THE
18 FOLLOWING:

19 (i) AN INTEREST RATE OR RATES SPECIFIED IN SECTION 834(1)
20 FOR POLICIES ISSUED IN THE SAME YEAR.

21 (ii) THE MORTALITY RATES SPECIFIED IN SECTION 834(1) FOR
22 POLICIES ISSUED IN THE SAME YEAR OR CONTAINED IN SUCH OTHER TABLE
23 AS MAY BE APPROVED BY THE COMMISSIONER FOR THIS PURPOSE.

24 (iii) ANY OTHER TABLES NEEDED TO VALUE SUPPLEMENTARY BENE-
25 FITS PROVIDED BY A RIDER THAT IS BEING VALUED TOGETHER WITH THE
26 POLICY.

1 (I) THE MORTALITY AND INTEREST BASES FOR CALCULATING PRESENT
2 VALUES ARE THE MINIMUM STANDARDS SPECIFIED IN SECTION 834(1).

3 (J) IF, IN ANY POLICY YEAR, THE GUARANTEED MATURITY PREMIUM
4 ON ANY UNIVERSAL LIFE INSURANCE POLICY IS LESS THAN THE VALUATION
5 NET PREMIUM FOR THE POLICY, CALCULATED BY THE VALUATION METHOD
6 ACTUALLY USED IN CALCULATING THE RESERVE THEREON BUT USING THE
7 MINIMUM VALUATION STANDARDS OF MORTALITY AND RATE OF INTEREST,
8 THE MINIMUM RESERVE REQUIRED FOR THE CONTRACT SHALL BE THE
9 GREATER OF THE FOLLOWING:

10 (i) THE RESERVE CALCULATED ACCORDING TO THE METHOD, THE MOR-
11 TALITY TABLE, AND THE RATE OF INTEREST ACTUALLY USED.

12 (ii) THE RESERVE CALCULATED ACCORDING TO THE METHOD ACTUALLY
13 USED BUT USING THE MINIMUM VALUATION STANDARDS OF MORTALITY AND
14 RATE OF INTEREST AND REPLACING THE VALUATION NET PREMIUM BY THE
15 GUARANTEED MATURITY PREMIUM IN EACH POLICY YEAR FOR WHICH THE
16 VALUATION NET PREMIUM EXCEEDS THE GUARANTEED MATURITY PREMIUM.

17 (K) FOR UNIVERSAL LIFE INSURANCE RESERVES ON A NET LEVEL
18 PREMIUM BASIS, THE VALUATION NET PREMIUM IS $\frac{PVFB}{a_x}$ AND FOR RESERVES
19

20 ON A COMMISSIONER'S RESERVE VALUATION METHOD, THE VALUATION NET
21 PREMIUM IS $\frac{PVFB}{a_x} + \frac{(g) - (h)}{a_x}$.
22

23 Sec. 2226. (1) ~~No~~ A life insurer shall NOT make with or
24 issue to any citizen or resident of this state ~~—~~ any contract
25 of life insurance ~~which shall~~ THAT DOES not distinctly state
26 ~~therein~~ the amount of ~~such~~ THE life benefits, the manner of
27 payment, the period of the continuance, ~~thereof,~~ and the amount
28 of the annual, semi-annual, or quarterly premium, or by which the

1 payment of the life benefit assured shall be contingent upon the
2 payment of assessments made upon surviving members ~~, nor except~~
3 AND SHALL BE MADE in accordance with ~~, and under the conditions~~
4 ~~and restrictions of,~~ the statutes now or hereafter regulating
5 the business of life insurance. FOR A UNIVERSAL OR VARIABLE LIFE
6 INSURANCE CONTRACT, THE INSURER SHALL CLEARLY AND SPECIFICALLY
7 STATE THE AMOUNT OF BENEFITS OR MANNER IN WHICH THE BENEFITS ARE
8 CALCULATED.

9 (2) Every policy of life insurance hereafter issued or
10 delivered within this state by any life insurer doing business
11 within this state shall contain the entire contract between the
12 parties ~~. And~~ AND nothing shall be incorporated therein by
13 reference to any constitution, bylaws, rules, application, or
14 other writing unless the same are endorsed upon or attached to
15 the policy when issued.

16 (3) For standard provisions required in life insurance con-
17 tracts see chapters 40, ~~(life and annuities),~~ 42, ~~(industrial~~
18 ~~life),~~ and 44. ~~(group life).~~

19 SEC. 2236A. ALL OF THE FOLLOWING INFORMATION SHALL BE MAIN-
20 TAINED ON FILE BY THE INSURER FOR ALL INTEREST INDEXED UNIVERSAL
21 LIFE INSURANCE POLICIES:

22 (A) A DESCRIPTION OF HOW THE INTEREST CREDITS ARE DETER-
23 MINED, INCLUDING ALL OF THE FOLLOWING:

24 (i) A DESCRIPTION OF THE INDEX.

25 (ii) THE RELATIONSHIP BETWEEN THE VALUE OF THE INDEX AND THE
26 ACTUAL INTEREST RATE TO BE CREDITED.

1 (iii) THE FREQUENCY AND TIMING THAT DETERMINES THE INTEREST
2 RATE.

3 (iv) IF MORE THAN 1 RATE OF INTEREST APPLIES TO DIFFERENT
4 PORTIONS OF THE POLICY VALUE, THE ALLOCATION OF INTEREST
5 CREDITS.

6 (B) THE INSURER'S INVESTMENT POLICY, WHICH SHALL INCLUDE A
7 DESCRIPTION OF ALL OF THE FOLLOWING:

8 (i) HOW THE INSURER ADDRESSES THE REINVESTMENT RISKS.

9 (ii) HOW THE INSURER PLANS TO ADDRESS THE RISK OF CAPITAL
10 LOSS ON CASH OUTFLOWS.

11 (iii) HOW THE INSURER PLANS TO ADDRESS THE RISK THAT APPRO-
12 PRIATE INVESTMENTS MAY NOT BE AVAILABLE OR NOT AVAILABLE IN SUF-
13 FICIENT QUANTITIES.

14 (iv) HOW THE INSURER PLANS TO ADDRESS THE RISK THAT THE
15 INDEXED INTEREST RATE MAY FALL BELOW THE MINIMUM CONTRACTUAL
16 INTEREST RATE GUARANTEED IN THE POLICY.

17 (v) THE AMOUNT AND TYPE OF ASSETS CURRENTLY HELD FOR INTER-
18 EST INDEXED POLICIES.

19 (vi) THE AMOUNT AND TYPE OF ASSETS EXPECTED TO BE ACQUIRED
20 IN THE FUTURE.

21 (C) IF A POLICY IS LINKED TO AN INDEX FOR A SPECIFIED PERIOD
22 LESS THAN THE MATURITY DATE OF THE POLICY, A DESCRIPTION OF THE
23 METHOD TO BE USED TO DETERMINE INTEREST CREDITS UPON THE EXPIRA-
24 TION OF THE PERIOD.

25 (D) A DESCRIPTION OF ANY INTEREST GUARANTEE IN ADDITION TO
26 OR IN LIEU OF THE INDEX.

1 (E) A DESCRIPTION OF ANY MAXIMUM PREMIUM LIMITATIONS AND THE
2 CONDITIONS UNDER WHICH THEY APPLY.

3 SEC. 4001. AS USED IN THIS CHAPTER, THE FOLLOWING DEFINI-
4 TIONS APPLY ONLY TO UNIVERSAL LIFE INSURANCE:

5 (A) "CASH SURRENDER VALUE" MEANS THE NET CASH SURRENDER
6 VALUE PLUS ANY AMOUNTS OUTSTANDING AS POLICY LOANS.

7 (B) "FIXED PREMIUM UNIVERSAL LIFE INSURANCE POLICY" MEANS A
8 UNIVERSAL LIFE INSURANCE POLICY OTHER THAN A FLEXIBLE PREMIUM
9 UNIVERSAL LIFE INSURANCE POLICY.

10 (C) "FLEXIBLE PREMIUM UNIVERSAL LIFE INSURANCE POLICY" MEANS
11 A UNIVERSAL LIFE INSURANCE POLICY THAT PERMITS THE POLICYOWNER TO
12 VARY, INDEPENDENTLY OF EACH OTHER, THE AMOUNT OR TIMING OF 1 OR
13 MORE PREMIUM PAYMENTS OR THE AMOUNT OF INSURANCE.

14 (D) "INTEREST-INDEXED UNIVERSAL LIFE INSURANCE POLICY" MEANS
15 ANY UNIVERSAL LIFE INSURANCE POLICY WHERE THE INTEREST CREDITS
16 ARE LINKED TO AN EXTERNAL REFERENT.

17 (E) "NET CASH SURRENDER VALUE" MEANS THE MAXIMUM AMOUNT PAY-
18 ABLE TO THE POLICYOWNER UPON SURRENDER.

19 (F) "POLICY VALUE" MEANS THE AMOUNT TO WHICH SEPARATELY
20 IDENTIFIED INTEREST CREDITS AND MORTALITY, EXPENSE, OR OTHER
21 CHARGES ARE MADE UNDER A UNIVERSAL LIFE INSURANCE POLICY.

22 (G) "UNIVERSAL LIFE INSURANCE" MEANS ANY INDIVIDUAL OR GROUP
23 LIFE INSURANCE POLICY UNDER THE POLICY PROVISIONS OF WHICH SEPA-
24 RATELY IDENTIFIED INTEREST CREDITS, OTHER THAN IN CONNECTION WITH
25 DIVIDEND ACCUMULATIONS, PREMIUM DEPOSIT FUNDS, OR OTHER SUPPLE-
26 MENTARY ACCOUNTS, AND MORTALITY AND EXPENSE CHARGES ARE MADE TO
27 THE POLICY. A UNIVERSAL LIFE INSURANCE POLICY MAY PROVIDE FOR

1 OTHER CREDITS AND CHARGES, SUCH AS CHARGES FOR THE COST OF
2 BENEFITS PROVIDED BY RIDER.

3 Sec. 4012. ~~There shall be a provision for a~~ EACH LIFE
4 INSURANCE POLICY SHALL CONTAIN THE FOLLOWING PROVISIONS:

5 (A) A grace PERIOD of 1 month for the payment of every pre-
6 mium after the first year, which may be subject to an interest
7 charge, during which month the insurance shall continue in force
8 ~~—~~ AND which provision may contain a stipulation that if the
9 insured ~~shall die~~ DIES during the month of THE grace PERIOD,
10 the overdue premium will be deducted in any settlement under the
11 policy. FOR A FLEXIBLE PREMIUM UNIVERSAL LIFE INSURANCE POLICY,
12 AN INSURER MAY INSTEAD PROVIDE FOR A GRACE PERIOD OF AT LEAST 1
13 MONTH AFTER LAPSE WITH LAPSE OCCURRING ON THAT DATE ON WHICH THE
14 NET CASH SURRENDER VALUE FIRST EQUALS ZERO OR AS OTHERWISE
15 DEFINED IN THE POLICY.

16 (B) THAT WRITTEN NOTICE SHALL BE SENT BY THE INSURER TO THE
17 POLICYOWNER'S LAST KNOWN ADDRESS AT LEAST 30 DAYS PRIOR TO TERMI-
18 NATION OF COVERAGE.

19 Sec. 4018. ~~There shall be~~ EACH LIFE INSURANCE POLICY
20 SHALL CONTAIN a provision that if THERE IS A MISSTATEMENT AS TO
21 the age OR SEX of the insured ~~has been understated~~ IN THE
22 POLICY, the amount payable OR THE DEATH BENEFIT under the policy
23 shall be ~~such as the premium~~ THAT WHICH would ~~have~~ BE pur-
24 chased BY THE MOST RECENT MORTALITY CHARGE OR PREMIUM at the cor-
25 rect age OR SEX.

26 Sec. 4024. ~~There shall be~~ EACH LIFE INSURANCE POLICY
27 SHALL CONTAIN a provision for nonforfeiture benefits and cash

1 surrender values in accordance with the requirements of section
2 4058, ~~or section~~ 4060, OR 4061.

3 Sec. 4026. ~~There shall be~~ EXCEPT FOR UNIVERSAL LIFE
4 INSURANCE POLICIES, EACH LIFE INSURANCE POLICY SHALL CONTAIN a
5 table showing in figures the loan values ~~—~~ and the options
6 available under the policies each year upon default in premium
7 payments ~~—~~ during at least the first 20 years of the policy.
8 UNIVERSAL LIFE INSURANCE POLICIES SHALL CLEARLY DESCRIBE AND
9 ILLUSTRATE CALCULATIONS USED TO DETERMINE LOAN VALUES AND THE
10 OPTIONS AVAILABLE UNDER THE POLICIES UPON DEFAULT IN PREMIUM
11 PAYMENTS.

12 SEC. 4037. EACH UNIVERSAL LIFE INSURANCE POLICY SHALL CON-
13 TAIN ALL OF THE FOLLOWING PROVISIONS:

14 (A) THAT THE INSURER WILL SEND TO THE POLICYHOLDER WITHOUT
15 CHARGE AT LEAST ANNUALLY A REPORT ADVISING THE POLICYHOLDER AS TO
16 THE POLICY STATUS. THE END OF THE CURRENT REPORT PERIOD SHALL BE
17 NOT MORE THAN 3 MONTHS PRIOR TO THE DATE OF THE MAILING OF THE
18 REPORT. THE REPORT SHALL INCLUDE ALL OF THE FOLLOWING:

19 (i) THE BEGINNING AND END OF THE CURRENT REPORT PERIOD.

20 (ii) THE POLICY VALUE AT THE END OF THE PREVIOUS REPORT
21 PERIOD AND AT THE END OF THE CURRENT REPORT PERIOD.

22 (iii) THE TOTAL OF ALL AMOUNTS, IDENTIFYING EACH BY TYPE
23 SUCH AS INTEREST, MORTALITY, EXPENSE, AND RIDERS, THAT HAVE BEEN
24 CREDITED OR DEBITED TO THE POLICY VALUE DURING THE CURRENT REPORT
25 PERIOD.

26 (iv) THE CURRENT DEATH BENEFIT AT THE END OF THE CURRENT
27 REPORT PERIOD ON EACH LIFE COVERED BY THE POLICY.

1 (v) THE NET CASH SURRENDER VALUE OF THE POLICY AS OF THE END
2 OF THE CURRENT REPORT PERIOD.

3 (vi) THE AMOUNT OF OUTSTANDING LOANS, IF ANY, AS OF THE END
4 OF THE CURRENT REPORT PERIOD.

5 (vii) FOR FIXED PREMIUM UNIVERSAL LIFE INSURANCE POLICIES,
6 IF, ASSUMING GUARANTEED INTEREST, MORTALITY, AND EXPENSE LOADS
7 AND CONTINUED SCHEDULED PREMIUM PAYMENTS, THE POLICY'S NET CASH
8 SURRENDER VALUE IS SUCH THAT IT WOULD NOT MAINTAIN INSURANCE IN
9 FORCE UNTIL THE END OF THE NEXT REPORTING PERIOD, A NOTICE TO
10 THIS EFFECT.

11 (viii) FOR FLEXIBLE PREMIUM UNIVERSAL LIFE INSURANCE POLI-
12 CIES, IF, ASSUMING GUARANTEED INTEREST, MORTALITY, AND EXPENSE
13 LOADS, THE POLICY'S NET CASH SURRENDER VALUE WILL NOT MAINTAIN
14 INSURANCE IN FORCE UNTIL THE END OF THE NEXT REPORTING PERIOD
15 UNLESS FURTHER PREMIUM PAYMENTS ARE MADE, A NOTICE TO THIS
16 EFFECT.

17 (B) AN ILLUSTRATIVE REPORT THAT WILL BE SENT TO THE POLICY-
18 OWNER UPON REQUEST. THIS REPORT SHALL CONTAIN THE SAME MINIMUM
19 REQUIREMENTS AS THOSE SET FORTH IN THE UNIVERSAL LIFE DISCLOSURE
20 REQUIREMENTS IN SECTION 4038.

21 (C) GUARANTEES OF MINIMUM INTEREST CREDITS AND MAXIMUM MOR-
22 TALITY AND EXPENSE CHARGES, ALL VALUES AND DATA SHOWN IN THE
23 POLICY ARE BASED ON GUARANTEES, FIGURES BASED ON NONGUARANTEES
24 ARE NOT INCLUDED IN THE POLICY, MINIMUM AND MAXIMUM GUARANTEES
25 ARE IN ADDITION TO ANY INDEX GUARANTEES, AND IF GUARANTEED CRED-
26 ITS OR CHARGES ARE ALSO THE CURRENT CREDITS OR CHARGES, THE
27 AMOUNTS MAY BE INCLUDED IN THE POLICY IF CLEARLY LABELLED. THE

1 MATURITY DATE IS NOT CONSIDERED A GUARANTEE FOR PURPOSES OF THIS
2 SECTION.

3 (D) AT LEAST A GENERAL DESCRIPTION OF THE CALCULATION OF
4 CASH SURRENDER VALUES INCLUDING ALL OF THE FOLLOWING
5 INFORMATION:

6 (i) THE GUARANTEED MAXIMUM EXPENSE CHARGES AND LOADS.

7 (ii) ANY LIMITATION ON THE CREDITING OF ADDITIONAL
8 INTEREST. INTEREST CREDITS SHALL NOT REMAIN CONDITIONAL FOR A
9 PERIOD LONGER THAN 12 MONTHS.

10 (iii) THE GUARANTEED MINIMUM RATE OR RATES OF INTEREST.

11 (iv) THE GUARANTEED MAXIMUM MORTALITY CHARGES.

12 (v) ANY OTHER GUARANTEED CHARGES.

13 (vi) ANY SURRENDER OR PARTIAL WITHDRAWAL CHARGES.

14 (E) IF THE POLICYOWNER HAS THE RIGHT TO CHANGE THE BASIC
15 COVERAGE, A STATEMENT OF ANY LIMITATION ON THE AMOUNT OR TIMING
16 OF THE CHANGE. IF THE POLICYOWNER HAS THE RIGHT TO INCREASE THE
17 BASIC COVERAGE, A STATEMENT AS TO WHETHER A NEW PERIOD OF CONTE-
18 TABILITY OR SUICIDE IS APPLICABLE TO THE ADDITIONAL COVERAGE.

19 (F) IF A POLICY PROVIDES FOR A MATURITY DATE, END DATE, OR
20 SIMILAR DATE, THEN A STATEMENT, IN CLOSE PROXIMITY TO THAT DATE,
21 THAT IT IS POSSIBLE THAT COVERAGE MAY NOT CONTINUE TO THE MATU-
22 RITY DATE EVEN IF SCHEDULED PREMIUMS ARE PAID IN A TIMELY MANNER,
23 IF SUCH IS THE CASE.

24 SEC. 4038. (1) AS USED IN THIS SECTION, "POLICY COST
25 FACTORS" MEANS THOSE AMOUNTS THAT AFFECT THE PRICE PER THOUSAND
26 OF LIFE INSURANCE COVERAGE OR OTHER BENEFITS. THEY INCLUDE
27 INTEREST, MORTALITY, EXPENSE CHARGES, AND FEES, INCLUDING ANY

1 SURRENDER OR WITHDRAWAL CHARGES, BUT NOT PERSISTENCY

2 ASSUMPTIONS.

3 (2) UNLESS A STATEMENT OF POLICY INFORMATION IS PROVIDED
4 PURSUANT TO SUBSECTION (3), FOR INITIAL DISCLOSURE IN CONNECTION
5 WITH ANY ADVERTISING, SOLICITATION, OR NEGOTIATION OF A UNIVERSAL
6 LIFE INSURANCE POLICY ALL OF THE FOLLOWING ARE REQUIRED:

7 (A) ANY STATEMENT OF POLICY COST FACTORS OR BENEFITS SHALL
8 CONTAIN ALL OF THE FOLLOWING:

9 (i) THE CORRESPONDING GUARANTEED POLICY COST FACTORS OR BEN-
10 EFITS, CLEARLY IDENTIFIED.

11 (ii) A STATEMENT EXPLAINING THE NONGUARANTEED NATURE OF ANY
12 CURRENT INTEREST RATES, CHARGES, OR OTHER FEES APPLIED TO THE
13 POLICY, INCLUDING THE INSURER'S RIGHTS TO ALTER ANY OF THESE
14 FACTORS.

15 (iii) ANY LIMITATION ON THE CREDITING OF INTEREST, INCLUDING
16 IDENTIFICATION OF THOSE PORTIONS OF THE POLICY TO WHICH A SPECI-
17 FIED INTEREST RATE SHALL BE CREDITED.

18 (B) ANY ILLUSTRATION OF THE POLICY VALUE SHALL BE ACCOM-
19 PANIED BY THE CORRESPONDING NET CASH SURRENDER VALUE.

20 (C) ANY STATEMENT REGARDING THE CREDITING OF A SPECIFIC CUR-
21 RENT INTEREST RATE SHALL ALSO CONTAIN THE FREQUENCY AND TIMING BY
22 WHICH THAT RATE IS DETERMINED.

23 (D) IF ANY STATEMENT REFERS TO THE POLICY BEING
24 INTEREST-INDEXED, THE INDEX SHALL BE DESCRIBED. IN ADDITION, A
25 DESCRIPTION SHALL BE GIVEN OF THE FREQUENCY AND TIMING OF DETER-
26 MINING THE INTEREST RATE AND OF ANY ADJUSTMENTS MADE TO THE INDEX
27 IN ARRIVING AT THE INTEREST RATE CREDITED UNDER THE POLICY.

1 (E) ANY ILLUSTRATED BENEFITS BASED UPON NONGUARANTEED
2 INTEREST, MORTALITY, OR EXPENSE FACTORS SHALL BE ACCOMPANIED BY A
3 STATEMENT INDICATING THAT THESE BENEFITS ARE NOT GUARANTEED.

4 (F) IF THE GUARANTEED COST FACTORS OR INITIAL POLICY COST
5 FACTOR ASSUMPTIONS WOULD RESULT IN POLICY VALUES BECOMING
6 EXHAUSTED PRIOR TO THE POLICY'S MATURITY DATE, THAT FACT SHALL BE
7 DISCLOSED, INCLUDING NOTICE THAT COVERAGE WILL TERMINATE UNDER
8 SUCH CIRCUMSTANCES.

9 (3) AT THE TIME THE AGENT TAKES AN APPLICATION FOR A POLICY,
10 EXCEPT AS PROVIDED IN SUBSECTION (4), THE AGENT SHALL FURNISH TO
11 THE APPLICANT A STATEMENT OF POLICY INFORMATION FOR THE APPLICANT
12 IN A FORMAT APPROVED BY THE COMMISSIONER. THE ILLUSTRATION OF
13 POLICY PREMIUM, DEATH BENEFIT, AND CASH VALUE SHALL BE SHOWN FOR
14 THE CURRENT INTEREST RATE ACTUALLY BEING PAID ON EXISTING POLI-
15 CIES IN FORCE AND FOR THE INTEREST RATE GUARANTEED IN THE
16 POLICY. NO INTEREST RATES OTHER THAN THESE MAY BE ILLUSTRATED.
17 THE COMMISSIONER SHALL ISSUE GUIDELINES FOR THE STATEMENT OF
18 POLICY INFORMATION.

19 (4) IF THE POLICY INFORMATION FOR THE APPLICANT IS NOT FUR-
20 NISHED AT THE TIME OF APPLICATION, IT SHALL BE DELIVERED WITHIN
21 15 WORKING DAYS AFTER THE APPLICATION IS TAKEN, BUT AT LEAST 5
22 DAYS BEFORE DELIVERY OF THE POLICY.

23 (5) IF THE POLICY IS DELIVERED SOONER THAN 5 DAYS AFTER THE
24 POLICY INFORMATION FOR THE APPLICANT, THE FREE-LOOK PERIOD SHALL
25 BE EXTENDED TO 15 DAYS. IF THE STATEMENT OF POLICY INFORMATION
26 FOR APPLICANT IS NOT DELIVERED AT THE TIME OF APPLICATION, THE
27 DISCLOSURE SHALL BE ACCOMPANIED BY A STATEMENT THAT IT IS

1 DELIVERED FOR THE EXPRESS PURPOSE OF ALLOWING COMPARISON WITH
2 OTHER POLICIES.

3 (6) FOR DIRECT RESPONSE SOLICITATION METHODS, THE STATEMENT
4 OF POLICY INFORMATION FOR THE APPLICANT IN COMPLIANCE WITH THE
5 GUIDELINES MAY BE FURNISHED AT THE TIME OF DELIVERY OF THE
6 POLICY, SO LONG AS THE PURCHASER IS GIVEN AN UNCONDITIONAL REFUND
7 PROVISION OF AT LEAST 10 DAYS.

8 Sec. 4060. (1) This section shall be known as the standard
9 nonforfeiture law for life insurance AND SHALL APPLY TO LIFE
10 INSURANCE CONTRACTS EXCEPT AS OTHERWISE PROVIDED IN SECTION 4061
11 FOR UNIVERSAL LIFE INSURANCE CONTRACTS.

12 (2) ~~In the case of~~ FOR policies issued on and after the
13 operative date of this section, as defined in subsection (10), a
14 policy of life insurance, except as stated in subsection (9),
15 shall not be delivered or issued for delivery in this state
16 unless it contains in substance the following provisions, or cor-
17 responding provisions ~~which~~ THAT in the opinion of the commis-
18 sioner are at least as favorable to the defaulting or surrender-
19 ing policyholder as are the minimum requirements specified in
20 this subsection and are essentially in compliance with subsection
21 (8):

22 (a) That in the event of default in a premium payment, the
23 company will grant, upon proper request not later than 60 days
24 after the due date of the premium in default, a paid-up nonfor-
25 feiture benefit on a plan stipulated in the policy, effective as
26 of that due date, of an amount as specified in this section. In
27 lieu of the stipulated paid-up nonforfeiture benefit, the company

1 may substitute, upon proper request not later than 60 days after
2 the due date of the premium in default, an actuarially equivalent
3 alternative paid-up nonforfeiture benefit ~~which~~ THAT provides a
4 greater amount or longer period of death benefits or, if applica-
5 ble, a greater amount or earlier payment of endowment benefits.

6 (b) That upon surrender of the policy within 60 days after
7 the due date of a premium payment in default, after premiums have
8 been paid for not less than 3 full years in the case of ordinary
9 insurance or 5 full years in the case of industrial insurance,
10 the company will pay, in place of any paid-up nonforfeiture bene-
11 fit, a cash surrender value of an amount specified in this
12 section.

13 (c) That a specified paid-up nonforfeiture benefit shall
14 become effective as specified in the policy unless the person
15 entitled to make the election elects another available option not
16 later than 60 days after the due date of the premium in default.

17 (d) That if the policy has become paid up by completion of
18 all premium payments or if it is continued under any paid-up non-
19 forfeiture benefit which became effective on or after the third
20 policy anniversary in the case of ordinary insurance or the fifth
21 policy anniversary in the case of industrial insurance, the com-
22 pany will pay, upon surrender of the policy within 30 days after
23 any policy anniversary, a cash surrender value of an amount spec-
24 ified in this section.

25 (e) ~~In the case of~~ THAT FOR policies ~~which~~ THAT cause on
26 a basis guaranteed in the policy unscheduled changes in benefits
27 or premiums, or ~~which~~ THAT provide an option for changes in

1 benefits or premiums other than a change to a new policy, a
2 statement of the mortality table, interest rate, and method used
3 in calculating cash surrender values and the paid-up nonforfeiture
4 benefits available under the policy. ~~In the case of~~ FOR
5 all other policies, a statement of the mortality table and interest
6 rate used in calculating the cash surrender values and the
7 paid-up nonforfeiture benefits available under the policy,
8 together with a table showing the cash surrender value, if any,
9 and paid-up nonforfeiture benefit, if any, available under the
10 policy on each policy anniversary either during the first 20
11 policy years or during the term of the policy, whichever is
12 shorter. The values and benefits shall be calculated upon the
13 assumption that there are no dividends or paid-up additions credited
14 to the policy and that there is no indebtedness to the company
15 on the policy.

16 (f) A statement that the cash surrender values and the
17 paid-up nonforfeiture benefits available under the policy are not
18 less than the minimum values and benefits required by or pursuant
19 to the insurance law of the state in which the policy is delivered;
20 an explanation of the manner in which the cash surrender
21 values and the paid-up nonforfeiture benefits are altered by the
22 existence of any paid-up additions credited to the policy or any
23 indebtedness to the company on the policy; if a detailed statement
24 of the method of computation of the values and benefits
25 shown in the policy is not stated in the policy, a statement that
26 the method of computation has been filed with the insurance
27 supervisory official of the state in which the policy is

1 delivered; and a statement of the method to be used in
2 calculating the cash surrender value and paid-up nonforfeiture
3 benefit available under the policy on any policy anniversary
4 beyond the last anniversary for which the values and benefits are
5 consecutively shown in the policy.

6 Subdivisions (a) to (f) or portions of those subdivisions
7 not applicable by reason of the plan of insurance, to the extent
8 inapplicable, may be omitted from the policy.

9 The company shall reserve the right to defer the payment of
10 any cash surrender value for a period of 6 months after demand
11 for the payment with surrender of the policy.

12 (3) Any cash surrender value available under the policy in
13 the event of default in a premium payment due on any policy anni-
14 versary, whether or not required by subsection (2), shall be an
15 amount not less than the excess, if any, of the present value, on
16 the anniversary, of the future guaranteed benefits ~~which~~ THAT
17 would have been provided for by the policy, including any exist-
18 ing paid-up additions, if there had been no default, over the sum
19 of the then present value of the adjusted premiums as defined in
20 subsection (5), corresponding to premiums ~~which~~ THAT would have
21 fallen due on and after the anniversary, and the amount of any
22 indebtedness to the company on the policy. However, for any
23 policy issued on or after the operative date of paragraphs 9 to
24 19 of subsection (5) ~~which~~ THAT provides supplemental life
25 insurance or annuity benefits at the option of the insured and
26 for an identifiable additional premium by rider or supplemental
27 policy provision, the cash surrender value shall be an amount not

1 less than the sum of the cash surrender value for an otherwise
2 similar policy issued at the same age without the rider or sup-
3 plemental policy provision and the cash surrender value for a
4 policy ~~which~~ THAT provides only the benefits otherwise provided
5 by the rider or supplemental policy provision.

6 For any family policy issued on or after the operative date
7 of paragraphs 9 to 19 of subsection (5) ~~which~~ THAT defines a
8 primary insured and provides term insurance on the life of the
9 spouse of the primary insured expiring before the spouse's age
10 71, the cash surrender value shall be an amount not less than the
11 sum of the cash surrender value for an otherwise similar policy
12 issued at the same age without the term insurance on the life of
13 the spouse and the cash surrender value for a policy ~~which~~ THAT
14 provides only the benefits otherwise provided by the term insur-
15 ance on the life of the spouse.

16 Any cash surrender value available within 30 days after a
17 policy anniversary under a policy paid up by completion of all
18 premium payments or a policy continued under a paid-up nonforfeiture
19 benefit, whether or not required by subsection (2), shall be
20 an amount not less than the present value, on the anniversary, of
21 the future guaranteed benefits provided for by the policy,
22 including any existing paid-up additions, decreased by any
23 indebtedness to the company on the policy.

24 (4) Any paid-up nonforfeiture benefit available under the
25 policy in the event of default in a premium payment due on a
26 policy anniversary shall be such that its present value as of the
27 anniversary shall at least equal the cash surrender value then

1 provided for by the policy or, if none is provided for, that cash
2 surrender value ~~which~~ THAT would have been required by this
3 section in the absence of the condition that premiums shall have
4 been paid for at least a specified period.

5 (5) Paragraphs 1 to 8 of this subsection shall not apply to
6 policies issued on or after the operative date of paragraphs 9 to
7 19 as defined in paragraph 19. Except as provided in the third
8 paragraph of this subsection, the adjusted premiums for a policy
9 shall be calculated on an annual basis and shall be a uniform
10 percentage of the respective premiums specified in the policy for
11 each policy year, excluding any extra premiums charged because of
12 impairments or special hazards, so that the present value, at the
13 date of issue of the policy, of all the adjusted premiums equals
14 the sum of (I) the then present value of the future guaranteed
15 benefits provided for by the policy; (II) 2% of the amount of
16 insurance, if the insurance is uniform in amount, or of the
17 equivalent uniform amount, as hereinafter defined, if the amount
18 of insurance varies with duration of the policy; (III) 40% of the
19 adjusted premium for the first policy year; (IV) 25% of either
20 the adjusted premium for the first policy year or the adjusted
21 premium for a whole life policy of the same uniform or equivalent
22 uniform amount with uniform premiums for the whole of life issued
23 at the same age for the same amount of insurance, whichever is
24 less. In applying the percentages specified in items (III) and
25 (IV) above, an adjusted premium shall not be considered to exceed
26 4% of the amount of insurance or uniform amount equivalent
27 thereto. The date of issue of a policy for the purpose of this

1 subsection shall be the date as of which the rated age of the
2 insured is determined.

3 In the case of a policy providing an amount of insurance
4 varying with duration of the policy, the equivalent uniform
5 amount of the policy for the purpose of this subsection shall be
6 considered to be the uniform amount of insurance provided by an
7 otherwise similar policy, containing the same endowment benefit
8 or benefits, if any, issued at the same age and for the same
9 term, the amount of which does not vary with duration and the
10 benefits under which have the same present value at the date of
11 issue as the benefits under the policy. However, in the case of
12 a policy providing a varying amount of insurance issued on the
13 life of a child under age 10, the equivalent uniform amount may
14 be computed as though the amount of insurance provided by the
15 policy before the attainment of age 10 were the amount provided
16 by the policy at age 10.

17 The adjusted premiums for a policy providing term insurance
18 benefits by rider or supplemental policy provision shall be equal
19 to (a) the adjusted premiums for an otherwise similar policy
20 issued at the same age without the term insurance benefits,
21 increased, during the period for which premiums for the term
22 insurance benefits are payable, by (b) the adjusted premiums for
23 that term insurance. Items (a) and (b) shall be calculated sepa-
24 rately and as specified in the first 2 paragraphs of this
25 subsection. However, for the purposes of items (II), (III), and
26 (IV) of the first paragraph of this subsection, the amount of
27 insurance or equivalent uniform amount of insurance used in the

1 calculation of the adjusted premiums referred to in (b) shall be
2 equal to the excess of the corresponding amount determined for
3 the entire policy over the amount used in the calculation of the
4 adjusted premiums in (a).

5 Except as otherwise provided in paragraph 5 of this subsec-
6 tion, for all policies of ordinary insurance, all adjusted premi-
7 ums and present values referred to in this section shall be cal-
8 culated on the basis of the commissioners 1941 standard ordinary
9 mortality table. For a category of ordinary insurance issued on
10 female risks, adjusted premiums and present values may be calcu-
11 lated according to an age not more than 3 years younger than the
12 actual age of the insured. Except as otherwise provided in para-
13 graph 7 of this subsection, the calculations for all policies of
14 industrial insurance shall be made on the basis of the 1941 stan-
15 dard industrial mortality table. All calculations shall be made
16 on the basis of the rate of interest, not exceeding 3-1/2% per
17 annum, specified in the policy for calculating cash surrender
18 values and paid-up nonforfeiture benefits. In calculating the
19 present value of any paid-up term insurance with accompanying
20 pure endowment, if any, offered as a nonforfeiture benefit, the
21 rates of mortality assumed may be not more than 130% of the rates
22 of mortality according to the applicable table. For insurance
23 issued on a substandard basis, the calculation of adjusted premi-
24 ums and present values may be based on another table of mortality
25 as specified by the company and approved by the commissioner.

26 ~~In the case of~~ FOR ordinary policies issued on or after
27 the operative date of this paragraph, as defined in paragraph 6,

1 all adjusted premiums and present values referred to in this
2 section shall be calculated on the basis of the commissioners
3 1958 standard ordinary mortality table and the rate of interest
4 specified in the policy for calculating cash surrender values and
5 paid-up nonforfeiture benefits. However, the rate of interest
6 shall not exceed 3-1/2% per annum, except that a rate of interest
7 not exceeding 4% per annum may be used for policies issued on or
8 after October 21, 1974, and before October 1, 1980, and a rate of
9 interest not exceeding 5-1/2% per annum may be used for policies
10 issued on or after October 1, 1980. For a category of ordinary
11 insurance issued on female risks, adjusted premiums and present
12 values may be calculated according to an age not more than 6
13 years younger than the actual age of the insured. In calculating
14 the present value of a paid-up term insurance with accompanying
15 pure endowment, if any, offered as a nonforfeiture benefit, the
16 rates of mortality assumed may be not more than those shown in
17 the commissioners 1958 extended term insurance table. For insur-
18 ance issued on a substandard basis, the calculation of adjusted
19 premiums and present values may be based on another table of mor-
20 tality as specified by the company and approved by the
21 commissioner.

22 After May 23, 1960, any company may file with the commis-
23 sioner a written notice of its election to invoke the provisions
24 of paragraph 5 after a specified date before January 1, 1966.
25 After the filing of the notice, then on the specified date,
26 ~~which~~ THAT shall be the operative date for the company,
27 paragraph 5 shall become operative with respect to the ordinary

1 policies issued by the company and bearing a date of issue
2 ~~which~~ THAT is the same as or later than the specified date. If
3 a company does not make an election, the operative date of para-
4 graph 5 for the company shall be January 1, 1966.

5 ~~In the case of~~ FOR industrial policies issued on or after
6 the operative date of this paragraph, as defined in paragraph 8,
7 all adjusted premiums and present values referred to in this sec-
8 tion shall be calculated on the basis of the commissioners 1961
9 standard industrial mortality table and the rate of interest
10 specified in the policy for calculating cash surrender values and
11 paid-up nonforfeiture benefits. However, the rate of interest
12 shall not exceed 3-1/2% per annum, except that a rate of interest
13 not exceeding 4% per annum may be used for policies issued on or
14 after October 21, 1974, and before October 1, 1980, and a rate of
15 interest not exceeding 5-1/2% per annum may be used for policies
16 issued on or after October 1, 1980. In calculating the present
17 value of paid-up term insurance with accompanying pure endowment,
18 if any, offered as a nonforfeiture benefit, the rates of mortal-
19 ity assumed may be not more than those shown in the commissioners
20 1961 industrial extended term insurance table. For insurance
21 issued on a substandard basis, the calculation of adjusted premi-
22 ums and present values may be based on another table of mortality
23 as specified by the company and approved by the commissioner.

24 After May 23, 1969, a company may file with the commissioner
25 a written notice of its election to invoke the provisions of
26 paragraph 7 after a specified date before January 1, 1968. After
27 the filing of the notice, then on the specified date, which shall

1 be the operative date for the company, paragraph 7 shall become
2 operative with respect to the industrial policies issued by the
3 company and ~~which~~ THAT bear a date of issue the same as or
4 later than the specified date. If a company does not make an
5 election, the operative date of paragraph 7 for the company shall
6 be January 1, 1968.

7 Paragraphs 9 to 19 shall apply to all policies issued on or
8 after the operative date of those paragraphs as defined in para-
9 graph 19. Except as provided in paragraph 15, the adjusted pre-
10 miums for any policy shall be calculated on an annual basis and
11 shall be a uniform percentage of the respective premiums speci-
12 fied in the policy for each policy year, excluding amounts pay-
13 able as extra premiums to cover impairments or special hazards
14 and also excluding any uniform annual contract charge or policy
15 fee specified in the policy in a statement of the method to be
16 used in calculating the cash surrender values and paid-up nonfor-
17 feiture benefits, so that the present value, at the date of issue
18 of the policy, of all adjusted premiums shall be equal to the sum
19 of (i) the then present value of the future guaranteed benefits
20 provided for by the policy; (ii) 1% of either the amount of
21 insurance, if the insurance be uniform in amount, or the average
22 amount of insurance at the beginning of each of the first 10
23 policy years; and (iii) 125% of the nonforfeiture net level pre-
24 mium as defined in this subsection. However, in applying the
25 percentage specified in (iii), the nonforfeiture net level pre-
26 mium shall not be deemed to exceed 4% of either the amount of
27 insurance, if the insurance is uniform in amount, or the average

1 amount of insurance at the beginning of each of the first 10
2 policy years. The date of issue of a policy for the purpose of
3 this subsection shall be the date as of which the rated age of
4 the insured is determined.

5 The nonforfeiture net level premium shall be equal to the
6 present value, at the date of issue of the policy, of the guaran-
7 teed benefits provided for by the policy divided by the present
8 value, at the date of issue of the policy, of an annuity of 1 per
9 annum payable on the date of issue of the policy and on each
10 anniversary of the policy on which a premium falls due.

11 ~~In the case of~~ FOR policies ~~which~~ THAT cause on a basis
12 guaranteed in the policy unscheduled changes in benefits or pre-
13 miums, or ~~which~~ THAT provide an option for changes in benefits
14 or premiums other than a change to a new policy, the adjusted
15 premiums and present values initially shall be calculated on the
16 assumption that future benefits and premiums will not change from
17 those stipulated at the date of issue of the policy. At the time
18 of a change in the benefits or premiums, the future adjusted pre-
19 miums, nonforfeiture net level premiums, and present values shall
20 be recalculated on the assumption that future benefits and premi-
21 ums will not change from those stipulated by the policy immedi-
22 ately after the change.

23 Except as otherwise provided in paragraph 15 of this subsec-
24 tion, the recalculated future adjusted premiums shall be a uni-
25 form percentage of the respective future premiums specified in
26 the policy for each policy year, excluding amounts payable as
27 extra premiums to cover impairments and special hazards and

1 excluding any uniform annual contract charge or policy fee
2 specified in the policy in a statement of the method to be used
3 in calculating the cash surrender values and paid-up nonforfeiture
4 benefits, so that the present value, at the time of change
5 to the newly defined benefits or premiums, of all such future
6 adjusted premiums shall be equal to the excess of the sum of the
7 then present value of the then future guaranteed benefits provided
8 for by the policy and the additional expense allowance, if
9 any, over the then cash surrender value, if any, or present value
10 of any paid-up nonforfeiture benefit under the policy.

11 The additional expense allowance, at the time of the change
12 to the newly defined benefits or premiums, shall be the sum of 1%
13 of the excess, if positive, of the average amount of insurance at
14 the beginning of each of the first 10 policy years after the
15 change over the average amount of insurance before the change at
16 the beginning of each of the first 10 policy years after the time
17 of the most recent previous change, or, if there has been no previous
18 change, the date of issue of the policy; and 125% of the
19 increase, if positive, in the nonforfeiture net level premium.

20 The recalculated nonforfeiture net level premium shall be
21 equal to the result obtained by dividing (a) by (b) where (a)
22 equals the sum of (i) the nonforfeiture net level premium applicable
23 before the change times the present value of an annuity of
24 1 per annum payable on each anniversary of the policy on or after
25 the date of the change on which a premium would have fallen due
26 had the change not occurred; and (ii) the present value of the
27 increase in future guaranteed benefits provided for by the

1 policy, and (b) equals the present value of an annuity of 1 per
2 annum payable on each anniversary of the policy on or after the
3 date of change on which a premium falls due.

4 Notwithstanding any other provisions of this subsection to
5 the contrary, ~~in the case of~~ FOR a policy issued on a sub-
6 standard basis ~~which~~ THAT provides reduced graded amounts of
7 insurance so that, in each policy year, the policy has the same
8 tabular mortality cost as an otherwise similar policy issued on
9 the standard basis ~~which~~ THAT provides higher uniform amounts
10 of insurance, adjusted premiums and present values for the sub-
11 standard policy may be calculated as if it were issued to provide
12 the higher uniform amounts of insurance on the standard basis.

13 All adjusted premiums and present values referred to in this
14 section for all policies of ordinary insurance shall be calcu-
15 lated on the basis of the commissioners 1980 standard ordinary
16 mortality table or, at the election of the company for any 1 or
17 more specified plans of life insurance, the commissioners 1980
18 standard ordinary mortality table with 10-year select mortality
19 factors. All adjusted premiums and present values referred to in
20 this section for all policies of industrial insurance shall be
21 calculated on the basis of the commissioners 1961 standard indus-
22 trial mortality table. All adjusted premiums and present values
23 referred to in this section for all policies issued in a particu-
24 lar calendar year shall be calculated on the basis of a rate of
25 interest not exceeding the nonforfeiture interest rate as defined
26 in this subsection for policies issued in that calendar year.
27 However:

1 subsection at a specified date before January 1, 1989, which
2 shall be the operative date of those paragraphs for that
3 company. If a company makes no election, the operative date of
4 paragraphs 9 to 19 of this subsection for the company shall be
5 January 1, 1989.

6 (6) ~~In the case of~~ FOR any plan of life insurance ~~which~~
7 THAT provides for future premium determination, the amounts of
8 which are to be determined by the insurance company based on then
9 estimates of future experience, or ~~in the case of~~ FOR any plan
10 of life insurance ~~which~~ THAT is of such a nature that minimum
11 values cannot be determined by the methods described in subsec-
12 tions (2) to (5):

13 (a) The commissioner must be satisfied that the benefits
14 provided under the plan are substantially as favorable to policy-
15 holders and insureds as the minimum benefits otherwise required
16 by subsections (2) to (5).

17 (b) The commissioner must be satisfied that the benefits and
18 the pattern of premiums of that plan are not misleading to pro-
19 spective policyholders or insureds.

20 (c) The cash surrender values and paid-up nonforfeiture ben-
21 efits provided by the plan must not be less than the minimum
22 values and benefits required for the plan computed by a method
23 consistent with the principles of this section, as determined by
24 rules promulgated by the commissioner.

25 (7) Any cash surrender value and paid-up nonforfeiture bene-
26 fit, available under the policy in the event of default in a
27 premium payment due at a time other than on the policy

1 anniversary, shall be calculated with allowance for the lapse of
2 time and the payment of fractional premiums beyond the last pre-
3 ceding policy anniversary. All values referred to in subsections
4 (3), (4), and (5) may be calculated on the assumption that a
5 death benefit is payable at the end of the policy year of death.
6 The net value of any paid-up additions, other than paid-up term
7 additions, shall be not less than the amounts used to provide the
8 additions. Notwithstanding subsection (3), additional benefits
9 payable in any of the following ways, and premiums for all these
10 additional benefits, shall be disregarded in ascertaining cash
11 surrender values and nonforfeiture benefits required by this sec-
12 tion, and the additional benefits shall not be required to be
13 included in any paid-up nonforfeiture benefits:

14 (a) In the event of death or dismemberment by accident or
15 accidental means.

16 (b) In the event of total and permanent disability.

17 (c) As reversionary annuity or deferred reversionary annuity
18 benefits.

19 (d) As term insurance benefits provided by a rider or sup-
20 plemental policy provision to which, if issued as a separate
21 policy, this section would not apply.

22 (e) As term insurance on the life of a child or on the lives
23 of children provided in a policy on the life of a parent of the
24 child, if the term insurance expires before the child's age is
25 26, is uniform in amount after the child's age is 1, and has not
26 become paid-up by reason of the death of a parent of the child.

1 (f) As other policy benefits additional to life insurance
2 and endowment benefits.

3 (8) This subsection shall apply to all policies issued on or
4 after January 1, 1986. ~~of the fourth calendar year commencing~~
5 ~~after the effective date of this amendatory act of 1982.~~ Any
6 cash surrender value available under the policy in the event of
7 default in a premium payment due on any policy anniversary shall
8 be in an amount ~~which~~ THAT does not differ by more than 0.2% of
9 either the amount of insurance, if the insurance is uniform in
10 amount, or the average amount of insurance at the beginning of
11 each of the first 10 policy years from the sum of (a) the greater
12 of zero and the basic cash value as specified in this subsection
13 and (b) the present value of any existing paid-up additions less
14 the amount of any indebtedness to the company under the policy.

15 The basic cash value shall be equal to the present value on
16 such anniversary of the future guaranteed benefits ~~which~~ THAT
17 would have been provided for by the policy, excluding any exist-
18 ing paid-up additions and before deduction of any indebtedness to
19 the company, if there had been no default less the then present
20 value of the nonforfeiture factors, as defined in this subsec-
21 tion, corresponding to premiums ~~which~~ THAT would have fallen
22 due on and after such anniversary. However, the effects on the
23 basic cash value of supplemental life insurance or annuity bene-
24 fits or of family coverage shall be the same as are the effects
25 specified in subsection (3) or (5), whichever is applicable, on
26 the cash surrender values.

1 The nonforfeiture factor for each policy year shall be an
2 amount equal to a percentage of the adjusted premium for the
3 policy year, as defined in paragraphs 1 to 4 of subsection (5) or
4 paragraphs 9 to 19 of subsection (5), whichever is applicable.

5 The nonforfeiture factor:

6 (a) Must be the same percentage for each policy year between
7 the second policy anniversary and the later of the fifth policy
8 anniversary and the first policy anniversary at which there is
9 available under the policy a cash surrender value in an amount,
10 before including any paid-up additions and before deducting any
11 indebtedness, of at least 0.2% of either the amount of insurance,
12 if the insurance is uniform in amount, or the average amount of
13 insurance at the beginning of each of the first 10 policy years.

14 (b) Must be such that no percentage after the later of the 2
15 policy anniversaries specified in subdivision (a) may apply to
16 fewer than 5 consecutive policy years.

17 However, the basic cash value may not be less than the value
18 ~~which~~ THAT would be obtained if the adjusted premiums for the
19 policy, as defined in paragraphs 1 to 4 or paragraphs 9 to 19 of
20 subsection (5), whichever is applicable, were substituted for the
21 nonforfeiture factors in the calculation of the basic cash
22 value.

23 All adjusted premiums and present values referred to in this
24 subsection shall be calculated for a particular policy on the
25 same mortality and interest bases as are used in demonstrating
26 the policy's compliance with the other subsections of this
27 section. The cash surrender values referred to in this

1 subsection shall include any endowment benefits provided for by
2 the policy.

3 Any cash surrender value available other than in the event
4 of default in a premium payment due on a policy anniversary and
5 the amount of any paid-up nonforfeiture benefit available under
6 the policy in the event of default in a premium payment shall be
7 determined in manners consistent with the manners specified for
8 determining the analogous minimum amounts in subsections (2),
9 (3), (4), and (7) and paragraphs 9 to 19 of subsection (5). The
10 amounts of any cash surrender values and of any paid-up nonfor-
11 feiture benefits granted in connection with additional benefits
12 such as those listed in subsection (7) shall conform with the
13 principles of this subsection.

14 (9) This section ~~shall~~ DOES not apply to any of the
15 following:

16 (a) Reinsurance.

17 (b) Group insurance.

18 (c) Pure endowment.

19 (d) Annuity or reversionary annuity contract.

20 (e) A term policy of uniform amount, which provides no guar-
21 anteed nonforfeiture or endowment benefits, or renewal thereof,
22 of 20 years or less expiring before age 71, for which uniform
23 premiums are payable during the entire term of the policy.

24 (f) A term policy of decreasing amount, which provides no
25 guaranteed nonforfeiture or endowment benefits, on which each
26 adjusted premium, calculated as specified in subsection (5), is
27 less than the adjusted premium so calculated, on a term policy of

1 uniform amount, or renewal thereof, which provides no guaranteed
2 nonforfeiture or endowment benefits, issued at the same age and
3 for the same initial amount of insurance and for a term of 20
4 years or less expiring before age 71, for which uniform premiums
5 are payable during the entire term of the policy.

6 (g) A policy, which provides no guaranteed nonforfeiture or
7 endowment benefits, for which no cash surrender value, if any, or
8 present value of any paid-up nonforfeiture benefit, at the begin-
9 ning of any policy year, calculated as specified in subsections
10 (3) to (5), exceeds 2.5% of the amount of insurance at the begin-
11 ning of the same policy year.

12 (h) A policy ~~which~~ THAT shall be delivered outside this
13 state through an agent or other representative of the company
14 issuing the policy.

15 For purposes of determining the applicability of this sec-
16 tion, the age at expiry for a joint term life insurance policy
17 shall be the age at expiry of the oldest life.

18 (10) After July 30, 1943, a company may file with the com-
19 missioner a written notice of its election to comply with this
20 section after a specified date before January 1, 1948. After the
21 filing of the notice, then on the specified date, which shall be
22 the operative date for the company, this section shall become
23 operative with respect to the policies thereafter issued by the
24 company. If a company does not make an election, the operative
25 date of this section for the company shall be January 1, 1948.

1 SEC. 4061. (1) ALL OF THE FOLLOWING APPLY TO THE MINIMUM
2 CASH SURRENDER VALUES FOR FLEXIBLE PREMIUM UNIVERSAL LIFE
3 INSURANCE POLICIES:

4 (A) MINIMUM CASH SURRENDER VALUES FOR FLEXIBLE PREMIUM UNI-
5 VERSAL LIFE INSURANCE POLICIES SHALL BE DETERMINED SEPARATELY FOR
6 THE BASIC POLICY AND ANY BENEFITS AND RIDERS FOR WHICH PREMIUMS
7 ARE PAID SEPARATELY. FOR A BASIC POLICY AND ANY BENEFITS AND
8 RIDERS FOR WHICH PREMIUMS ARE NOT PAID SEPARATELY, ALL OF THE
9 FOLLOWING REQUIREMENTS APPLY:

10 (i) ALL ACCUMULATIONS SHALL BE AT THE ACTUAL RATE OR RATES
11 OF INTEREST AT WHICH INTEREST CREDITS HAVE BEEN MADE UNCONDITION-
12 ALLY TO THE POLICY, OR HAVE BEEN MADE CONDITIONALLY, BUT FOR
13 WHICH THE CONDITIONS HAVE SINCE BEEN MET. THE MINIMUM CASH SUR-
14 RENDER VALUE, BEFORE ADJUSTMENT FOR INDEBTEDNESS AND DIVIDEND
15 CREDITS, AVAILABLE ON A DATE AS OF WHICH INTEREST IS CREDITED TO
16 THE POLICY SHALL BE EQUAL TO THE ACCUMULATION TO THAT DATE OF THE
17 PREMIUMS PAID MINUS THE ACCUMULATIONS TO THAT DATE OF ALL OF THE
18 FOLLOWING MINUS ANY UNAMORTIZED UNUSED INITIAL AND ADDITIONAL
19 EXPENSE ALLOWANCES:

20 (A) THE BENEFITS CHARGES.

21 (B) THE AVERAGED ADMINISTRATIVE EXPENSE CHARGES FOR THE
22 FIRST POLICY YEAR AND ANY INSURANCE-INCREASE YEARS.

23 (C) ACTUAL ADMINISTRATIVE EXPENSE CHARGES FOR OTHER YEARS.

24 (D) INITIAL AND ADDITIONAL ACQUISITION EXPENSE CHARGES NOT
25 EXCEEDING THE INITIAL OR ADDITIONAL EXPENSE ALLOWANCES,
26 RESPECTIVELY.

1 (E) ANY SERVICE CHARGES ACTUALLY MADE.

2 (F) ANY DEDUCTIONS MADE FOR PARTIAL WITHDRAWALS.

3 (ii) INTEREST ON THE PREMIUMS AND ON ALL CHARGES REFERRED TO
4 IN SUBPARAGRAPH (i) (A) THROUGH (F) SHALL BE ACCUMULATED FROM AND
5 TO SUCH DATES AS ARE CONSISTENT WITH THE MANNER IN WHICH INTEREST
6 IS CREDITED IN DETERMINING THE POLICY VALUE.

7 (iii) SERVICE CHARGES SHALL EXCLUDE CHARGES FOR CASH SURREN-
8 DER OR ELECTION OF A PAID-UP NONFORFEITURE BENEFIT AND INCLUDE
9 CHARGES PERMITTED BY THE POLICY TO BE IMPOSED AS THE RESULT OF A
10 POLICYOWNER'S REQUEST FOR A SERVICE BY THE INSURER, SUCH AS THE
11 FURNISHING OF FUTURE BENEFIT ILLUSTRATIONS OR OF SPECIAL
12 TRANSACTIONS.

13 (iv) BENEFIT CHARGES SHALL INCLUDE THE CHARGES MADE FOR MOR-
14 TALITY AND ANY CHARGES MADE FOR RIDERS OR SUPPLEMENTARY BENEFITS
15 FOR WHICH PREMIUMS ARE NOT PAID SEPARATELY. IF BENEFIT CHARGES
16 ARE SUBSTANTIALLY LEVEL BY DURATION AND DEVELOP LOW OR NO CASH
17 VALUES, THEN THE COMMISSIONER SHALL HAVE THE RIGHT TO REQUIRE
18 HIGHER CASH VALUES UNLESS THE INSURER PROVIDES ADEQUATE JUSTIFI-
19 CATION THAT THE CASH VALUES ARE APPROPRIATE IN RELATION TO THE
20 POLICY'S OTHER CHARACTERISTICS.

21 (v) IF THE AMOUNT OF INSURANCE IS SUBSEQUENTLY INCREASED
22 UPON REQUEST OF THE POLICYOWNER OR BY THE TERMS OF THE POLICY, AN
23 ADDITIONAL EXPENSE ALLOWANCE AND AN UNUSED ADDITIONAL EXPENSE
24 ALLOWANCE SHALL BE DETERMINED ON A BASIS CONSISTENT WITH THIS
25 SUBSECTION AND WITH SECTION 4060(5) PARAGRAPH 13 USING THE FACE
26 AMOUNT AND THE LATEST MATURITY DATE PERMITTED AT THAT TIME UNDER
27 THE POLICY.

1 (vi) THE UNAMORTIZED, UNUSED INITIAL EXPENSE ALLOWANCE
 2 DURING THE POLICY YEAR BEGINNING ON THE POLICY ANNIVERSARY AT AGE
 3 $x+t$, WHERE "x" IS THE SAME ISSUE AGE, SHALL BE THE UNUSED INITIAL
 4 EXPENSE ALLOWANCE MULTIPLIED BY $\frac{a_{x+t}}{a_x}$ WHERE a_{x+t} AND a_x ARE PRESENT
 5
 6 VALUES OF AN ANNUITY OF 1 PER YEAR PAYABLE ON POLICY ANNIVERSA-
 7 RIES BEGINNING AT AGES $x+t$ AND x , RESPECTIVELY, AND CONTINUING
 8 UNTIL THE HIGHEST ATTAINED AGE AT WHICH A PREMIUM MAY BE PAID
 9 UNDER THE POLICY, BOTH ON THE MORTALITY AND INTEREST BASES GUAR-
 10 ANTEED IN THE POLICY. AN UNAMORTIZED UNUSED ADDITIONAL EXPENSE
 11 ALLOWANCE SHALL BE THE UNUSED ADDITIONAL EXPENSE ALLOWANCE MULTI-
 12 PLIED BY A SIMILAR RATIO OF ANNUITIES, WITH a_x REPLACED BY AN
 13 ANNUITY BEGINNING ON THE DATE AS OF WHICH THE ADDITIONAL EXPENSE
 14 ALLOWANCE WAS DETERMINED.

15 (B) AS USED IN THIS SUBSECTION:

16 (i) "ADDITIONAL ACQUISITION EXPENSE CHARGES" MEANS THE
 17 EXCESS OF THE EXPENSE CHARGES, OTHER THAN SERVICE CHARGES, ACTU-
 18 ALLY MADE IN AN INSURANCE-INCREASE YEAR OVER THE AVERAGED ADMIN-
 19 ISTRATIVE EXPENSE CHARGES FOR THAT YEAR.

20 (ii) "ADMINISTRATIVE EXPENSE CHARGES" MEANS CHARGES PER PRE-
 21 MIUM PAYMENT, CHARGES PER DOLLAR OF PREMIUM PAID, PERIODIC
 22 CHARGES PER THOUSAND DOLLARS OF INSURANCE, PERIODIC PER POLICY
 23 CHARGES, AND ANY OTHER CHARGES PERMITTED BY THE POLICY TO BE
 24 IMPOSED WITHOUT REGARD TO THE POLICYOWNER'S REQUEST FOR
 25 SERVICES.

26 (iii) "AVERAGED ADMINISTRATIVE EXPENSE CHARGES" MEANS THOSE
 27 CHARGES THAT WOULD HAVE BEEN IMPOSED IN A YEAR IF THE CHARGE RATE
 28 OR RATES FOR EACH TRANSACTION OR PERIOD WITHIN THAT YEAR HAD BEEN

1 EQUAL TO THE ARITHMETIC AVERAGE OF THE CORRESPONDING CHARGE RATES
2 THAT THE POLICY STATES WILL BE IMPOSED IN POLICY YEARS 2 THROUGH
3 20 IN DETERMINING THE POLICY VALUE.

4 (iv) "INITIAL ACQUISITION EXPENSE CHARGES" MEANS THE EXCESS
5 OF THE EXPENSE CHARGES, OTHER THAN SERVICE CHARGES, ACTUALLY MADE
6 IN THE FIRST POLICY YEAR OVER THE AVERAGED ADMINISTRATIVE EXPENSE
7 CHARGES FOR THAT YEAR.

8 (v) "INITIAL EXPENSE ALLOWANCE" MEANS THE ALLOWANCE PROVIDED
9 BY ITEMS (ii), (iii), AND (iv) OF SECTION 4060(5) PARAGRAPH 1 OR
10 BY ITEMS (ii) AND (iii) OF SECTION 4060(5) PARAGRAPH 9, AS APPLI-
11 CABLE, FOR A FIXED PREMIUM, FIXED BENEFIT ENDOWMENT POLICY WITH A
12 FACE AMOUNT EQUAL TO THE INITIAL FACE AMOUNT OF THE FLEXIBLE PRE-
13 MIUM UNIVERSAL LIFE INSURANCE POLICY, WITH LEVEL PREMIUMS PAID
14 ANNUALLY UNTIL THE HIGHEST ATTAINED AGE AT WHICH A PREMIUM MAY BE
15 PAID UNDER THE FLEXIBLE PREMIUM UNIVERSAL LIFE INSURANCE POLICY,
16 AND MATURING ON THE LATEST MATURITY DATE PERMITTED UNDER THE
17 POLICY, IF ANY, OTHERWISE AT THE HIGHEST AGE IN THE VALUATION
18 MORTALITY TABLE.

19 (vi) "INSURANCE-INCREASE YEAR" MEANS THE YEAR BEGINNING ON
20 THE DATE OF INCREASE IN THE AMOUNT OF INSURANCE BY POLICYOWNER
21 REQUEST OR BY THE TERMS OF THE POLICY.

22 (vii) "UNUSED INITIAL EXPENSE ALLOWANCE" MEANS THE EXCESS,
23 IF ANY, OF THE INITIAL EXPENSE ALLOWANCE OVER THE INITIAL ACQUI-
24 SITION EXPENSE CHARGES.

25 (2) ALL OF THE FOLLOWING PROVISIONS APPLY TO THE MINIMUM
26 CASH SURRENDER VALUES FOR FIXED PREMIUM UNIVERSAL LIFE INSURANCE
27 POLICIES:

1 (A) THE MINIMUM CASH SURRENDER VALUES SHALL BE DETERMINED
2 SEPARATELY FOR THE BASIC POLICY AND ANY BENEFITS AND RIDERS FOR
3 WHICH PREMIUMS ARE PAID SEPARATELY. ALL OF THE FOLLOWING
4 REQUIREMENTS PERTAIN TO A BASIC POLICY AND ANY BENEFITS AND
5 RIDERS FOR WHICH PREMIUMS ARE NOT PAID SEPARATELY:

6 (i) THE MINIMUM CASH SURRENDER VALUE BEFORE ADJUSTMENT FOR
7 INDEBTEDNESS AND DIVIDEND CREDITS THAT IS AVAILABLE ON A DATE AS
8 OF WHICH INTEREST IS CREDITED TO THE POLICY IS EQUAL TO
9 (A - B - C - D).

10 (ii) FUTURE GUARANTEED BENEFITS ARE DETERMINED BY BOTH OF
11 THE FOLLOWING:

12 (A) PROJECTING THE POLICY VALUE, TAKING INTO ACCOUNT FUTURE
13 PREMIUMS, IF ANY, AND USING ALL GUARANTEES OF INTEREST, MORTAL-
14 ITY, EXPENSE DEDUCTIONS, AND OTHER GUARANTEES, THAT DEPEND UPON
15 THE POLICY VALUE, CONTAINED IN THE POLICY OR DECLARED BY THE
16 INSURER.

17 (B) TAKING INTO ACCOUNT ANY BENEFITS GUARANTEED IN THE
18 POLICY OR BY DECLARATION THAT DO NOT DEPEND ON THE POLICY VALUE.

19 (iii) ALL PRESENT VALUES SHALL BE DETERMINED USING AN INTER-
20 EST RATE OR RATES SPECIFIED BY SECTION 4060 FOR POLICIES ISSUED
21 IN THE SAME YEAR AND THE MORTALITY RATES SPECIFIED BY SECTION
22 4060 FOR POLICIES ISSUED IN THE SAME YEAR OR CONTAINED IN SUCH
23 OTHER TABLE AS APPROVED BY THE COMMISSIONER FOR THIS PURPOSE.

24 (B) AS USED IN THIS SUBSECTION:

25 (i) "A" MEANS THE PRESENT VALUE OF ALL FUTURE GUARANTEED
26 BENEFITS.

1 (ii) "B" MEANS THE PRESENT VALUE OF FUTURE ADJUSTED
 2 PREMIUMS. THE ADJUSTED PREMIUMS ARE CALCULATED AS DESCRIBED IN
 3 SECTION 4060(5) PARAGRAPHS 1 TO 6 AND 9, AS APPLICABLE. IF
 4 SECTION 4060(5) PARAGRAPH 9 IS APPLICABLE, THE NONFORFEITURE NET
 5 LEVEL PREMIUM IS EQUAL TO THE QUANTITY $\frac{PVFB}{a_x}$.
 6

7 (iii) "C" MEANS THE PRESENT VALUE OF ANY QUANTITIES ANALO-
 8 GOUS TO THE NONFORFEITURE NET LEVEL PREMIUM THAT ARISE BECAUSE OF
 9 GUARANTEES DECLARED BY THE INSURER AFTER THE ISSUE DATE OF THE
 10 POLICY. a_x SHALL BE REPLACED BY AN ANNUITY BEGINNING ON THE DATE
 11 AS OF WHICH THE DECLARATION BECAME EFFECTIVE AND PAYABLE UNTIL
 12 THE END OF THE PERIOD COVERED BY THE DECLARATION. THE TYPES OF
 13 QUANTITIES INCLUDED IN "C" ARE INCREASED CURRENT INTEREST RATE
 14 CREDITS GUARANTEED FOR A FUTURE PERIOD, DECREASED CURRENT MORTAL-
 15 ITY RATE CHARGES GUARANTEED FOR A FUTURE PERIOD, OR DECREASED
 16 CURRENT EXPENSE CHARGES GUARANTEED FOR A FUTURE PERIOD.

17 (iv) "D" MEANS THE SUM OF ANY QUANTITIES ANALOGOUS TO B
 18 WHICH ARISE BECAUSE OF STRUCTURAL CHANGES IN THE POLICY.

19 (v) "PVFB" EQUALS THE PRESENT VALUE OF ALL BENEFITS GUARAN-
 20 TEED AT ISSUE ASSUMING FUTURE PREMIUMS ARE PAID BY THE POLICY-
 21 OWNER AND ALL GUARANTEES CONTAINED IN THE POLICY OR DECLARED BY
 22 THE INSURER.

23 (vi) "STRUCTURAL CHANGES" MEANS THOSE CHANGES THAT ARE SEPA-
 24 RATE FROM THE AUTOMATIC WORKINGS OF THE POLICY. STRUCTURAL
 25 CHANGES USUALLY WOULD BE INITIATED BY THE POLICY OWNER AND
 26 INCLUDE CHANGES IN THE GUARANTEED BENEFITS, CHANGES IN LATEST
 27 MATURITY DATE, OR CHANGES IN ALLOWABLE PREMIUM PAYMENT PERIOD.

1 (vii) "x" EQUALS THE PRESENT VALUE OF AN ANNUITY OF 1 PER
2 YEAR PAYABLE ON POLICY ANNIVERSARIES BEGINNING AT AGE x AND
3 CONTINUING UNTIL THE HIGHEST ATTAINED AGE AT WHICH A PREMIUM MAY
4 BE PAID UNDER THE POLICY.

5 (3) ALL OF THE FOLLOWING APPLY TO MINIMUM PAID-UP NONFORFEI-
6 TURE BENEFITS:

7 (A) IF A UNIVERSAL LIFE INSURANCE POLICY PROVIDES FOR THE
8 OPTIONAL ELECTION OF A PAID-UP NONFORFEITURE BENEFIT, IT SHALL BE
9 SUCH THAT ITS PRESENT VALUE SHALL BE AT LEAST EQUAL TO THE CASH
10 SURRENDER VALUE PROVIDED FOR BY THE POLICY ON THE EFFECTIVE DATE
11 OF THE ELECTION. THE PRESENT VALUE SHALL BE BASED ON MORTALITY
12 AND INTEREST STANDARDS AT LEAST AS FAVORABLE TO THE POLICYOWNER
13 AS 1 OF THE FOLLOWING:

14 (i) FOR A FLEXIBLE PREMIUM UNIVERSAL LIFE INSURANCE POLICY,
15 THE MORTALITY AND INTEREST BASIS GUARANTEED IN THE POLICY FOR
16 DETERMINING THE POLICY VALUE.

17 (ii) FOR A FIXED PREMIUM POLICY, THE MORTALITY AND INTEREST
18 STANDARDS PERMITTED FOR PAID-UP NONFORFEITURE BENEFITS IN SECTION
19 4060.

20 (B) INSTEAD OF THE PAID-UP NONFORFEITURE BENEFIT, THE
21 INSURER MAY SUBSTITUTE, UPON PROPER REQUEST NOT LATER THAN 60
22 DAYS AFTER THE DUE DATE OF THE PREMIUM IN DEFAULT, AN ACTUARIALLY
23 EQUIVALENT ALTERNATIVE PAID-UP NONFORFEITURE BENEFIT THAT PRO-
24 VIDES A GREATER AMOUNT OR LONGER PERIOD OF DEATH BENEFITS, OR, IF
25 APPLICABLE, A GREATER AMOUNT OR EARLIER PAYMENT OF ENDOWMENT
26 BENEFITS.

1 (C) ANY SECONDARY GUARANTEES SHOULD BE TAKEN INTO
2 CONSIDERATION WHEN COMPUTING MINIMUM PAID-UP NONFORFEITURE
3 BENEFITS.

4 (D) A CHARGE MAY BE MADE AT THE SURRENDER OF THE POLICY PRO-
5 VIDED THAT THE RESULT AFTER THE DEDUCTION OF THE CHARGE IS NOT
6 LESS THAN THE MINIMUM CASH SURRENDER VALUE REQUIRED BY THIS
7 SECTION.

8 (E) TO PRESERVE EQUITY BETWEEN POLICIES ON A PREMIUM PAYING
9 BASIS AND ON A PAID-UP BASIS, PRESENT VALUES SHALL COMPLY WITH
10 SUBSECTION (1) FOR FLEXIBLE PREMIUM UNIVERSAL LIFE INSURANCE POL-
11 ICIES AND WITH SUBSECTION (2) FOR FIXED PREMIUM UNIVERSAL LIFE
12 INSURANCE POLICIES.

13 Sec. 4430. (1) Except as otherwise provided in section
14 2236(8)(d), a policy of group life insurance shall not be issued
15 or delivered in this state unless and until a copy of the form
16 ~~thereof~~ OF THE GROUP LIFE INSURANCE has been filed with AND
17 APPROVED BY the commissioner. ~~and approved by him or her.~~

18 (2) A policy of group life insurance shall not be issued or
19 delivered unless it contains in substance the provisions ~~set~~
20 ~~forth in~~ OF sections 4432 through 4442. A GROUP UNIVERSAL LIFE
21 POLICY AS DEFINED IN SECTION 4001(G) SHALL NOT BE ISSUED OR
22 DELIVERED UNLESS IT COMPLIES WITH THE PROVISIONS OF CHAPTER 40.