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§5–307.

(a) (1) In this subsection, "guaranteed benefits" means future guaranteed life insurance and endowment benefits.

(2) Except as otherwise provided in paragraph (4) of this subsection and in §§ 5-308 and 5-311 of this subtitle, for the life insurance and endowment benefits of a policy that provides for a uniform amount of insurance and requires the payment of uniform premiums, the reserve according to the Commissioners reserve valuation method shall be the amount, if any, that the present value, at the date of valuation, of the guaranteed benefits under the policy exceeds the present value, at the date of valuation, of any future modified net premiums for the policy, as determined under paragraph (3) of this subsection.

(3) (i) For purposes of this subsection, the modified net premiums for a policy equal a uniform percentage of the respective contract premiums for the guaranteed benefits under the policy calculated so that the present value, at the date of issue of the policy, of the sum of all the modified net premiums equals the sum of:

1. the present value, at the date of issue, of the guaranteed benefits under the policy; and

2. the amount by which the net level annual premium determined under subparagraph (ii) of this paragraph exceeds a net 1-year term premium for the guaranteed benefits provided for in the first policy year.

(ii) 1. Except as provided in sub-subparagraph 2 of this subparagraph, the net level annual premium to be used in the calculation in this paragraph equals a fraction:

A. the numerator of which is the present value, at the date of issue, of the guaranteed benefits provided for after the first policy year; and

B. the denominator of which is the present value, at the date of issue, of an annuity of one per year payable on the first and each subsequent anniversary of the policy on which a premium falls due.

2. The net level annual premium determined under this subparagraph may not exceed the net level annual premium on the 19-year premium whole life plan for insurance of the same amount at an age 1 year higher than the age at issue of the policy for which the reserve is calculated under this subsection.

(4) (i) 1. In this paragraph the following words have the meanings indicated.

2. "Assumed ending date" means the first policy anniversary of a policy on which the sum of any endowment benefit under the policy and any cash surrender value available on that policy anniversary is greater than the excess first year premium.

3. "Excess first year premium" means the amount by which the contract premium in the first policy year of a policy exceeds the premium in the second policy year.

(ii) This paragraph applies to a life insurance policy issued on or after January 1, 1986:

1. for which the contract premium in the first policy year exceeds the premium in the second year;

2. that does not provide a comparable additional benefit in the first year for the excess first year premium; and

3. that provides an endowment benefit or a cash surrender value or a combination in an amount greater than the excess first year premium.

(iii) For a policy described in subparagraph (ii) of this paragraph, except as provided in § 5-311 of this subtitle, the reserve according to the Commissioners reserve valuation method as of any policy anniversary on or before the assumed ending date of the policy shall be the greater of:

1. the reserve calculated under paragraph (2) of this subsection; or

2. the reserve calculated under paragraph (2) of this subsection modified as follows:

A. the net level annual premium determined under paragraph (3)(ii) of this subsection shall be reduced by 15% of the excess first year premium;

B. all present values of benefits and premiums shall be determined without reference to premiums or benefits provided under the policy after the assumed ending date;

C. the policy shall be assumed to mature on the assumed ending date as an endowment; and

D. the cash surrender value provided on the assumed ending date shall be considered as an endowment benefit.

(iv) In making the calculation under subparagraph (iii) of this paragraph, the mortality and interest bases stated in §§ 5-304 and 5-306 of this subtitle shall be used.

(b) (1) This subsection applies to:

(i) life insurance policies that provide for a varying amount of insurance or require the payment of varying premiums;

(ii) group annuity contracts and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, an employee organization, or both, unless the plan provides individual retirement accounts or individual retirement annuities under § 408 of the Internal Revenue Code;

(iii) disability and accidental death benefits and benefits for long-term home health care and long-term care in a nursing home or other related institution in all policies and contracts; and

(iv) all other benefits, except:

1. life insurance and endowment benefits in life insurance policies; and

2. benefits provided by annuity contracts or pure endowment contracts not described in item (ii) of this paragraph.

(2) For a policy, contract, or benefit to which this subsection applies, the reserve according to the Commissioners reserve valuation method shall be calculated by a method consistent with the principles of subsection (a) of this section, disregarding in the determination of modified net premiums any extra premiums charged because of impairments or special hazards.

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