

Article - Insurance

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§16-309. IN EFFECT

(a) This section applies to policies of life insurance issued:

(1) on or after January 1, 1989; or

(2) on or after an operative date that is before January 1, 1989, as specified by the insurer if the insurer filed with the Commissioner written notice of an election to comply with this section on a date before January 1, 1989.

(b) (1) For purposes of this section, the date of issue of a policy is the date as of which the rated age of the insured is determined.

(2) Except as provided in subsection (g) of this section, and subject to paragraph (3) of this subsection, the adjusted premiums for a policy shall be calculated on an annual basis and shall be a uniform percentage of the premiums specified in the policy for each policy year so that the present value of the adjusted premiums shall equal the sum of:

(i) the present value of the future guaranteed benefits, calculated as of the date of issue, provided by the policy;

(ii) 1% of either:

1. the amount of insurance if the insurance is a uniform amount; or

2. the average amount of insurance at the beginning of each of the first 10 policy years; and

(iii) subject to paragraphs (4) and (5) of this subsection, 125% of the nonforfeiture net level premium.

(3) In calculating adjusted premiums, any extra premium for impairments or special hazards or any uniform annual contract charge or policy fee specified in the policy in a statement of the method used to calculate cash surrender values and paid-up nonforfeiture benefits is excluded.

(4) The nonforfeiture net level premium shall equal the present value of the guaranteed benefits, calculated as of the date of issue, provided by the policy divided by the present value of an annuity of 1 per year, calculated as of the date of issue, payable on the date of issue of the policy and on each anniversary on which a premium is due.

(5) In applying the percentage specified in paragraph (2)(iii) of this

subsection, a nonforfeiture net level premium may not be considered to exceed 4% of:

- (i) the amount of insurance if the insurance is a uniform amount; or
- (ii) the average amount of insurance at the beginning of each of the first 10 policy years.

(c) (1) If a policy provides for unscheduled changes in benefits or premiums on a basis guaranteed by the policy or provides an option for changes in benefits or premiums, other than a change to a new policy, the adjusted premiums and present values initially shall be calculated on the assumption that future benefits and premiums will not change from those stipulated at the date of issue of the policy.

(2) When benefits or premiums are changed, the future adjusted premiums, nonforfeiture net level premiums, and present values shall be recalculated as of the date of the change in the policy in accordance with this section on the assumption that future benefits and premiums will not change from those stipulated by the policy immediately after the change.

(d) (1) Except as provided in subsection (g) of this section, the future adjusted premiums recalculated under subsection (c)(2) of this section shall be a uniform percentage of the future premiums specified in the policy for each policy year so that the present value of the future adjusted premiums, calculated as of the time of the change to the newly defined benefits or premiums, shall equal the remainder of:

- (i) the sum of the present value of the future guaranteed benefits, calculated as of the time of the change to the newly defined benefits or premiums, provided by the policy and any additional expense allowance; less

- (ii) any cash surrender value or the present value of any paid-up nonforfeiture benefit under the policy, calculated as of the time of the change to the newly defined benefits or premiums.

(2) In recalculating future adjusted premiums, any extra premium for impairments or special hazards or any uniform annual contract charge or policy fee specified in the policy in a statement of the method used to calculate cash surrender values and paid-up nonforfeiture benefits is excluded.

(e) The additional expense allowance, calculated as of the time of the change to the newly defined benefits or premiums, is the sum of:

(1) 1% of the remainder, if positive, of:

- (i) the average amount of insurance at the beginning of each of the first 10 policy years subsequent to the change; less

- (ii) the average amount of insurance before the change at the beginning of each of the first 10 policy years subsequent to the most recent previous

change or, if there has not been a previous change, subsequent to the date of issue of the policy; and

(2) 125% of the increase, if positive, in the nonforfeiture net level premium.

(f) The recalculated nonforfeiture net level premium equals the quotient of:

(1) the sum of:

(i) the nonforfeiture net level premium applicable before the change multiplied by the present value of an annuity of 1 per year payable on each anniversary of the policy on or subsequent to the date of change on which a premium would have been due had the change not occurred; and

(ii) the present value of the increase in future guaranteed benefits provided by the policy; divided by

(2) the present value of an annuity of 1 per year payable on each anniversary of the policy on or after the date of change on which a premium is due.

(g) (1) This subsection applies only to policies issued on a substandard basis that provide reduced graded amounts of insurance so that, in each policy year, the policy has the same tabular mortality cost as an otherwise similar policy issued on a standard basis that provides higher uniform amounts of insurance.

(2) Notwithstanding any other provision of this section, the adjusted premiums and present values for a substandard policy subject to this subsection may be calculated as if the policy was issued to provide the higher uniform amounts of insurance on the standard basis.

(h) (1) (i) For policies of ordinary life insurance, the adjusted premiums and present values referred to in this subtitle shall be calculated based on:

1. the Commissioners 1980 Standard Ordinary Mortality Table; or

2. at the election of the insurer for one or more specified life insurance plans, the Commissioners 1980 Standard Ordinary Mortality Table with 10-year select mortality factors.

(ii) For policies of industrial life insurance, the adjusted premiums and present values referred to in this subtitle shall be calculated based on the Commissioners 1961 Standard Industrial Mortality Table.

(2) Adjusted premiums and present values for policies issued in any calendar year shall be calculated based on an interest rate that does not exceed the nonforfeiture interest rate calculated under this section:

- (i) for that calendar year; or
- (ii) at the option of the insurer, for the immediately preceding calendar year.

(i) (1) Any cash surrender value available under a paid-up nonforfeiture benefit, including any paid-up dividend additions, regardless of whether required under § 16-303 of this subtitle, shall be calculated based on the mortality table and interest rate used to determine the amount of the paid-up nonforfeiture benefit and any paid-up dividend additions.

(2) An insurer may not calculate the amount of any guaranteed paid-up nonforfeiture benefit including any paid-up additions under the policy based on an interest rate lower than the rate specified in the policy for calculating cash surrender values.

(3) In calculating the present value of any paid-up term insurance with any accompanying pure endowment offered as a nonforfeiture benefit, an insurer may not assume a mortality rate greater than the mortality rates shown in:

(i) for policies of ordinary life insurance, the Commissioners 1980 Extended Term Insurance Table; and

(ii) for policies of industrial life insurance, the Commissioners 1961 Industrial Extended Term Insurance Table.

(4) The calculation of adjusted premiums and present values for insurance issued on a substandard basis may be based on appropriate modifications of the tables required under this section.

(5) In determining the minimum nonforfeiture standard, an insurer may substitute an ordinary mortality table adopted after 1980 by the National Association of Insurance Commissioners and approved by regulation of the Commissioner for the Commissioners 1980 Standard Ordinary Mortality Table, with or without 10-year select mortality factors or for the Commissioners 1980 Extended Term Insurance Table.

(6) In determining the minimum nonforfeiture standard, an insurer may substitute an industrial mortality table adopted after 1980 by the National Association of Insurance Commissioners and approved by regulation of the Commissioner for the Commissioners 1961 Standard Industrial Mortality Table or for the Commissioners 1961 Industrial Extended Term Insurance Table.

(j) The nonforfeiture interest rate per year for a policy issued during a calendar year shall equal 125% of the calendar year statutory valuation interest rate for the policy, in accordance with the standard valuation law, set forth in Title 5, Subtitle 3 of this article, rounded to the nearest 0.25%.

(k) Notwithstanding any other provision of this article, an insurer that refiles nonforfeiture values or refiles the method of calculating nonforfeiture values for a policy form that has been previously approved need not refile any other provision of the policy form if the refile only involves a change in the interest rate or mortality table used to calculate nonforfeiture values.

16–309. ** CONTINGENCY – NOT IN EFFECT – CHAPTER 367 OF 2015 **

(a) (1) In this section the following words have the meanings indicated.

(2) “Operative date of the valuation manual” has the meaning stated in § 5–201.1(a) of this article.

(3) “Valuation manual” has the meaning stated in § 5–201.1(a) of this article.

(b) This section applies to policies of life insurance issued:

(1) on or after January 1, 1989; or

(2) on or after an operative date that is before January 1, 1989, as specified by the insurer if the insurer filed with the Commissioner written notice of an election to comply with this section on a date before January 1, 1989.

(c) (1) For purposes of this section, the date of issue of a policy is the date as of which the rated age of the insured is determined.

(2) Except as provided in subsection (h) of this section, and subject to paragraph (3) of this subsection, the adjusted premiums for a policy shall be calculated on an annual basis and shall be a uniform percentage of the premiums specified in the policy for each policy year so that the present value of the adjusted premiums shall equal the sum of:

(i) the present value of the future guaranteed benefits, calculated as of the date of issue, provided by the policy;

(ii) 1% of either:

1. the amount of insurance if the insurance is a uniform amount; or

2. the average amount of insurance at the beginning of each of the first 10 policy years; and

(iii) subject to paragraphs (4) and (5) of this subsection, 125% of the nonforfeiture net level premium.

(3) In calculating adjusted premiums, any extra premium for impairments

or special hazards or any uniform annual contract charge or policy fee specified in the policy in a statement of the method used to calculate cash surrender values and paid-up nonforfeiture benefits is excluded.

(4) The nonforfeiture net level premium shall equal the present value of the guaranteed benefits, calculated as of the date of issue, provided by the policy divided by the present value of an annuity of 1 per year, calculated as of the date of issue, payable on the date of issue of the policy and on each anniversary on which a premium is due.

(5) In applying the percentage specified in paragraph (2)(iii) of this subsection, a nonforfeiture net level premium may not be considered to exceed 4% of:

- (i) the amount of insurance if the insurance is a uniform amount; or
- (ii) the average amount of insurance at the beginning of each of the first 10 policy years.

(d) (1) If a policy provides for unscheduled changes in benefits or premiums on a basis guaranteed by the policy or provides an option for changes in benefits or premiums, other than a change to a new policy, the adjusted premiums and present values initially shall be calculated on the assumption that future benefits and premiums will not change from those stipulated at the date of issue of the policy.

(2) When benefits or premiums are changed, the future adjusted premiums, nonforfeiture net level premiums, and present values shall be recalculated as of the date of the change in the policy in accordance with this section on the assumption that future benefits and premiums will not change from those stipulated by the policy immediately after the change.

(e) (1) Except as provided in subsection (h) of this section, the future adjusted premiums recalculated under subsection (d)(2) of this section shall be a uniform percentage of the future premiums specified in the policy for each policy year so that the present value of the future adjusted premiums, calculated as of the time of the change to the newly defined benefits or premiums, shall equal the remainder of:

- (i) the sum of the present value of the future guaranteed benefits, calculated as of the time of the change to the newly defined benefits or premiums, provided by the policy and any additional expense allowance; less
- (ii) any cash surrender value or the present value of any paid-up nonforfeiture benefit under the policy, calculated as of the time of the change to the newly defined benefits or premiums.

(2) In recalculating future adjusted premiums, any extra premium for impairments or special hazards or any uniform annual contract charge or policy fee specified in the policy in a statement of the method used to calculate cash surrender values and paid-up nonforfeiture benefits is excluded.

(f) The additional expense allowance, calculated as of the time of the change to the newly defined benefits or premiums, is the sum of:

(1) 1% of the remainder, if positive, of:

(i) the average amount of insurance at the beginning of each of the first 10 policy years subsequent to the change; less

(ii) the average amount of insurance before the change at the beginning of each of the first 10 policy years subsequent to the most recent previous change or, if there has not been a previous change, subsequent to the date of issue of the policy; and

(2) 125% of the increase, if positive, in the nonforfeiture net level premium.

(g) The recalculated nonforfeiture net level premium equals the quotient of:

(1) the sum of:

(i) the nonforfeiture net level premium applicable before the change multiplied by the present value of an annuity of 1 per year payable on each anniversary of the policy on or subsequent to the date of change on which a premium would have been due had the change not occurred; and

(ii) the present value of the increase in future guaranteed benefits provided by the policy; divided by

(2) the present value of an annuity of 1 per year payable on each anniversary of the policy on or after the date of change on which a premium is due.

(h) (1) This subsection applies only to policies issued on a substandard basis that provide reduced graded amounts of insurance so that, in each policy year, the policy has the same tabular mortality cost as an otherwise similar policy issued on a standard basis that provides higher uniform amounts of insurance.

(2) Notwithstanding any other provision of this section, the adjusted premiums and present values for a substandard policy subject to this subsection may be calculated as if the policy was issued to provide the higher uniform amounts of insurance on the standard basis.

(i) (1) (i) For policies of ordinary life insurance, the adjusted premiums and present values referred to in this subtitle shall be calculated based on:

1. the Commissioners 1980 Standard Ordinary Mortality Table; or

2. at the election of the insurer for one or more specified life insurance plans, the Commissioners 1980 Standard Ordinary Mortality Table with

10-year select mortality factors.

(ii) For policies of industrial life insurance, the adjusted premiums and present values referred to in this subtitle shall be calculated based on the Commissioners 1961 Standard Industrial Mortality Table.

(2) Adjusted premiums and present values for policies issued in any calendar year shall be calculated based on an interest rate that does not exceed the nonforfeiture interest rate calculated under this section:

(i) for that calendar year; or

(ii) at the option of the insurer, for the immediately preceding calendar year.

(j) (1) Any cash surrender value available under a paid-up nonforfeiture benefit, including any paid-up dividend additions, regardless of whether required under § 16-303 of this subtitle, shall be calculated based on the mortality table and interest rate used to determine the amount of the paid-up nonforfeiture benefit and any paid-up dividend additions.

(2) An insurer may not calculate the amount of any guaranteed paid-up nonforfeiture benefit including any paid-up additions under the policy based on an interest rate lower than the rate specified in the policy for calculating cash surrender values.

(3) In calculating the present value of any paid-up term insurance with any accompanying pure endowment offered as a nonforfeiture benefit, an insurer may not assume a mortality rate greater than the mortality rates shown in:

(i) for policies of ordinary life insurance, the Commissioners 1980 Extended Term Insurance Table; and

(ii) for policies of industrial life insurance, the Commissioners 1961 Industrial Extended Term Insurance Table.

(4) The calculation of adjusted premiums and present values for insurance issued on a substandard basis may be based on appropriate modifications of the tables required under this section.

(5) (i) For policies issued before the operative date of the valuation manual, in determining the minimum nonforfeiture standard, an insurer may substitute any Commissioners standard ordinary mortality table adopted after 1980 by the National Association of Insurance Commissioners and approved by regulation of the Commissioner for the Commissioners 1980 Standard Ordinary Mortality Table, with or without 10-year select mortality factors or for the Commissioners 1980 Extended Term Insurance Table.

(ii) 1. Subject to subparagraph 2 of this subparagraph, for policies issued on or after the operative date of the valuation manual, the valuation manual shall provide the Commissioners standard mortality table for use in determining the minimum nonforfeiture standard that may be substituted for:

A. the Commissioners 1980 Standard Ordinary Mortality Table, with or without 10-year select mortality factors; or

B. the Commissioners 1980 Extended Term Insurance Table.

2. If the Commissioner approves by regulation any Commissioners standard ordinary mortality table adopted by the NAIC for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual, the minimum nonforfeiture standard approved by the Commissioner supersedes the minimum nonforfeiture standard provided by the valuation manual.

(6) (i) For policies issued before the operative date of the valuation manual, in determining the minimum nonforfeiture standard, an insurer may substitute any Commissioners standard industrial mortality table adopted after 1980 by the National Association of Insurance Commissioners and approved by regulation of the Commissioner for the Commissioners 1961 Standard Industrial Mortality Table or for the Commissioners 1961 Industrial Extended Term Insurance Table.

(ii) 1. Subject to subparagraph 2 of this subparagraph, for policies issued on or after the operative date of the valuation manual, the valuation manual shall provide the Commissioners standard mortality table for use in determining the minimum nonforfeiture standard that may be substituted for:

A. the Commissioners 1961 Standard Industrial Mortality Table; or

B. the Commissioners 1961 Industrial Extended Term Insurance Table.

2. If the Commissioner approves by regulation any Commissioners standard industrial mortality table adopted by the NAIC for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual, the minimum nonforfeiture standard approved by the Commissioner supersedes the minimum nonforfeiture standard provided by the valuation manual.

(k) (1) For policies issued before the operative date of the valuation manual, the nonforfeiture interest rate per year for a policy issued during a calendar year shall equal the greater of:

(i) 4%; or

(ii) 125% of the calendar year statutory valuation interest rate for the policy, in accordance with the standard valuation law, set forth in Title 5, Subtitle 3 of this article, rounded to the nearest 0.25%.

(2) For policies issued on or after the operative date of the valuation manual, the nonforfeiture interest rate per year for a policy issued during a calendar year shall be the interest rate provided by the valuation manual.

(1) Notwithstanding any other provision of this article, an insurer that refiles nonforfeiture values or refiles the method of calculating nonforfeiture values for a policy form that has been previously approved need not refile any other provision of the policy form if the refiling only involves a change in the interest rate or mortality table used to calculate nonforfeiture values.

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