

Senate Bill 74

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SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Changes calculation of present value of adjusted premiums for certain types of life insurance so that present value of all adjusted premiums equals 50 percent of adjusted premium for first policy year instead of 40 percent of adjusted premium for first policy year.

A BILL FOR AN ACT

1
2 Relating to insurance; amending ORS 743.216.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1.** ORS 743.216 is amended to read:

5 743.216. This section applies only to life insurance policies issued before the operative date
6 *[defined]* **specified** in ORS 743.215. For such policies:

7 (1) Except as provided in subsection (3) of this section, the adjusted premiums referred to in ORS
8 743.210 *[shall]* **must** be calculated on an annual basis and *[shall]* **must** be *[such]* a uniform per-
9 centage of the respective premiums specified in the policy for each policy year, excluding any extra
10 premiums charged because of impairments or special hazards, **such** that the present value, at the
11 date of issue of the policy, of all such adjusted premiums *[shall be equal to]* **equals** the sum of:

12 (a) The present value at the policy issue date of the future guaranteed benefits *[provided for]*
13 *by]* the policy **provides**.

14 (b) Two percent of the amount of insurance if the insurance is uniform in amount, or of the
15 equivalent uniform amount as defined in subsection (2) of this section if the amount of insurance
16 varies with duration of the policy.

17 (c) *[Forty]* **Fifty** percent of the adjusted premium for the first policy year. For this purpose, any
18 excess of the adjusted premium over four percent of the amount of insurance or equivalent uniform
19 amount *[shall]* **must** be disregarded.

20 (d) Twenty-five percent of either the adjusted premium for the first policy year or the adjusted
21 premium for a whole life policy for the same uniform or the same equivalent uniform amount of in-
22 surance with uniform premiums for the whole of life issued at the same age, whichever is less. For
23 this purpose, any excess of the adjusted premium over four percent of the amount of insurance or
24 equivalent uniform amount *[shall]* **must** be disregarded.

25 (2) In the case of a policy *[providing]* **that provides** an amount of insurance *[varying]* **that**
26 **varies** with duration of the policy, the equivalent uniform amount of the subject policy for the
27 purpose of this section *[shall be]* **is** the uniform amount of insurance provided by an otherwise sim-
28 ilar policy, containing the same endowment benefit or benefits, if any, issued at the same age and
29 for the same term, the amount of which does not vary with duration and the benefits under which
30 have the same present value at the date of issue as the benefits under the subject policy. However,

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 in the case of a policy [*providing*] **that provides** a varying amount of insurance issued on the life
 2 of a child under age 10, the equivalent uniform amount may be computed as though the amount of
 3 insurance provided by the subject policy [*prior to the attainment of*] **before the child attains** age
 4 10 [*were*] **was** the amount [*provided by*] the subject policy **provided** at age 10.

5 (3) The adjusted premiums for any policy providing term insurance benefits by rider or supple-
 6 mental policy provision [*shall*] **must** be calculated in accordance with this subsection. The amounts
 7 specified in paragraphs (a) and (b) of this subsection [*shall*] **must** be calculated separately. Each
 8 such amount [*shall*] **must** be calculated as specified in subsections (1) and (2) of this section. How-
 9 ever, for the purposes of subsection (1)(b), (c) and (d) of this section, the amount of insurance or
 10 equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred
 11 to in paragraph (b) of this subsection [*shall*] **must** be equal to the excess of the uniform or equiv-
 12 alent uniform amount determined for the entire policy over the amount used in the calculation of
 13 the adjusted premiums in paragraph (a) of this subsection. The adjusted premiums for the entire
 14 policy [*shall*] **must** equal the sum of:

15 (a) The adjusted premiums for an otherwise similar policy issued at the same age without such
 16 term insurance benefits; and

17 (b) During the period for which premiums for such term insurance benefits are payable, the ad-
 18 justed premiums for such term insurance benefits.

19 (4)(a) Except as provided in paragraphs [(a) and (b)] **(b) and (c)** of this subsection and sub-
 20 section (5) of this section, all adjusted premiums and present values referred to in the Standard
 21 Nonforfeiture Law for Life Insurance, [*shall*] for all policies of ordinary life insurance to which this
 22 section applies, **must** be calculated on the basis of the Commissioners 1941 Standard Ordinary
 23 Mortality Table. Such calculations for any category of ordinary life insurance issued on female lives
 24 may, however, be based on an age not more than six years younger than the actual age of the in-
 25 sured. Except as provided in paragraphs [(a) and (b)] **(b) and (c)** of this subsection and subsection
 26 (7) of this section, such calculations of adjusted premiums and present values for all policies of in-
 27 dustrial life insurance [*shall*] **must** be made on the basis of the 1941 Standard Industrial Mortality
 28 Table. All calculations [*shall*] **must** be made on the basis of the rate of interest, not exceeding three
 29 and one-half percent per annum, specified in the policy for calculating cash surrender values and
 30 paid-up nonforfeiture benefits. [*The following exceptions pertain.*]

31 [(a)] **(b)** In calculating the present value of any paid-up term insurance with accompanying pure
 32 endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not
 33 more than 130 percent of the rates of mortality according to the respective table.

34 [(b)] **(c)** For insurance issued on a substandard basis, the calculation of adjusted premiums and
 35 present values may be based on such other table of mortality as may be specified by the insurer and
 36 approved by the Director of the Department of Consumer and Business Services.

37 (5)(a) This subsection applies only to policies of ordinary life insurance to which this section
 38 applies and [*which*] **that** are issued on or after the operative date of this subsection as defined in
 39 subsection (6) of this section. For such policies, all adjusted premiums and present values referred
 40 to in the Standard Nonforfeiture Law for Life Insurance [*shall*] **must**, except as provided in para-
 41 graphs [(a) and (b)] **(b) and (c)** of this subsection, be calculated on the basis of the Commissioners
 42 1958 Standard Ordinary Mortality Table and the rate of interest specified in the policy for calcu-
 43 lating cash surrender values and paid-up nonforfeiture benefits. Such calculations for any category
 44 of ordinary life insurance issued on female lives may, however, be based on an age not more than
 45 six years younger than the actual age of the insured. Such rate of interest [*shall*] **may** not exceed

1 three and one-half percent, except that a rate of interest not exceeding four percent may be used
 2 for policies issued from January 1, 1974, to December 31, 1977, and a rate of interest not exceeding
 3 five and one-half percent may be used for policies issued on or after January 1, 1978, and with the
 4 further exception that for any single premium whole life or endowment insurance policy a rate of
 5 interest not exceeding six and one-half percent may be used. *[The following exceptions pertain:]*

6 [(a)] (b) In calculating the present value of any paid-up term insurance with accompanying pure
 7 endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not
 8 more than those shown in the Commissioners 1958 Extended Term Insurance Table.

9 [(b)] (c) For insurance issued on a substandard basis, the calculation of adjusted premiums and
 10 present values may be based on such other table of mortality as may be specified by the insurer and
 11 approved by the director.

12 (6) After August 9, 1961, any insurer may file with the director a written notice of *[its]* **the**
 13 **insurer's** election to comply with *[the provisions of]* subsection (5) of this section after a specified
 14 date before January 1, 1966. After the filing of *[such]* **the** notice, *[such]* **the** specified date *[shall*
 15 *be]* **is** the operative date of subsection (5) of this section for the insurer with respect to the ordinary
 16 life policies *[it thereafter]* **the insurer** issues **after the specified date**. If an insurer *[makes no such*
 17 *election, such]* **does not elect to comply with subsection (5) of this section, the** operative date
 18 for the insurer *[shall be]* **is** January 1, 1966.

19 (7)(a) This subsection applies only to policies of industrial life insurance to which this section
 20 applies and which are issued on or after the operative date of this subsection as defined in sub-
 21 section (8) of this section. For such policies, all adjusted premiums and present values referred to
 22 in the Standard Nonforfeiture Law for Life Insurance *[shall]* **must**, except as provided in paragraphs
 23 *[(a) and (b)]* **(b) and (c)** of this subsection, be calculated on the basis of the Commissioners 1961
 24 Standard Industrial Mortality Table and the rate of interest specified in the policy for calculating
 25 cash surrender values and paid-up nonforfeiture benefits. Such rate of interest *[shall]* **may** not ex-
 26 ceed three and one-half percent, except that a rate of interest not exceeding four percent may be
 27 used for policies issued from January 1, 1974, to December 31, 1977, and a rate of interest not ex-
 28 ceeding five and one-half percent may be used for policies issued on or after January 1, 1978, and
 29 with the further exception that for any single premium whole life or endowment insurance policy a
 30 rate of interest not exceeding six and one-half percent may be used. *[The following exceptions per-*
 31 *tain:]*

32 [(a)] (b) In calculating the present value of any paid-up term insurance with accompanying pure
 33 endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not
 34 more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table.

35 [(b)] (c) For insurance issued on a substandard basis, the calculation of adjusted premiums and
 36 present values may be based on such other table of mortality as may be specified by the insurer and
 37 approved by the director.

38 (8) After September 2, 1963, any insurer may file with the director a written notice of *[its]* **the**
 39 **insurer's** election to comply with *[the provisions of]* subsection (7) of this section after a specified
 40 date before January 1, 1968. After the filing of *[such]* **the** notice, *[such]* **the** specified date *[shall*
 41 *be]* **is** the operative date of subsection (7) of this section for the insurer with respect to the indus-
 42 trial life insurance policies *[it thereafter]* **the insurer** issues **after the specified date**. If an insurer
 43 *[makes no such election, such]* **does not elect to comply with subsection (7) of this section, the**
 44 operative date for the insurer *[shall be]* **is** January 1, 1968.