



General Assembly

Amendment

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Offered by:
REP. O'CONNOR, 35th Dist.

To: Subst. Senate Bill No. 31

File No. 148

Cal. No. 540

**"AN ACT PROHIBITING PROPERTY AND CASUALTY INSURERS
FROM CANCELING OR REFUSING TO RENEW POLICIES FOR
FAILURE TO PAY LATE FEES."**

1 After the last section, add the following and renumber sections and
2 internal references accordingly:

3 "Sec. 501. Subsection (d) of section 38a-78 of the general statutes is
4 repealed and the following is substituted in lieu thereof (*Effective from*
5 *passage*):

6 (d) Except as otherwise provided in subsections (e), (f) and (l) of this
7 section, the minimum standard for the valuation of all such policies
8 and contracts issued prior to the effective date specified in accordance
9 with the provisions of subsection (h) of section 38-130e of the general
10 statutes, revision of 1958, revised to 1981, shall be that provided by the
11 laws in effect immediately prior to such date, except that the minimum
12 standard for the valuation of annuities and pure endowments
13 purchased prior to January 1, 1973, under group annuity and pure
14 endowment contracts shall be the 1971 Group Annuity Mortality

15 Table, or any modification of this table approved by the commissioner,
16 and an interest rate of five per cent per annum. Except as otherwise
17 provided in subsections (e), (f) and (l) of this section, the minimum
18 standard for the valuation of all such policies and contracts issued on
19 and after such effective date shall be the commissioner's reserve
20 valuation methods defined in subsections (g), (h) and (j) of this section,
21 four and one-half per cent interest for all other such policies and
22 contracts, and the following tables: (1) For all ordinary policies of life
23 insurance issued on the standard basis, excluding any disability and
24 accidental death benefits in such policies, the Commissioners' 1958
25 Standard Ordinary Mortality Table for such policies issued prior to the
26 compliance date established by subdivision (11) of subsection (e) of
27 section 38a-439, provided that for any category of such policies issued
28 on female risks, all modified net premiums and present values referred
29 to in this section may be calculated according to an age not more than
30 six years younger than the actual age of the insured and for such
31 policies issued on or after the compliance date established by
32 subdivision (11) of subsection (e) of section 38a-439, (A) the
33 Commissioners' 1980 Standard Ordinary Mortality Table, or (B) at the
34 election of the company for any one or more specified plans of life
35 insurance, the Commissioners' 1980 Standard Ordinary Mortality
36 Table with ten-year select mortality factors, or (C) on or after January
37 1, 2005, until January 1, 2009, at the election of the company for any
38 one or more specified plans of life insurance issued on or after January
39 1, 2004, on the basis of the Commissioners' 2001 Standard Ordinary
40 Mortality Table, except that with respect to such plans issued before
41 April 1, 2005, such mortality table shall be used solely for the basis of
42 valuation and nonforfeiture and shall not be used to increase the
43 previously agreed required premium, or (D) issued on or after January
44 1, 2009, the Commissioners' 2001 Standard Ordinary Mortality Table,
45 or (E) any ordinary mortality table, adopted after 1980 by the National
46 Association of Insurance Commissioners, that is approved by
47 regulations adopted by the commissioner in accordance with the
48 provisions of chapter 54 for use in determining the minimum standard
49 of valuation for such policies; (2) for all industrial life insurance

50 policies issued on the standard basis, excluding any disability and
51 accidental death benefits in such policies, the Commissioners' 1961
52 Standard Industrial Mortality Table or any industrial mortality table,
53 adopted after 1980 by the National Association of Insurance
54 Commissioners, that is approved by regulations adopted by the
55 commissioner in accordance with the provisions of chapter 54 for use
56 in determining the minimum standard of valuation for such policies;
57 (3) for total and permanent disability benefits in or supplementary to
58 ordinary policies or contracts, the tables of period 2 disablement rates
59 and the 1930 to 1950 termination rates of the 1952 Disability Study of
60 the Society of Actuaries, with due regard to the type of benefit or any
61 tables of disablement rates and termination rates, adopted after 1980
62 by the National Association of Insurance Commissioners, that are
63 approved by regulations adopted by the commissioner in accordance
64 with the provisions of chapter 54 for use in determining the minimum
65 standard of valuation for such policies. These tables shall, for active
66 lives, be combined with a mortality table permitted for calculating the
67 reserves for life insurance policies; (4) for accidental death benefits in
68 or supplementary to policies, the 1959 Accidental Death Benefits Table
69 or any accidental death benefits table, adopted after 1980 by the
70 National Association of Insurance Commissioners, that is approved by
71 regulations adopted by the commissioner in accordance with the
72 provisions of chapter 54 for use in determining the minimum standard
73 of valuation for such policies. These tables shall be combined with a
74 mortality table permitted for calculating the reserves for life insurance
75 policies; and (5) for group life insurance, life insurance issued on the
76 substandard basis and other special benefits, such tables as may be
77 approved by the commissioner.

78 Sec. 2. Subsection (e) of section 38a-439 of the general statutes is
79 repealed and the following is substituted in lieu thereof (*Effective from*
80 *passage*):

81 (e) The provisions of this subsection shall apply to all policies issued
82 on or after the compliance date established by subdivision (11) of this
83 subsection. (1) Except as provided in subdivision (7) of this subsection,

84 the adjusted premiums for any policy shall be calculated on an annual
85 basis and shall be such uniform percentage of the respective premiums
86 specified in the policy for each policy year, excluding amounts payable
87 as extra premiums to cover impairments or special hazards and also
88 excluding any uniform annual contract charge or policy fee specified
89 in the policy in a statement of the method used in calculating the cash
90 surrender values and paid-up nonforfeiture benefits, that the present
91 value, at the date of issue of the policy, of all adjusted premiums shall
92 be equal to the sum of: (A) The then present value of the future
93 guaranteed benefits provided for by the policy; (B) one per cent of
94 either the amount of insurance, if the insurance be uniform in amount,
95 or the average amount of insurance at the beginning of each of the first
96 ten policy years; and (C) one hundred twenty-five per cent of the
97 nonforfeiture net level premium as hereinafter defined, provided that
98 in applying the percentage specified in subparagraph (C), no
99 nonforfeiture net level premium shall be deemed to exceed four per
100 cent of either the amount of insurance, if the insurance be uniform in
101 amount, or the average amount of insurance at the beginning of each
102 of the first ten policy years. The date of issue of a policy for the
103 purpose of this subsection shall be the date as of which the rated age of
104 the insured is determined; (2) the nonforfeiture net level premium
105 shall be equal to the present value, at the date of issue of the policy, of
106 the guaranteed benefits divided by the present value, at such date of
107 issue, of an annuity of one per annum payable on the date of issue of
108 the policy and on each anniversary of such policy on which a premium
109 becomes due; (3) in the case of policies which, on a basis guaranteed in
110 the policy, provide for unscheduled changes in benefits or premiums,
111 or which provide an option for changes in benefits or premiums other
112 than a change to a new policy, the adjusted premiums and present
113 values shall initially be calculated on the assumption that future
114 benefits and premiums do not change from those stipulated at the date
115 of issue of the policy. At the time of any such change in the benefits or
116 premiums the future adjusted premiums, nonforfeiture net level
117 premiums and present values shall be recalculated on the assumption
118 that future benefits and premiums do not change from those stipulated

119 by the policy immediately after the change; (4) except as otherwise
120 provided in subdivision (7) of this subsection, the recalculated future
121 adjusted premiums for any such policy shall be the uniform
122 percentage of the respective future premiums specified in the policy
123 for each policy year, excluding amounts payable as extra premiums to
124 cover impairments and special hazards, and also excluding any
125 uniform annual contract charge or policy fee specified in the policy in a
126 statement of the method used in calculating the cash surrender values
127 and paid-up nonforfeiture benefits, that the present value, at the time
128 of change to the newly defined benefits or premiums, of all such future
129 adjusted premiums shall be equal to the excess of (A) the sum of: (i)
130 The then present value of the future guaranteed benefits provided for
131 by the policy and (ii) the additional expense allowance, if any, over (B)
132 the then cash surrender value, if any, or present value of any paid-up
133 nonforfeiture benefit under the policy; (5) the additional expense
134 allowance, at the time of the change to the newly defined benefits or
135 premiums, shall be the sum of (A) one per cent of the excess, if
136 positive, of the average amount of insurance at the beginning of each
137 of the first ten policy years subsequent to the change over the average
138 amount of insurance prior to the change at the beginning of each of the
139 first ten policy years subsequent to the time of the most recent
140 previous change, or, if there has been no previous change, the date of
141 issue of the policy; and (B) one hundred twenty-five per cent of the
142 increase, if positive, in the nonforfeiture net level premium; (6) the
143 recalculated nonforfeiture net level premium shall be equal to the
144 amount obtained by dividing (A) by (B) where (A) equals the sum of
145 (i) the nonforfeiture net level premium applicable prior to the change,
146 multiplied by the present value of an annuity of one per annum
147 payable on each anniversary of the policy on or subsequent to the date
148 of change on which a premium would have become due had the
149 change not occurred, and (ii) the present value of the increase in future
150 guaranteed benefits provided for by the policy, and (B) equals the
151 present value of an annuity of one per annum payable on each
152 anniversary of the policy on or subsequent to the date of change on
153 which a premium becomes due; (7) notwithstanding any other

154 provisions of this subsection, in the case of a policy issued on a
155 substandard basis which provides reduced graded amounts of
156 insurance so that, in each policy year, such policy has the same tabular
157 mortality cost as an otherwise similar policy issued on the standard
158 basis which provides higher uniform amounts of insurance, adjusted
159 premiums and present values for such substandard policy may be
160 calculated as if it were issued to provide such higher uniform amounts
161 of insurance on the standard basis; (8) all adjusted premiums and
162 present values referred to in this section shall be calculated: (A) (i) For
163 all policies of ordinary insurance on the basis of the Commissioners'
164 1980 Standard Ordinary Mortality Table or at the election of the
165 company, for any one or more specified plans of life insurance, on the
166 basis of the Commissioners' 1980 Standard Ordinary Mortality Table
167 with ten-year select mortality factors, or (ii) On or after January 1, 2005,
168 until January 1, 2009, at the election of the company for any one or
169 more specified plans of life insurance issued on or after January 1,
170 2004, on the basis of the Commissioners' 2001 Standard Ordinary
171 Mortality Table, except that with respect to such plans issued before
172 April 1, 2005, such mortality table shall be used solely for the basis of
173 valuation and nonforfeiture and shall not be used to increase the
174 previously agreed required premium; or (iii) For all policies issued on
175 or after January 1, 2009, on the basis of the Commissioners' 2001
176 Standard Ordinary Mortality Table; (B) for all policies of industrial
177 insurance, on the basis of the Commissioners' 1961 Standard Industrial
178 Mortality Table; (C) for all policies issued in a particular calendar year,
179 on the basis of a rate of interest not exceeding the nonforfeiture interest
180 rate as defined in this subsection, for policies issued in that calendar
181 year, provided, that: (i) At the option of the company, calculations for
182 all policies issued in a particular calendar year may be made on the
183 basis of a rate of interest not exceeding the nonforfeiture interest rate,
184 as defined in this subsection, for policies issued in the immediately
185 preceding calendar year; (ii) under any paid-up nonforfeiture benefit,
186 including any paid-up dividend additions, any cash surrender value
187 available, whether or not required by subsection (a) of this section,
188 shall be calculated on the basis of the mortality table and rate of

189 interest used in determining the amount of such paid-up nonforfeiture
190 benefit and paid-up dividend additions, if any; (iii) a company may
191 calculate the amount of any guaranteed paid-up nonforfeiture benefit
192 including any paid-up additions under the policy on the basis of an
193 interest rate no lower than that specified in the policy for calculating
194 cash surrender values; (iv) in calculating the present value of any paid-
195 up term insurance with accompanying pure endowment, if any,
196 offered as a nonforfeiture benefit, the rates of mortality assumed may
197 be not more than those shown in the Commissioners' 1980 Extended
198 Term Insurance Table for policies of ordinary insurance and not more
199 than the Commissioners' 1961 Industrial Extended Term Insurance
200 Table for policies of industrial insurance; (v) for insurance issued on a
201 substandard basis, the calculation of any such adjusted premiums and
202 present values may be based on appropriate modifications of the
203 aforementioned tables; (vi) any ordinary mortality tables, adopted
204 after 1980 by the National Association of Insurance Commissioners
205 that are approved by regulations adopted by the commissioner in
206 accordance with the provisions of chapter 54 for use in determining
207 the minimum nonforfeiture standard may be substituted for the
208 Commissioners' 1980 Standard Ordinary Mortality Table with or
209 without ten-year select mortality factors or the Commissioners' 1980
210 Extended Term Insurance Table; (vii) any industrial mortality tables,
211 adopted after 1980 by the National Association of Insurance
212 Commissioners that are approved by regulations adopted in
213 accordance with the provisions of chapter 54 by the commissioner for
214 use in determining the minimum nonforfeiture standard may be
215 substituted for the Commissioners' 1961 Standard Industrial Mortality
216 Table or the Commissioners' 1961 Industrial Extended Term Insurance
217 Table; (9) the nonforfeiture interest rate per annum for any policy
218 issued in a particular calendar year shall be equal to one hundred
219 twenty-five per cent of the calendar year statutory valuation interest
220 rate for such policy as defined in the standard valuation law, rounded
221 to the nearest one quarter of one per cent; (10) notwithstanding any
222 provision of the general statutes to the contrary, any refiling of
223 nonforfeiture values or their methods of computation for any

224 previously approved policy form which involves only a change in the
225 interest rate or mortality table used to compute nonforfeiture values
226 shall not require refiling of any other provisions of that policy form;
227 (11) on or after October 1, 1981, but prior to January 1, 1989, any
228 company may file with the commissioner a written notice of its
229 election to comply with the provisions of this subsection on or after a
230 specified date and the provisions of this subsection shall apply to such
231 company on or after such specified date, except that on or after
232 January 1, 2005, but prior to January 1, 2009, any company may file
233 with the commissioner a written notice of its election to comply with
234 the provisions of this subsection on or after a specified date with
235 respect to the Commissioners' 2001 Standard Ordinary Mortality Table
236 and the provisions of this subsection shall apply to such company. The
237 provisions of this subsection shall apply to policies issued by any
238 company on or after January 1, 1989, except that the provisions of this
239 subsection with respect to the Commissioners' 2001 Standard Ordinary
240 Mortality Table shall apply to policies issued by any company on or
241 after January 1, 2009."