**§954. Commissioners reserve valuation method defined**

**1. Policies providing for uniform insurance and uniform premiums.**  Except as otherwise provided in subsection 2 and section 957, reserves according to the commissioners reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums, shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of paragraph A over paragraph B as follows:

A. A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per year payable on the first and each subsequent anniversary of such policy on which a premium falls due. Such net level annual premium shall not exceed the net level annual premium on the 19-year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of such policy; [PL 1979, c. 453, §5 (NEW).]

B. A net one-year term premium for those benefits provided in the first policy year. [PL 1983, c. 346, §4 (AMD).]

[PL 1983, c. 346, §4 (AMD).]

**1-A. Reserve.**  For any life insurance policy issued on or after January 1, 1987, for which the contract premium in the first policy year exceeds that of the 2nd year and for which no comparable additional benefit is provided in the first year for that excess and which provides an endowment benefit or a cash surrender value, or a combination thereof, in an amount greater than that excess premium, the reserve according to the commissioners reserve valuation method as of any policy anniversary occurring on or before the assumed ending date, defined in this subsection as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than that excess premium, shall, except as otherwise provided in section 957, be the greater of the reserve as of that policy anniversary calculated as described in subsection 1 and the reserve as of that policy anniversary calculated as described in subsection 1, but with the value defined in subsection 1, paragraph A, being reduced by 15% of the amount of that excess first year premium, all present values of benefits and premiums being determined without reference to premiums or benefits provided for by the policy after the assumed ending date, the policy being assumed to mature on that date as an endowment, and the cash surrender value provided on that date being considered as an endowment benefit. In making this comparison, the mortality and interest bases stated in sections 953 and 953‑A shall be used.

Reserves according to the commissioners reserve valuation method for:

A. Life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums; [PL 1983, c. 346, §5 (NEW).]

B. Group annuity and pure endowment contracts, purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under the United States Internal Revenue Code, Section 408, as now or hereafter amended; [PL 1983, c. 346, §5 (NEW).]

C. Disability and accidental death benefits in all policies and contracts; and [PL 1983, c. 346, §5 (NEW).]

D. All other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts, [PL 1983, c. 346, §5 (NEW).]

shall be calculated by a method consistent with the principles of the preceding provisions of this section, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

[PL 1983, c. 346, §5 (NEW).]

**2. Annuity and pure endowment contracts.**  This subsection shall apply to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under the United States Internal Revenue Code, Section 408, as now or hereafter amended.

Reserves according to the commissioners annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability or accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of such contract, that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate, or rates, specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values.

[PL 1979, c. 453, §5 (RPR).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1979, c. 453, §5 (RPR). PL 1983, c. 346, §§4,5 (AMD).

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