

17:44A-17

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:44A-17, 17:44A-34

(Fraternal Benefit
Societies-Prescribe
Mortality and Morbidity
Tables)

LAWS OF: 1983

CHAPTER: 409

Bill No: A1935

Sponsor(s): D. Gallo and Adubato

Date Introduced: October 18, 1982

Committee:

Assembly: Banking and Insurance

Senate: Labor, Industry and Professions

Amended during passage:

NO

Date of Passage:

Assembly: September 15, 1983

Senate: December 12, 1983

Date of Approval: January 3, 1984

Following statements are attached if available:

Sponsor statement:

YES

Committee statement:

Assembly

YES

Senate

YES

Fiscal Note:

NO

Veto Message:

NO

Message on Signing:

~~NO~~ YES

Following were printed:

Reports:

NO

Hearings:

NO

rdv

ASSEMBLY, No. 1935

STATE OF NEW JERSEY

INTRODUCED OCTOBER 18, 1982

By Assemblymen D. GALLO and ADUBATO

AN ACT concerning fraternal benefit societies and amending
P. L. 1959, c. 167

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. Section 17 of P. L. 1959, c. 167 (C. 17:44A-17) is amended to
2 read as follows:

3 17. Nonforfeiture benefits, cash surrender values, certificate loans
4 and other options. A society may grant paid-up nonforfeiture
5 benefits, cash surrender values, certificate loans and such other
6 options as its laws may permit. As to certificates issued one year
7 from the effective date of this act, and thereafter, a society shall
8 grant at least one paid-up nonforfeiture benefit, except in the case
9 of **[pure endowment, annuity or reversionary annuity contracts,]**
10 reducing term insurance contracts or contracts of term insurance
11 of uniform amount of 15 years or less expiring before age 66.

12 In the case of certificates other than those for which reserves
13 are computed on the Commissioners 1941 Standard Ordinary
14 Mortality Table, the Commissioners 1958 Standard Ordinary
15 Mortality Table **[or]**, the 1941 Standard Industrial Table, *or any*
16 *more recent table made applicable to life insurance companies*
17 *pursuant to Title 17B of the New Jersey Statutes*, the value of
18 every paid-up nonforfeiture benefit and the amount of any cash
19 surrender value, loan or other option granted shall not be less than
20 the excess, if any, of (a) over (b) as follows:

21 (a) The reserve under the certificate determined on the basis
22 specified in the certificate; and

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.
Matter printed in italics thus is new matter.**

23 (b) The sum of any indebtedness to the society on the certificate,
24 including interest due and accrued, and a surrender charge equal
25 to $2\frac{1}{2}\%$ of the face amount of the certificate, which, in the case of
26 insurance on the lives of children, shall be the ultimate face
27 amount of the certificate, if death benefits provided therein are
28 graded.

29 However, in the case of certificates issued on a substandard
30 basis or in the case of certificates, the reserves for which are
31 computed upon the American Men Ultimate Table of Mortality,
32 the term of any extended insurance benefit granted including
33 accompanying pure endowment, if any, may be computed upon
34 the rates of mortality not greater than 130% of those shown by
35 the mortality table specified in the certificate for the computation
36 of the reserve.

37 In the case of certificates for which reserves are computed on
38 the Commissioners 1941 Standard Ordinary Mortality Table, the
39 Commissioners 1958 Standard Ordinary Mortality Table **[or]**, the
40 1941 Standard Industrial Table, *or any more recent table made*
41 *applicable to life insurance companies pursuant to Title 17B of the*
42 *New Jersey Statutes*, every paid-up nonforfeiture benefit **[avail-**
43 **able** under the certificate in the event of default in a premium pay-
44 ment due on any policy anniversary shall be such that its present
45 value as of such anniversary shall be an amount not less than the
46 excess, if any, of the present value, on such anniversary, of the
47 future guaranteed benefits which would have been provided for
48 by the certificate, including any existing paid-up additions, if there
49 had been no default, over the sum of (1) the then present value of
50 the adjusted premiums as hereinafter defined, corresponding to
51 premiums which would have fallen due on and after such anni-
52 versary, and (2) the amount of any indebtedness to the society on
53 the certificate. Any cash surrender value available within 30 days
54 after any policy anniversary under any certificate paid up by
55 completion of all premium payments or any certificate continued
56 under any paid-up nonforfeiture benefit shall be an amount not
57 less than the present value, on such anniversary, of the future
58 guaranteed benefits provided for by the certificate, including any
59 existing paid-up additions, decreased by any indebtedness to the
60 society on the certificate.

61 The adjusted premiums for any certificate shall be calculated
62 on an annual basis and shall be such uniform percentage of the
63 respective premiums specified in the certificate for each policy
64 year that the present value, at the date of issue of the certificate,
65 of all such adjusted premiums shall be equal to the sum of (1) the

66 then present value of the future guaranteed benefits provided for
67 by the certificate; (2) 2% of the amount of insurance, if the
68 insurance be uniform in amount, or of the equivalent uniform
69 amount, as hereinafter defined, if the amount of insurance varies
70 with duration of the certificate; (3) 40% of the adjusted premium
71 for the first policy year; (4) 25% of either the adjusted premium for
72 the first policy year or the adjusted premium for a whole life
73 certificate of the same uniform or equivalent uniform amount
74 with uniform premiums for the whole of life issued at the same
75 age for the same amount of insurance, whichever is less: provided,
76 however, that in applying the percentage specified in (3) and (4)
77 above, no adjusted premium shall be deemed to exceed 4% of the
78 amount of insurance or level amount equivalent thereto. The date
79 of issue of a certificate for the purpose of this paragraph shall be
80 the date as of which the rated age of the insured is determined.
81 In the case of a certificate providing an amount of insurance vary-
82 ing with duration of the policy, the equivalent level amount thereof
83 for the purpose of this paragraph shall be deemed to be the level
84 amount of insurance provided by an otherwise similar certificate,
85 containing the same endowment benefit or benefits, if any, issued
86 at the same age and for the same term, the amount of which does
87 not vary with duration and the benefits under which have the same
88 present value at the inception of the insurance as the benefits under
88A the certificate.

89 All adjusted premiums and present values referred to above shall
90 be calculated on the basis of the Commissioners 1941 Standard
91 Ordinary Table, the Commissioners 1958 Standard Ordinary Mor-
92 tality Table or the 1941 Standard Industrial Table and the rate of
93 interest, not exceeding $3\frac{1}{2}\%$ per annum, specified in the certificate
94 for calculating cash surrender values and paid-up nonforfeiture
95 benefits; provided, however, that in calculating the present value
96 of any paid-up term insurance with accompanying pure endow-
97 ment, if any, offered as a nonforfeiture benefit, the rates of mor-
98 tality assumed may be not more than 130% of the rates of mortality
99 according to such applicable table, except that where the Com-
100 missioners 1958 Standard Ordinary Mortality Table is used, such
101 rates of mortality assumed may be not more than those shown in
102 the Commissioners 1958 Extended Term Insurance Table; provided,
103 further, that for any category of such certificates issued on female
104 risks adjusted premiums and present values, referred to in this
105 section, may be calculated at the option of the society with the
106 approval of the commissioner, according to an age not more than
107 3 years younger than the actual age of the insured. Any cash sur-

108 render value and any paid-up nonforfeiture benefit, available under
 109 the certificate in the event of default in a premium payment due at
 110 any time other than on the policy anniversary, shall be calculated
 111 with allowance for the lapse of time and the payment of fractional
 112 premiums beyond the last preceding policy anniversary] and the
 113 amount of any cash surrender value, loan or other option granted
 114 shall not be less than the corresponding amount ascertained in
 115 accordance with the provisions of the laws of this State applicable
 116 to life insurers issuing policies containing life insurance benefits
 117 based on these tables. All values referred to above may be calcu-
 118 lated upon the assumption that any death benefit is payable at the
 119 end of the policy year of death. The net value of any paid-up ad-
 120 ditions, other than paid-up term additions, shall not be less than
 121 the dividends used to provide such additions. Additional benefits
 122 payable (1) in the event of death or dismemberment by accident
 123 or accidental means, (2) in the event of total and permanent dis-
 124 ability, (3) as reversionary annuity or deferred reversionary an-
 125 nuity benefits, (4) as reducing term insurance benefits provided by
 126 a rider or supplemental policy provision, and (5) as other policy
 127 benefits additional to life insurance and endowment benefits, and
 128 premiums for all such additional benefits, shall be disregarded in
 129 ascertaining cash surrender and nonforfeiture benefits as described
 130 above and no such additional benefits shall be required to be in-
 131 cluded in any paid-up nonforfeiture benefits. Notwithstanding
 132 any other provisions of this section, additional benefits providing
 133 the privilege to purchase additional insurance at some future time
 134 without furnishing evidence of insurability, and premiums there-
 135 for, may, with the consent of the commissioner, be disregarded
 136 in ascertaining cash surrender values and nonforfeiture benefits
 137 as described in this section, and no such additional benefits shall
 138 be required to be included in any paid-up nonforfeiture benefits.

139 *In the case of annuity contracts issued after the effective date*
 140 *of this act, every annuity contract shall be subject to the require-*
 141 *ments of N. J. S. 17B:25-19, as it applies to annuity contracts.*

1 2. Section 34 of P. L. 1959, c. 167 (C. 17:44A-34) is amended to
 2 read as follows:

3 34. Reports and valuations. Reports shall be filed and synopses
 4 of annual statements shall be published in accordance with the
 5 provisions of this section.

6 (1) Every society transacting business in this State shall an-
 7 nually, on or before March 1, unless for cause shown such time has
 8 been extended by the commissioner, file with the commissioner a
 9 true statement of its financial condition, transactions and affairs

10 for the preceding calendar year and pay a fee of \$20.00 for filing
11 same. The statement shall be in general form and context as ap-
12 proved by the National Association of Insurance Commissioners
13 for fraternal benefit societies and as supplemented by additional
14 information required by the commissioner.

15 (2) A synopsis of its annual statement providing an explanation
16 of the facts concerning the condition of the society thereby dis-
17 closed shall be printed and mailed to each benefit member of the
18 society not later than June 1 of each year, or, in lieu thereof, such
19 synopsis may be published in the society's official publication.

20 (3) As a part of the annual statement herein required, each
21 society shall, on or before March 1, file with the commissioner a
22 valuation of its certificates in force on December 31 last preceding
23 provided, the commissioner may, in his discretion for cause shown,
24 extend the time for filing such valuation for not more than two
25 calendar months. Such report of valuation shall show, as reserved
26 liabilities, the difference between the present mid-year value of
27 the promised benefits provided in the certificates of such society in
28 force and the present mid-year value of the future net premiums
29 as the same are in practice actually collected, not including therein
30 any value for the right to make extra assessments and not including
31 any amount by which the present mid-year value of future net
32 premiums exceeds the present mid-year value of promised benefits
33 on individual certificates. At the option of any society, in lieu of
34 the above, the valuation may show the net tabular value. Such
35 net tabular value as to certificates issued prior to one year after
36 the effective date of this act shall be determined in accordance
37 with the provisions of law applicable prior to the effective date of
38 this act and as to certificates issued one year from the effective
39 date of this act, and thereafter, shall not be less than the reserves
40 determined according to the Commissioners Reserve Valuation
41 method as hereinafter defined. If the premium charged is less than
42 the tabular net premium according to the basis of valuation used,
43 **[an additional reserve equal to the present value of the deficiency**
44 **in such premiums shall be set up and maintained as a liability]**
45 *the minimum reserve required shall be determined in accordance*
46 *with the provisions of subsection e. of N. J. S. 17B:19-8.* The re-
47 serve liabilities shall be properly adjusted in the event that the
48 mid-year or tabular values are not appropriate.

49 (4) Reserves according to the Commissioners' Reserve Valuation
50 method, for the life insurance and endowment benefits of certificates
51 providing for a uniform amount of insurance and requiring the
52 payment of uniform premiums shall be the excess, if any, of the

53 present value, at the date of valuation, of such future guaranteed
54 benefits provided for by such certificates, over the then present
55 value of any future modified net premiums therefor. The modified
56 net premiums for any such certificate shall be such uniform per-
57 centage of the respective contract premiums for such benefits that
58 the present value, at the date of issue of the certificate, of all such
59 modified net premiums shall be equal to the sum of the then present
60 value of such benefits provided for by the certificate and the excess
61 of (a) over (b) as follows:

62 (a) a net level premium equal to the present value, at the
63 date of issue, of such benefits provided for after the first
64 certificate year, divided by the present value, at the date of
65 issue, of an annuity of one per annum payable on the first
66 and each subsequent anniversary of such certificate on which
67 a premium falls due; provided however, that such net level
68 annual premium shall not exceed the net level annual premium
69 on the 19-year premium whole life plan for insurance of the
70 same amount at an age one year higher than the age at issue
71 of such certificate; and

72 (b) a net one-year term premium for such benefits provided
73 for in the first certificate year.

74 Reserves according to the Commissioners' Reserve Valuation
75 method for (1) life insurance benefits for varying amounts of
76 benefits or requiring the payment of varying premiums, (2) annuity
77 and pure endowment benefits, (3) disability and accidental death
78 benefits in all certificates and contracts, and (4) all other benefits
79 except life insurance and endowment benefits; shall be calculated
80 by a method consistent with the principles of this subsection.

81 (5) The present value of deferred payments due under incurred
82 claims or matured certificates shall be deemed a liability of the
83 society and shall be computed upon mortality and interest stand-
84 ards prescribed in the following subsection.

85 (6) Such valuation and underlying data shall be certified by a
86 competent actuary, or at the expense of the society, verified by the
87 actuary of the Department of Insurance of the State of domicile
88 of the society, if such department consents to undertake the
89 valuation.

90 The minimum standards of valuation for certificates issued prior
91 to one year from the effective date of this act shall be for adult
92 certificates the "National Fraternal Congress Table of Mortality"
93 and 4% interest and for certificates on the lives of children the
94 "Standard Industrial Mortality Table" or the "English Life Table
95 Number 6" and 4% interest, but the minimum standards shall not

96 be lower than the standards used in the calculating of rates for
97 such certificates.

98 The minimum standard of valuation for certificates issued one
99 year from the effective date of this act, and thereafter, shall be
100 $3\frac{1}{2}\%$ interest or, at the discretion of the commissioner, any higher
101 rate of interest permitted for life insurance companies pursuant
102 to Title 17B of the New Jersey Statutes, and the following tables:

103 (a) for certificates of life insurance— American Men Ultimate
104 Table of Mortality, with Bowerman's or Davis' Extension thereof
105 or, with the consent of the commissioner, the Commissioners 1941
106 Standard Ordinary Mortality Table, the Commissioners 1958
107 Standard Ordinary Mortality Table or the Commissioners 1941
108 Standard Industrial Table of Mortality, provided that for any
109 category of such certificates issued on female risks modified net
110 premiums and present values, referred to in this section, may be
111 calculated at the option of the society with approval of the com-
112 missioner, according to an age not more than **[three]** six years
113 younger than the actual age of the insured;

114 (b) for annuity and pure endowment certificates, excluding any
115 disability and accidental death benefits in such certificates and
116 including life annuities provided or available under optional modes
117 of settlement in any certificates—the 1937 Standard Annuity
118 Table or the Annuity Mortality Table for 1949, Ultimate, or any
119 modification of either of these tables approved by the commissioner;

120 (c) for total and permanent disability benefits in or supple-
121 mentary to life insurance certificates—Hunter's Disability Table,
122 except that either the Class III Disability Table (1926) modified
123 to conform to the contractual waiting period or the tables of
124 Period 2 disablement rates and the 1930 to 1950 termination rates
125 of the 1952 Disability Study of the Society of Actuaries with due
126 regard to the type of benefit shall be used in computing reserves
127 for disability benefits under a contract which presumes that total
128 disability shall be considered to be permanent after a specified
129 period. Any such table shall, for active lives, be combined with a
130 mortality table permitted for calculating the reserves for life
131 insurance certificates;

132 (d) for accidental death benefits in or supplementary to life
133 insurance certificates—the Inter-Company Double Indemnity Mor-
134 tality Table or the 1959 Accidental Death Benefits Table. Either
135 table shall be combined with a mortality table permitted for calcu-
136 lating the reserves for life insurance certificates;

137 (e) for noncancelable accident and health benefits—the Class
138 III Disability Table (1926) with conference modifications or, with

139 the consent of the commissioner, tables based upon the society's
140 own experience; and

141 (f) for paid-up term insurance and accompanying pure endow-
142 ment, the table of mortality based on the rates of mortality assumed
143 in calculating the paid-up nonforfeiture benefit.

144 *Provided, however, that any society may value its certificates in*
145 *accordance with mortality and morbidity tables authorized by the*
146 *laws of this State for the valuation of policies issued by life insur-*
147 *ance companies.*

148 The commissioner may, in his discretion, accept other standards
149 for valuation if he finds that the reserves produced thereby will not
150 be less in the aggregate than reserves computed in accordance with
151 the minimum valuation standard herein prescribed. The commis-
152 sioner may, in his discretion, vary the standards of mortality appli-
153 cable to all certificates of insurance on substandard lives or other
154 extra hazardous lives by any society authorized to do business in
155 this State. Whenever the mortality experience under all certificates
156 valued on the same mortality table is in excess of the expected
157 mortality according to such table for a period of three consecutive
158 years, the commissioner may require additional reserves when
159 deemed necessary in his judgment on account of such certificates.

160 Any society, with the consent of the commissioner of the State of
161 domicile of the society and under such conditions, if any, which he
162 may impose, may establish and maintain reserves on its certificates
163 in excess of the reserves required thereunder, but the contractual
164 rights of any insured member shall not be affected thereby.

165 (7) A society neglecting to file the annual statement in the form
166 and within the time provided by this section shall be penalized
167 \$100.00 for each day during which neglect continues, and, upon
168 notice by the commissioner to that effect, its authority to do busi-
169 ness in this State shall cease while such default continues.

1 3. This act shall take effect immediately.

STATEMENT

The purpose of this bill is to allow fraternal benefit societies to use the same mortality and morbidity tables as authorized for life insurance companies and, at the discretion of the Commissioner of Insurance, to permit fraternal benefit societies to use the same interest assumptions for valuation of liability purposes and nonforfeiture value requirements as permitted for life insurance companies.

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1935

STATE OF NEW JERSEY

DATED: SEPTEMBER 6, 1983

This bill is designed to permit fraternal benefit societies to use the same mortality and morbidity tables which life insurers use. Last session, P. L. 1981, c. 285 substantially revised the Life and Health Insurance Code (Title 17B of the New Jersey Statutes) to permit life insurers to utilize up-to date mortality and disability tables; this legislation should extend the same benefits to fraternal benefit societies. The 1981 revision also permitted higher interest rates for certificates issued by life insurers. Under the provisions of Assembly Bill No. 1935, fraternal benefit societies could utilize similar interest rates if permitted to do so by the Commissioner.

SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1935

STATE OF NEW JERSEY

DATED: DECEMBER 8, 1983

This bill is designed to permit fraternal benefit societies to use the same mortality and morbidity tables which life insurers use. Last session, P. L. 1981, c. 285 substantially revised the Life and Health Insurance Code (Title 17B of the New Jersey Statutes) to permit life insurers to utilize up-to date mortality and disability tables; this legislation should extend the same benefits to fraternal benefit societies. The 1981 revision also permitted higher interest rates for certificates issued by life insurers. Under the provisions of Assembly Bill No. 1935, fraternal benefit societies could utilize similar interest rates if permitted to do so by the commissioner.

JANUARY 3, 1984

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A-1935, sponsored by Assembly Minority Leader Dean Gallo, R-Morris, to permit fraternal benefit societies to use the same mortality and morbidity tables as are authorized for life insurance companies.

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