

17B:19-2 et al

LEGISLATIVE HISTORY CHECKLIST

NJSA 17B:19-2 et al (Life & Health Insurance contracts--revise statutes on minimum capital requirements, valuation & Non-forfeiture)

LAWS 1981 CHAPTER 285

Bill No. S3024

Sponsor(s) Bedell

Date Introduced January 22, 1981

Committee: Assembly Banking and Insurance

Senate Labor, Industry and Professions

Amended during passage Yes No Amendments during passage denoted by asterisks

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Following statements are attached if available:

Sponsor statement Yes No (Below)

Committee Statement: Assembly Yes No

Senate Yes No

Fiscal Note XYes No

Veto Message XYes No

Message on signing XYes No

Following were printed:

Reports XYes No

Hearings XYes No

Sponsor's statement

These amendments to the New Jersey valuation law and non-forfeiture law will cause New Jersey Valuation and non forfeiture laws to conform generally to the Model Act revisions recommended by the National Association of Insurance Commissioners.

For model NAIC Laws (referred to in statements)--see:

TB 140 Nairs Corporation.

N278 Official N.A.I.C. Model insurance laws, regulations, and guidelines. Minneapolis, 1977.

[See Vol. 11--pp.805-1--820-9]

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**SENATE, No. 3024****STATE OF NEW JERSEY**

INTRODUCED JANUARY 22, 1981

By Senator BEDELL

Referred to Committee on Labor, Industry and Professions

AN ACT concerning insurance and annuities relating to the valuation law and the nonforfeiture law, amending sections 17B:19-2, 17B:19-5, 17B:19-8 and 17B:25-19 of the New Jersey Statutes, and supplementing chapter 25 of Title 17B of the New Jersey Statutes.

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

1 1. N. J. S. 17B:19-2 is amended to read as follows:

2 17B:19-2. The commissioner shall annually value, or cause to be  
3 valued, the reserve liabilities (hereinafter called reserves) for all  
4 outstanding life insurance policies and annuity and pure endow-  
5 ment contracts of every life insurer doing business in this State,  
6 except that in the case of an alien insurer, such valuation shall be  
7 limited to its United States business, and may certify the amount  
8 of any such reserves, specifying the mortality table or tables, rate  
9 or rates of interest and methods (net level premium method or  
10 other) used in the calculation of such reserves. All valuations made  
11 by him or by his authority shall be upon the net premium basis or  
12 such modifications thereof as are provided by law. In calculating  
13 such reserves, he may use group methods and approximate aver-  
14 ages for fractions of a year or otherwise *and, with the concurrence*  
15 *of the insurer, make classifications of benefits by years of issue*  
16 *according to such relevant factors as the date as of which the rated*  
17 *age of the insured is determined, the date as of which the benefits*  
18 *\*have been\* provided or the premium rates have been changed, or,*  
19 *for policies under which premium rates are guaranteed for a limited*  
20 *period of time, the most recent date as of which the insurer had the*  
21 *right to modify those premium rates. In lieu of the valuation of the*  
22 reserves herein required of any foreign or alien insurer, he may

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

23 accept any valuation made, or caused to be made, by the insurance  
24 supervisory official of any state or other jurisdiction when such  
25 valuation complies with the minimum standards provided by law  
26 and if the official of such state or jurisdiction accepts as sufficient  
27 and valid for all legal purposes the certificate of valuation of the  
28 commissioner when such certificate states the valuation to have  
29 been made in a specified manner according to which the aggregate  
30 reserves would be at least as large as if they had been computed  
31 in the manner prescribed by the law of that state or jurisdiction.

32 Any such insurer which at any time shall have adopted any  
33 standard of valuation producing greater aggregate reserves than  
34 those calculated according to the minimum standards provided by  
35 law may, with the approval of the commissioner, adopt any lower  
36 standard of valuation, but not lower than the minimum standards  
37 so provided.

38 Except in the case of policies for which the reserve liabilities  
39 are valued on the basis of the provisions of the standard valuation  
40 law contained in section 17B:19-8, all valuations made by the com-  
41 missioner or by his authority shall be upon the net premium basis,  
42 or such modification thereof as hereinafter expressly provided;  
43 and all policies issued prior to January 1, 1901, shall be valued  
44 according to the actuaries' table of mortality, with compound in-  
45 terest at the rate of 4% per annum, except in cases where a life  
46 insurer elects or has elected to have the policies or any class thereof  
47 valued according to the American Experience table of mortality,  
48 or according to the American Men Ultimate table of mortality,  
49 with compound interest at the rate of either 3% or 3½% per annum  
50 or with the approval of the commissioner at a rate of less than 3%  
51 per annum; and all policies issued on or after January 1, 1901,  
52 shall be valued according to the American Experience table of  
53 mortality, with compound interest at the rate of 3½% per annum,  
54 except in cases where a life insurer elects or has elected to have  
55 such policies or any class thereof valued according to the American  
56 Experience table of mortality with compound interest at a rate of  
57 less than 3½% per annum but not less than 3% per annum or with  
58 the approval of the commissioner at a rate of less than 3% per  
59 annum; and except in cases where any life insurer with the ap-  
60 proval of the commissioner may elect or shall have elected to have  
61 its ordinary policies or any class thereof valued according to the  
62 American Men Ultimate table of mortality, with compound interest  
63 at a rate which is not more than 3½% per annum. The minimum  
64 standard for the valuation of group term insurance policies under

65 which premium rates are not guaranteed for a period in excess  
 66 of 5 years shall be the American Men Ultimate table of mortality  
 67 with interest at  $3\frac{1}{2}\%$  per annum. The commissioner may vary the  
 68 standards of interest and mortality in the case of annuities and  
 69 industrial policies and of invalid lives and other extra hazards.  
 70 When the actual premium charged for an insurance policy is less  
 71 than the net premium for the insurance, computed according to  
 72 the table of mortality, and the rate of interest prescribed herein,  
 73 the value of the policy shall be increased by the value of an annuity,  
 74 the amount of which shall equal the difference between the pre-  
 75 miums and the term of which in years shall equal the number of  
 76 future annual payments receivable on the insurance after the date  
 77 of valuation.

78 Reserves for all policies and contracts to which the foregoing  
 79 standards apply may be calculated, at the option of the insurer,  
 80 according to any standards which produce greater aggregate re-  
 81 serves for all such policies and contracts than the minimum re-  
 82 serves required by this section.

1 2. N. J. S. 17B:19-5 is amended to read as follows:

2 17B:19-5. The commissioner shall annually make or cause to be  
 3 made or shall annually require the insurer to make calculations of  
 4 policy and loss reserves for health insurance written by insurers  
 5 authorized to write health insurance in this State as defined in  
 6 section 17B:17-4. The commissioner may promulgate regulations  
 7 providing for minimum reserve standards and mortality, morbidity  
 8 or other contingency bases to be used in connection therewith.  
 9 **【All calculations for minimum reserve purposes shall be made on**  
 10 **the basis of a rate of interest not exceeding 4% per annum in the**  
 11 **case of policies of insurance issued on or after January 1, 1973 and**  
 12 **and prior to January 1, 1977 and  $4\frac{1}{2}\%$  interest in the case of**  
 13 **policies issued on or after January 1, 1977, and not exceeding  $3\frac{1}{2}\%$**   
 14 **per annum in the case of all other policies of insurance.】** *All calcula-*  
 15 *tions for minimum reserve purposes shall be made on the basis of a*  
 16 *rate of interest not exceeding  $3\frac{1}{2}\%$  per annum in the case of*  
 17 *policies issued prior to January 1, 1973 and, for policies issued on*  
 18 *or after that date on the basis of a rate of interest not exceeding the*  
 19 *maximum rate of interest specified in section 17B:19-8 for policies*  
 20 *of life insurance which are issued in the same year as such health*  
 21 *insurance policies, and, if the following specification is relevant,*  
 22 *for policies of life insurance containing a maximum guarantee dura-*  
 23 *tion of more than 10 years but not more than 20 years.*

1 3. N. J. S. 17B:19-8 is amended to read as follows:

2 17B:19-8. This section shall be known as the standard valuation  
 3 law and shall apply to all the life insurance policies, pure endow-  
 4 ment contracts and annuity contracts issued by every life insurer  
 5 on or after January 1, 1948 or such earlier date as shall have been  
 6 elected by the insurer as the operative date for such insurer of the  
 7 standard nonforfeiture law.

8 a. The minimum standard for the valuation of the reserve lia-  
 9 bilities for all such policies and contracts shall be the commis-  
 10 sioner's reserve valuation methods defined in subsections b., e. and  
 11 f. of this section, 3½% interest, except as otherwise provided in  
 12 paragraphs (iii), (iv) **[and]**, (ix) *and* (x) of this subsection for  
 13 annuity and pure endowment contracts **\*[or]\*** *\*and\* paragraph*  
 14 *(x) of this subsection for life insurance policies and disability and*  
 15 *accidental death benefits*, and except 4% interest for **[life in-**  
 16 **surance]** *such* policies and **[disability and accidental death]** bene-  
 17 fits issued on or after January 1, 1973 and prior to January 1, 1977  
 18 and 4½% interest for such policies and benefits issued on or after  
 19 January 1, 1977, and the following tables:

20 (i) For all ordinary policies of life insurance issued on the  
 21 standard basis, excluding any disability and accidental death  
 22 benefits in such policies, the Commissioners 1941 Standardordi-  
 23 nary Mortality Table; provided however, that the Commissioners  
 24 1958 Standard Ordinary Mortality Table shall be the table for the  
 25 minimum standard for such policies issued on or after January 1,  
 26 1966 or, for policies in any category of ordinary insurance, such  
 27 earlier date as shall have been elected by the insurer **\*[as the date**  
 28 **on which the calculation of the adjusted premiums referred to in the**  
 29 **standard nonforfeiture law for life insurance as amended for such**  
 30 **insurer's policies in such category became based upon said table]**  
 31 **\*for the purpose\* and prior to the operative date\***, for such cate-  
 32 gory, provided for in paragraph (xi)\* of subsection h. of the  
 33 standard nonforfeiture law for life insurance **\*[as amended, and]**  
 34 **\*(N. J. S. 17B:25-19); and provided that\*** the Commissioners 1980  
 35 Standard Ordinary Mortality Table, or at the election of the in-  
 36 surer for any one or more specified plans of life insurance, the Com-  
 37 missioners 1980 Standard Ordinary Mortality Table with Ten-Year  
 38 Select Mortality Factors, or any ordinary mortality table, adopted  
 39 after 1980 by the National Association of Insurance Commissioners,  
 40 that is approved by regulation promulgated by the commissioner  
 41 for use in determining the minimum standard of valuation for such  
 42 policies shall be the tables for the minimum standard for policies  
 43 **\*in any category of ordinary insurance\* issued on or after the**  
 44 **operative date\***, for such category provided for in paragraph (xi)\*

45 of subsection h. of section 17B:25-19, the standard nonforfeiture  
 46 law\***[.]**\* for life insurance \***[as amended]**\*. Notwithstanding the  
 47 above provisions of this paragraph, for any category of ordinary  
 48 insurance, reserves for such policies issued on or after July 1, 1957  
 49 and prior to the operative date \*provided for in paragraph (xi)\* of  
 50 subsection h. of section 17B:25-19, the standard nonforfeiture law  
 51 for life insurance\***[, as amended]**\*, may be calculated, at the option  
 52 of the insurer, according to the Approved Standard Ordinary  
 53 Mortality Table contained in section 17B:19-9; provided, further,  
 54 that for any category of such policies issued on female risks on or  
 55 after July 1, 1957 and prior to the operative date \*provided for in  
 56 paragraph (xi)\* of subsection h. of the standard nonforfeiture law  
 57 for life insurance \***[as amended]**\*, modified net premiums and  
 57A present values, referred to in subsection b. of this section, may be  
 57B calculated, at the option of the insurer with approval of the com-  
 57C missioner, according to an age not more than 6 years younger than  
 57D the actual age of the insured.

58 (ii) For all industrial life insurance policies issued on the  
 59 standard basis, excluding any disability and accidental death bene-  
 60 fits in such policies, the 1941 Standard Industrial Mortality Table;  
 61 provided, however, that the Commissioners 1961 Standard In-  
 62 dustrial Mortality Table or any industrial mortality table, adopted  
 63 after 1980 by the National Association of Insurance Commissioners,  
 64 that is approved by regulation promulgated by the commissioner  
 65 for use in determining the minimum standard of valuation for such  
 66 policies shall be the table for the minimum standard for such  
 67 policies issued on or after January 1, 1968 or such earlier date as  
 68 shall have been elected by the insurer as the date on which the  
 69 calculation of the adjusted premiums referred to in the standard  
 70 nonforfeiture law for life insurance \***[as amended]**\* \*(N. J. S.  
 71 17B:25-19)\* for such insurer's industrial life insurance policies  
 72 became based upon said table.

73 (iii) For individual annuity and pure endowment contracts  
 74 issued prior to the operative date of paragraph (ix) of this subsec-  
 75 tion, excluding any disability and accidental death benefits in such  
 76 contracts, the 1937 Standard Annuity Mortality Table, or, at the  
 77 option of the insurer, the Annuity Mortality Table for 1949, Ulti-  
 78 mate, or any modification of either of these tables approved by the  
 79 commissioner; provided, however, that for single stipulated pay-  
 80 ment individual annuity and single premium pure endowment con-  
 81 tracts issued on or after January 1, 1970, excluding any disability  
 82 and accidental death benefits in such contracts, the minimum

83 standard shall be the lesser of (a) the standard just described and  
84 (b) the standard based on 4% interest and the Annuity Mortality  
85 Table for 1949, Ultimate, or any modification of such table approved  
86 by the commissioner.

87 (iv) For group annuity and pure endowment contracts, except  
88 annuities and pure endowments purchased thereunder on or after  
89 the operative date of paragraph (ix) of this subsection, excluding  
90 any disability and accidental death benefits in such contracts, the  
91 Group Annuity Mortality Table for 1951, any modification of such  
92 table approved by the commissioner, or, at the option of the insurer,  
93 any of the tables or modifications of tables specified for individual  
94 annuity and pure endowment contracts; provided, however, that the  
95 commissioner may establish regulations governing the use of 5%  
96 interest and either the 1971 Group Annuity Mortality Table or any  
97 modification of such table approved by the commissioner for either  
98 contracts whose reserves are considered as pension plan reserves  
99 of the type set forth in section 805(d) of the U. S. Internal Revenue  
100 Code, as amended, or contracts of a similar type; and further pro-  
101 vided that for group annuity benefits arising from considerations  
102 received on or after January 1, 1970, excluding any disability and  
103 accidental death benefits, the minimum standard shall be the lesser  
104 of (a) the standard just described and (b) the standard based on  
105 4% interest and the Group Annuity Mortality Table for 1951, any  
106 modification of such table approved by the commissioner, or, at the  
107 option of the insurer, the Annuity Mortality Table for 1949, Ulti-  
108 mate, or any modification of such table specified for individual  
109 annuity and pure endowment contracts.

110 (v) For total and permanent disability benefits in or supple-  
111 mentary to ordinary policies or contracts, for policies or contracts  
112 issued on or after January 1, 1966, the tables of Period 2 disable-  
113 ment rates and the 1930 to 1950 termination rates of the 1952 Dis-  
114 ability Study of the Society of Actuaries, with due regard to the  
115 type of benefits *or any tables of disablement rates and termination*  
116 *rates, adopted after 1980 by the National Association of Insurance*  
117 *Commissioners, that are approved by regulation promulgated by*  
118 *the commissioner for use in determining the minimum standard of*  
119 *valuation for such policies*; for policies or contracts issued on or  
120 after January 1, 1961 and prior to January 1, 1966, either such  
121 tables or, at the option of the insurer, the Class (3) Disability Table  
122 (1926); and for policies issued prior to January 1, 1961, the Class  
123 (3) Disability Table (1926). Any such table shall, for active lives,  
124 be combined with a mortality table permitted for calculating the  
125 reserves for life insurance policies.

126 (vi) For accidental death benefits in or supplementary to  
 127 policies, for policies issued on or after January 1, 1966, the 1959  
 128 Accidental Death Benefits Table *or any accidental death benefits*  
 129 *table, adopted after 1980 by the National Association of Insurance*  
 130 *Commissioners, that is approved by regulation promulgated by the*  
 131 *commissioner for use in determining the minimum standard of*  
 132 *valuation for such policies*; for policies issued on or after January  
 133 1, 1961 and prior to January 1, 1966, either such table or, at the  
 134 option of the insurer, the Inter-Company Double Indemnity  
 135 Mortality Table; and for policies issued prior to January 1, 1961,  
 136 the Inter-Company Double Indemnity Mortality Table. **【Either】**  
 137 *Any such* table shall be combined with a mortality table permitted  
 138 for calculating the reserves for life insurance policies.

139 (vii) For group life insurance, life insurance issued on the sub-  
 140 standard basis and other special benefits, such tables as may be  
 141 approved by the commissioner.

142 (viii) For ordinary and industrial paid-up nonforfeiture term in-  
 143 surance, and accompanying pure endowment, the table of mortality  
 144 based on the rates of mortality assumed in calculating the paid-up  
 145 nonforfeiture benefits.

146 (ix) **【For】** *Except as provided in paragraph (x) of this sub-*  
 147 *section, for individual annuity and pure endowment contracts issued*  
 148 *on or after the operative date of this paragraph (ix), as defined*  
 149 *herein, and for all annuities and pure endowments purchased on*  
 150 *or after such operative date under group annuity and pure endow-*  
 151 *ment contracts, the commissioner's reserve valuation methods de-*  
 152 *finied in subsections b., e. and f. and the following tables and interest*  
 153 *rates:*

154 (1) For individual annuity and pure endowment contracts, ex-  
 155 cluding any disability and accidental death benefits in such con-  
 156 tracts, the 1971 Individual Annuity Mortality Table *or any in-*  
 157 *dividual annuity mortality table, adopted after 1980 by the National*  
 158 *Association of Insurance Commissioners, that is approved by regu-*  
 159 *lation promulgated by the commissioner for use in determining the*  
 160 *minimum standard of valuation for such contracts, or any modifica-*  
 161 *tion of 【this table】 \*【these tables】\* \*any such table\* approved by*  
 162 the commissioner, and, for such contracts issued prior to January  
 163 1, 1977, 6% interest for single stipulated payment immediate  
 164 annuity and single premium pure endowment contracts, and 4%  
 165 interest for all other individual annuity and pure endowment con-  
 166 tracts, and for such contracts issued on or after January 1, 1977,  
 167 7½% interest for single stipulated payment immediate annuity  
 168 contracts either of the type whose reserves are considered as

169 pension plan reserves as set forth in section 805(d) of the U. S.  
 170 Internal Revenue Code, as amended, or of similar type, and 6%  
 171 interest for other single stipulated payment immediate annuity  
 172 contracts, and 4½% interest for other individual annuity and pure  
 173 endowment contracts, provided, however, that the commissioner  
 174 may establish regulations governing the use, in subsequent valua-  
 175 tions of single stipulated payments not previously valued, of an  
 176 interest rate not more than 7½% or less than 6%.

177 (2) For all annuities and pure endowments purchased under  
 178 group annuity and pure endowment contracts, excluding any dis-  
 179 ability and accidental death benefits purchased under such con-  
 180 tracts, the 1971 Group Annuity Mortality Table or any group  
 181 annuity mortality table, adopted after 1980 by the National Asso-  
 182 ciation of Insurance Commissioners, that is approved by regulation  
 183 promulgated by the commissioner for use in determining the  
 184 minimum standard of valuation for such annuities and pure endow-  
 185 ments, or any modification of [this table] \*[these tables]\* \*any  
 186 such table\* approved by the commissioner, and 6% interest except  
 187 7½% interest for purchases on or after January 1, 1977 under  
 188 either contracts whose reserves are considered as pension plan  
 189 reserves of the type set forth in section 805(d) of the U. S. Internal  
 190 Revenue Code, as amended, or contracts of similar type, provided,  
 191 however, that the commissioner may establish regulations govern-  
 192 ing the use, in subsequent valuations of purchases not previously  
 193 valued, of an interest rate not more than 7½% or less than 6%.

194 For individual single stipulated payment immediate annuity and  
 195 single premium pure endowment contracts and for annuities and  
 196 pure endowments purchased under group annuity and pure endow-  
 197 ment contracts, the operative date of this paragraph (ix) shall be  
 198 January 1, 1973.

199 For other individual annuity and pure endowment contracts, an  
 200 insurer may file with the commissioner a written notice of its elec-  
 201 tion to comply with the provisions of this paragraph (ix) beginning  
 202 on a specific date that is on or after January 1, 1973 but prior to  
 203 January 1, 1979. Such specified date shall be the operative date of  
 204 this paragraph for such contracts of the insurer, provided that if an  
 205 insurer makes no such election, the operative date of this paragraph  
 206 for such contracts of the insurer shall be January 1, 1979.

207 (x) The interest rates used in determining the minimum stan-  
 208 dard for the valuation of:

209 \**all life insurance policies issued in a particular calendar*  
 210 *year, on or after the operative date of subsection h. of section*  
 211 *as amended and inserted after the date of the passage of the*

211 17B:25-19, the standard nonforfeiture law for life insur-  
 212 ance;] \*benefits which are subject to the provisions of  
 213 N. J. S. 17B:25-19 under life insurance policies issued in a  
 213A particular calendar year on or after the operative date pro-  
 213B vided for in subsection h. (xi) of N. J. S. 17B:25-19; and all  
 213C other benefits in life insurance policies and\* all individual  
 213D annuity and pure endowment contracts issued in a particular  
 213E calendar year on or after January 1, 1981; \*and\*  
 214 all annuities and pure endowments purchased in a particular  
 215 calendar year on or after January 1, 1981 under group annuity  
 216 and pure endowment contracts; and  
 217 the net increase, if any, in a particular calendar year after  
 218 January 1, 1981, in amounts held under guaranteed interest  
 219 contracts\*.\*

220 shall be the calendar year statutory valuation interest rates  
 221 established below.

222 The calendar year statutory valuation interest rates,  $I$ , shall be  
 223 determined as follows and the results rounded to the nearer 1/4 of  
 224 1%:

225 (1) For life insurance,

$$226 \quad I = .03 + W (R_1 - .03) + \frac{W}{2} (R_2 - .09);$$

227 (2) For single stipulated payment immediate annuities and for  
 228 annuity benefits involving life contingencies arising from other  
 229 annuities with cash settlement options and from guaranteed interest  
 230 contracts with cash settlement options,

$$231 \quad I = .03 + W (R - .03)$$

232 where  $R_1$  is the lesser of  $R$  and  $.09$ ,

233  $R_2$  is the greater of  $R$  and  $.09$ ,

234  $R$  is the reference interest rate defined in subparagraph (7) of  
 235 this paragraph, and  $W$  is the weighting factor defined in sub-  
 236 paragraph (6) of this paragraph;

237 (3) For other annuities with cash settlement options and guar-  
 238 anteed interest contracts with cash settlement options, valued on  
 239 an issue year basis, except as stated in (2) above, the formula for  
 240 life insurance stated in (1) above shall apply to annuities and  
 241 guaranteed interest contracts with guaranteed durations in excess  
 242 of 10 years and the formula for single stipulated payment im-  
 243 mediate annuities stated in (2) above shall apply to annuities and  
 244 guaranteed interest contracts with guaranteed \***[duration]**\* \*dura-  
 245 tions\* of 10 years or less;

246 (4) For other annuities with no cash settlement options and for  
 247 guaranteed interest contracts with no cash settlement options, the

248 formula for single \***[premium]**\* \*stipulated payment\* immediate  
 249 annuities stated in (2) above shall apply; and

250 (5) For other annuities with cash settlement options and guar-  
 251 anteed interest contracts with cash settlement options, valued on a  
 252 change in fund basis, the formula for single \***[premium]**\* \*stipu-  
 253 lated payment\* immediate annuities stated in (2) above shall apply.  
 254 However, if the calendar year statutory valuation interest rate  
 255 for any life insurance policies issued in any calendar year deter-  
 256 mined without reference to this sentence differs from the corres-  
 257 ponding actual rate for similar policies issued in the immediately  
 258 preceding calendar year by less than 1/2 of 1%, the calendar year  
 259 statutory valuation interest rate for such life insurance policies  
 260 shall be equal to the corresponding actual rate for the immediately  
 261 preceding calendar year. For purposes of applying the immediately  
 262 preceding sentence, the calendar year statutory valuation interest  
 263 rate for life insurance policies issued in a calendar year shall be  
 264 determined for 1980 (using the reference interest rate defined for  
 265 1979) and shall be determined for each subsequent calendar year  
 266 \***[regardless of when]**\* \*notwithstanding the provisions of\* sub-  
 267 section h. of section 17B:25-19, the standard nonforfeiture law for  
 268 life insurance\***[, becomes operative]**\*.

268 (6) The weighting factors, *W*, referred to in the formulas stated  
 269 above are given in the following schedules:

#### Schedule A

270 Weighting Factors for Life Insurance:

Guarantee Duration (Years)	Weighting Factors
271 10 or less	.50
272 More than 10, but not more than 20	.45
273 More than 20	.35

274 For life insurance, the guarantee duration is the  
 275 maximum number of years the life insurance can remain  
 276 in force on a basis guaranteed in the policy or under  
 277 options to convert to plans of life insurance with pre-  
 278 mium rates or nonforfeiture values or both which are  
 279 guaranteed in the original policy;

#### Schedule B

280 Weighting factor for single stipulated payment im-  
 281 mediate annuities and for annuity benefits involving life  
 282 contingencies arising from other annuities with cash  
 283 settlement options and guaranteed interest contracts  
 284 with cash settlement options:

## Schedule C

285 Weighting factors for other annuities and for guaranteed interest  
 286 contracts, except as stated in Schedule B above, shall be as specified  
 287 in tables A, B and C below, according to the rules and definitions  
 288 in D, E and F below:

Table A

288A For annuities and guaranteed interest contracts valued on an  
 288B issue year basis:

	Guarantee Duration *[Years]* *(Years)*	Weighting Factor for Plan Type		
		A	B	C
289	5 or less:	.80	.60	.50
290	More than 5, but not more than 10:	.75	.60	.50
291	More than 10, but not more than 20:	.65	.50	.45
292	More than 20:	.45	.35	.35

Table B

	Plan Type		
	A	B	C
293 For annuities and guaranteed interest contracts 294 valued on a change in fund basis, the factors 295 shown in Table A above increased by:	.15	.25	.05

Table C

	Plan Type		
	A	B	C
296 For annuities and guaranteed interest contracts 297 valued on an issue year basis (other than those 298 with no cash settlement options) which do not 299 guarantee interest on considerations received 300 more than 1 year after issue or purchase and 301 for annuities and guaranteed interest contracts 302 valued on a change in fund basis which do not 303 guarantee interest rates on considerations 304 received more than 12 months beyond the valua- 305 tion date, the factors shown in Table A or de- 306 rived in Table B increased by:	.05	.05	.05
307 Rule D. For other annuities with cash settlement options and 308 guaranteed interest contracts with cash settlement options, the 309 guarantee duration is the number of years for which the contract 310 guarantees interest rates in excess of the calendar year statutory 311 valuation interest rate for life insurance policies with guarantee 312 duration in excess of 20 years. For other annuities with no cash 313 settlement options and for guaranteed interest contracts with no			

314 cash settlement options, the guarantee duration is the number of  
315 years from the date of issue or date of purchase to the date annuity  
316 benefits are scheduled to commence.

317 Rule E. Plan type as used in the above tables is defined as  
318 follows:

319 Plan Type A: At any time policyholder may withdraw funds only  
320 with an adjustment to reflect changes in interest rates or asset  
321 values since receipt of the funds by the insurer, or without such  
322 adjustment but in installments over 5 years or more, or as an  
323 immediate life annuity, or no withdrawal permitted.

324 Plan Type B: Before expiration of the interest rate guarantee,  
325 policyholder may withdraw funds only with \*an\* adjustment to  
326 reflect changes in interest rates or asset values since receipt of the  
327 funds by the insurer, or without such adjustment but in installments  
328 over 5 years or more, or no withdrawal permitted. At the end of  
329 interest rate guarantee, funds may be withdrawn without such  
330 adjustment in a single sum or installments over less than 5 years.

331 Plan Type C: Policyholder may withdraw funds before expira-  
332 tion of interest rate guarantee in a single sum or installments over  
333 less than 5 years either without adjustment to reflect changes in  
334 interest rates or asset values since receipt of the funds by the in-  
335 surer, or subject only to a fixed surrender charge stipulated in the  
336 contract as a percentage of the fund.

337 Rule F. An insurer may elect to value guaranteed interest con-  
338 tracts with cash settlement options and annuities with cash settle-  
339 ment options on either an issue year basis or on a change in fund  
340 basis. Guaranteed interest contracts with no cash settlement  
341 options and other annuities with no cash settlement options must  
342 be valued on an issue year basis. As used in this \*paragraph (x)  
343 of\* subsection \*a.\*, an issue year basis of valuation refers to a  
344 valuation basis under which the interest rate used to determine the  
345 minimum valuation standard for the entire duration of the annuity  
346 or guaranteed interest contract is the calendar year valuation  
347 interest rate for the year of issue or year of purchase of the annuity  
348 or guaranteed interest contract, and the change in fund basis of  
349 valuation refers to a valuation basis under which the interest rate  
350 used to determine the minimum valuation standard applicable to  
351 each change in the fund held under the annuity or guaranteed  
352 interest contract is the calendar year valuation interest rate for the  
353 year of the change in the fund.

354 (7) The reference interest rate, R, referred to in this paragraph  
355 (x) is defined as follows:

356 For all life insurance, the lesser of the average over a period of  
 357 36 months and the average over a period of 12 months, ending on  
 358 June 30 of the calendar year next preceding the year of issue, of  
 359 Moody's Corporate Bond Yield Average—Monthly Average  
 360 Corporates, as published by Moody's Investors Service, Inc.

361 For single stipulated payment immediate annuities and for  
 362 annuity benefits involving life contingencies arising from other  
 363 annuities with cash settlement options and guaranteed interest  
 364 contracts with cash settlement options, the average over a period  
 365 of 12 months, ending on June 30 of the calendar year of issue or  
 366 year of purchase, of Moody's Corporate Bond Yield Average—  
 367 Monthly Average Corporates, as published by Moody's Investors  
 368 Service, Inc.

369 For other annuities with cash settlement options and guaranteed  
 370 interest contracts with cash settlement options, valued on a year  
 371 of issue basis, except as stated above, with guaranteed duration in  
 372 excess of 10 years, the lesser of the average over a period of 36  
 373 months and the average over a period of 12 months, ending on June  
 374 30 of the calendar year of issue or purchase, of Moody's Corporate  
 375 Bond Yield Average—Monthly Average Corporates, as published  
 376 by Moody's Investors Service, Inc.

377 For other annuities with cash settlement options and guaranteed  
 378 interest contracts with cash settlement options, valued on a year  
 379 of issue basis, except as stated above, with guaranteed duration of  
 380 10 years or less, the average over a period of 12 months, ending  
 381 on June 30 of the calendar year of issue or purchase, of Moody's  
 382 Corporate Bond Yield Average—Monthly Average Corporates, as  
 383 published by Moody's Investors Service, Inc.

384 For other annuities with no cash settlement options and for  
 385 guaranteed interest contracts with no cash settlement options, the  
 386 average over a period of 12 months, ending on June 30 of the  
 387 calendar year of issue or purchase, of Moody's Corporate Bond  
 388 Yield Average—Monthly Average Corporates, as published by  
 389 Moody's Investors Service, Inc.

390 For other annuities with cash settlement options and guaranteed  
 391 interest contracts \***[with]**\* \*with\* cash settlement options, valued  
 392 on a change in funds basis, except as stated above, the average  
 393 over a period of 12 months, ending on June 30 of the calendar year  
 394 of the change in the fund, of Moody's Corporate Bond Yield Aver-  
 395 age—Monthly Average Corporates, as published by Moody's In-  
 396 vestors Service, Inc.

397 In the event that Moody's Corporate Bond Yield Average—  
 398 Monthly Average Corporates, is no longer published by Moody's

399 *Investors Service, Inc., or in the event that the National Association*  
 400 *of Insurance Commissioners determines that Moody's Corporate*  
 401 *Bond Yield Average—Monthly Average Corporates, as published*  
 402 *by Moody's Investors Service, Inc. is no longer appropriate for the*  
 403 *determination of the reference interest rate, then an **\*[alernative]\****  
 404 *\*alternative\* method for determination of the reference interest*  
 405 *rate, which is adopted by the National **\*[Associate]\*** \*Association\**  
 406 *of Insurance Commissioners and approved by regulation promul-*  
 407 *gated by the commissioner, may be substituted.*

408 b. Except as otherwise provided in subsections e. and f., reserves  
 409 according to the commissioner's reserve valuation method, for the  
 410 life insurance and endowment benefits of policies providing for a  
 411 uniform amount of insurance and requiring the payment of uniform  
 412 premiums\*,\* shall be the excess, if any, of the present value, at the  
 413 date of valuation, of such future guaranteed benefits provided by  
 414 such policies, over the then present value of any future modified net  
 415 premiums therefor. The modified net premiums for any such policy  
 416 shall be such uniform percentage of the respective contract pre-  
 417 miums for such benefits that the present value, at the date of issue  
 418 of the policy, of all such modified net premiums shall be equal to the  
 419 sum of the then present value of such benefits provided by the policy  
 420 and the excess of (A) over (B), as follows:

421 (A) A net level annual premium equal to the present value, at the  
 422 date of issue, of such benefits provided for after the first policy year,  
 423 divided by the present value, at the date of issue, of an annuity of  
 424 one per annum payable on the first and each subsequent anniversary  
 425 of such policy on which a premium falls due; provided, however,  
 426 that such net level annual premium shall not exceed the net level  
 427 annual premium on the 19-year premium whole life plan for in-  
 428 surance of the same amount at an age 1 year higher than the age at  
 429 issue of such policy.

430 (B) A net 1-year term premium for such benefits provided for in  
 431 the first policy year.

432 *Provided that for any life insurance policies issued on or after*  
 433 *January 1, 1985 for which the contract premium in the first policy*  
 434 *year exceeds that of the second year and for which no comparable*  
 435 *additional benefit is provided in the first year for such excess and*  
 436 *which provides an endowment benefit or a cash surrender value or*  
 437 *a combination thereof in an amount greater than such excess*  
 438 *premium, the reserve according to the commissioners reserve valua-*  
 439 *tion method as of any policy anniversary occurring on or before*  
 440 *the assumed ending date defined herein as the first policy anni-*  
 441 *versary on which the sum of any endowment benefit and any cash*

442 *surrender value then available is greater than such excess premium*  
443 *shall, except as otherwise provided in subsection e\*., be the greater*  
444 *of the reserve as of such policy anniversary calculated as described*  
445 *in the first paragraph of this subsection and the reserve as of such*  
446 *policy anniversary calculated as described in that paragraph, but*  
447 *with (i) the value defined in subparagraph (A) of that paragraph*  
448 *being reduced by 15% of the amount of such excess first year*  
449 *premium, (ii) all present values of benefits and premiums being*  
450 *determined without reference to premiums or benefits provided for*  
451 *by the policy after the assumed ending date, (iii) the policy being*  
452 *assumed to mature on such date as an endowment, and (iv) the cash*  
453 *surrender value provided on such date being considered as an en-*  
454 *dowment benefit. In making the above comparison the mortality*  
455 *and interest bases stated in subsection a. of this section shall be*  
456 *used.*

457 Reserves according to the commissioner's reserve valuation me-  
458 thod for (i) life insurance policies providing for varying amounts of  
459 insurance or requiring the payment of varying premiums, (ii)  
460 group annuity and pure endowment contracts purchased in con-  
461 nection with retirement plans or plans of deferred compensation,  
462 established or maintained by or for one or more employers (includ-  
463 ing partnerships or sole proprietorships), employee organizations,  
464 or any combination thereof, other than plans providing individual  
465 retirement accounts or individual retirement annuities under sec-  
466 tion 408 of the Internal Revenue Code, as now or hereafter amended,  
467 (iii) disability and accidental death benefits in all policies and con-  
468 tracts, and (iv) all other benefits, except life insurance and endow-  
469 ment benefits in life insurance policies and benefits provided by all  
470 other annuity and pure endowment contracts, shall be calculated by  
471 a method consistent with the principles of this subsection b., except  
472 that any extra premiums charged because of impairments or special  
473 hazards shall be disregarded in the determination of modified net  
474 premiums.

475 c. In no event shall an insurer's aggregate reserves for all life  
476 insurance policies, excluding disability and accidental death bene-  
477 fits, be less than the aggregate reserves calculated in accordance  
478 with the methods set forth in subsections b., **[and]** e. and g. and the  
479 mortality table or tables and rate or rates of interest used in  
480 calculating nonforfeiture benefits for such policies. Reserves for  
481 any category of policies, contracts or benefits as established by the  
482 commissioner shall not be calculated according to any standards  
483 which produce smaller aggregate reserves for such category than  
484 the corresponding aggregate values of nonforfeiture benefits avail-  
485 able as of the valuation date.

486 d. Reserves for any category of policies, contracts or benefits as  
 487 established by the commissioner may be calculated, at the option of  
 488 the insurer, according to any standards which produce greater  
 489 aggregate reserves for such category than those calculated accord-  
 490 ing to the minimum standard herein provided, but the rate or rates  
 491 of interest used for policies and contracts, other than annuity and  
 492 pure endowment contracts, shall not be higher than the correspond-  
 493 ing rate or rates of interest used in calculating any nonforfeiture  
 494 benefits provided for therein.

495 e. If in any contract year the gross premium charged by any life  
 496 insurer on any policy or contract to which this section applies is  
 497 less than the valuation net premium for the policy or contract  
 498 calculated by the method used in calculating the reserve thereon  
 499 but using the minimum valuation standards of mortality and rate of  
 500 interest, the minimum reserve required for such policy or contract  
 501 is the greater of either the reserve calculated according to the  
 502 mortality table, rate of interest, and method actually used for such  
 503 policy or contract, or the reserve calculated by the method actually  
 504 used for such policy or contract but using the minimum *valuation*  
 505 standards of mortality and rate of interest and replacing the valua-  
 506 tion net premium by the actual gross premium in each contract year  
 507 for which the valuation net premium exceeds the actual gross  
 508 premium. *\*At the option of the insurer and with the consent of the*  
 508A *commissioner, the minimum reserve defined in this subsection e.*  
 508B *may be determined for each policy or contract except one issued*  
 508C *on the substandard basis by substituting, for the actual gross*  
 508D *premium on the policy or contract, the average gross premium*  
 508E *charged by the insurer for all policies or contracts classified other*  
 508F *than substandard which have the same valuation characteristics*  
 508G *apart from variation in premium on account of differences in*  
 508H *mortality experience.\**

509 *The minimum valuation standards of mortality and rate of in-*  
 510 *terest referred to in this subsection are those standards stated in*  
 511 *subsection a. of this section.*

512 *Provided that for any life insurance policy issued on or after*  
 513 *January 1, 1985 for which the gross premium in the first policy*  
 514 *year exceeds that of the second year and for which no comparable*  
 515 *additional benefit is provided in the first year for such excess and*  
 516 *which provides an endowment benefit or a cash surrender value or*  
 517 *a combination thereof in an amount greater than such excess*  
 518 *premium, the foregoing provisions of this subsection e. shall be*  
 519 *applied as if the method actually used in calculating the reserve for*  
 520 *such policy were the method described in subsection b., \*Ignor-*

521 ing] \*notwithstanding\* the \*provisions of the\* second paragraph  
 522 of such subsection b. The minimum reserve at each policy anni-  
 523 versary of such a policy shall be the greater of the minimum reserve  
 524 calculated in accordance with subsection b. including the second  
 525 paragraph of that subsection, and the minimum reserve calculated  
 525A in accordance with this subsection e.

526 f. This subsection shall apply to all annuity and pure endowment  
 527 contracts other than group annuity and pure endowment contracts  
 528 purchased in connection with retirement plans or plans of deferred  
 529 compensation, established or maintained by or for one or more em-  
 530 ployers (including partnerships or sole proprietorships), employee  
 531 organizations, or any combination thereof, except such plans provid-  
 532 ing individual retirement accounts or individual retirement annu-  
 533 ities under section 408 of the Internal Revenue Code, as now or  
 534 hereafter amended.

535 Reserves according to the commissioner's annuity reserve method  
 536 for benefits under annuity or pure endowment contracts, excluding  
 537 any disability and accidental death benefits in such contracts, shall  
 538 be the greatest of the respective excesses of the present values, at  
 539 the date of valuation, of the future guaranteed benefits, including  
 540 guaranteed nonforfeiture benefits, provided for by such contracts  
 541 at the end of each respective contract year, over the present value,  
 542 at the date of valuation, of any future valuation considerations  
 543 derived from future gross considerations, required by the terms of  
 544 such contract, that become payable prior to the end of such respec-  
 545 tive contract year. The future guaranteed benefits shall be deter-  
 546 mined by using the mortality table, if any, and the interest rate, or  
 547 rates, specified in such contracts for determining guaranteed  
 548 benefits. The valuation considerations are the portions of the  
 549 respective gross considerations applied under the terms of such  
 550 contracts to determine nonforfeiture values.

551 g. In the case of any plan of life insurance which provides for  
 552 future premium determination, the amounts of which are to be  
 553 determined by the insurer based on then estimates of future  
 554 experience, or in the case of any plan of life insurance or annuity  
 555 which is of such a nature that the minimum reserves cannot be  
 556 determined by the methods described in subsections b., e., and f., the  
 557 reserves which are held under any such plan must:

558 (i) \***[Be]**\* \*be\* appropriate in relation to the benefits and the  
 559 pattern of premiums for that plan, and

560 (ii) \***[Be]**\* \*be\* computed by a method which is consistent with  
 561 the principles of this standard valuation law,  
 562 as determined by regulations promulgated by the commissioner.

1 4. N. J. S. 17B:25-19 is amended to read as follows:

2 17B:25-19. \*~~Standard nonforfeiture law.~~\* This section shall be  
3 known as the standard nonforfeiture law *for life insurance.*

4 a. No policy of life insurance, except as stated in subsection ~~[j.]~~  
5 *l.*, shall be *delivered or issued* ~~[or delivered hereafter]~~ *for delivery*  
6 in this State unless it shall contain in substance the following pro-  
7 visions, or corresponding provisions which in the opinion of the  
8 commissioner are at least as favorable to the defaulting or sur-  
9 rendering policyholder *as are the minimum requirements herein-*  
10 *after specified and* \*~~which~~\* *are essentially in compliance with*  
11 *subsection* \*~~[j.]~~\* *k.* *of this section:*

12 (1) That, in the event of default in any premium payment, the  
13 insurer will grant, upon proper request not later than 60 days after  
14 the due date of the premium in default, a paid-up nonforfeiture  
15 benefit on a plan stipulated in the policy, effective as of such due  
16 date, of such ~~[value]~~ *amount* as may be hereinafter specified. *In*  
17 *lieu of such stipulated paid-up nonforfeiture benefit, the insurer*  
18 *may substitute, upon proper request not later than 60 days after*  
19 *the due date of the premium in default, an actuarially equivalent*  
20 *alternative paid-up nonforfeiture benefit which provides a greater*  
21 *amount or longer period of death benefits or, if applicable, a greater*  
22 *amount or earlier payment of endowment benefits.*

23 (2) That, upon surrender of the policy within 60 days after the  
24 due date of any premium payment in default after premiums have  
25 been paid for at least 3 full years in the case of ordinary insurance  
26 or 5 full years in the case of industrial insurance, the insurer will  
27 pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender  
28 value of such amount as may be hereinafter specified.

29 (3) That a specified paid-up nonforfeiture benefit shall become  
30 effective as specified in the policy unless the person entitled to make  
31 such election elects another available option not later than 60 days  
32 after the due date of the premium in default.

33 (4) That, if the policy shall have become paid up by completion  
34 of all premium payments or if it is continued under any paid-up  
35 nonforfeiture benefit which became effective on or after the third  
36 policy anniversary in the case of ordinary insurance or the fifth  
37 policy anniversary in the case of industrial insurance, the insurer  
38 will pay, upon surrender of the policy within 30 days after any  
39 policy anniversary, a cash surrender value of such amount as may  
40 be hereinafter specified.

41 (5) *In the case of policies which cause on a basis guaranteed in*  
42 *the policy unscheduled changes in benefits or premiums, or which*

43 *provide an option for changes in benefits or premiums other than*  
44 *a change to a new policy, a statement of the mortality table, interest*  
45 *rate, and method used in calculating cash surrender values and the*  
46 *paid-up nonforfeiture benefits available under the policy. In the*  
47 *case of all other policies, a [A] statement of the mortality tables*  
48 *and interest rates used in calculating the cash surrender values*  
49 *and the mortality tables and interest rates used in calculating the*  
50 *paid-up nonforfeiture benefits available under the policy, together*  
51 *with a table showing the cash surrender value, if any, and paid-up*  
52 *nonforfeiture benefit, if any, available under the policy on each*  
53 *policy anniversary either during the first 20 policy years or during*  
54 *the term of the policy, whichever is shorter, such values and bene-*  
55 *fits to be calculated upon the assumption that there are no dividends*  
56 *or paid-up additions credited to the policy and that there is no in-*  
57 *debtedness to the insurer on the policy.*

58 (6) A statement that the cash surrender values and the paid-up  
59 nonforfeiture benefits available under the policy are not less than  
60 the minimum values and benefits required by or pursuant to the  
61 insurance law of the state in which the policy is delivered; an  
62 explanation of the manner in which the cash surrender values and  
63 the paid-up nonforfeiture benefits are altered by the existence of  
64 any paid-up additions credited to the policy or any indebtedness  
65 to the insurer on the policy; if a detailed statement of the method  
66 of computation of the cash surrender values and paid-up non-  
67 forfeiture benefits shown in the policy is not stated therein, a  
68 statement that such method of computation has been filed with the  
69 insurance supervisory official of the state in which the policy is  
70 delivered; and a statement of the method to be used in calculating  
71 the cash surrender value and paid-up nonforfeiture benefit avail-  
72 able under the policy on any policy anniversary beyond the last  
73 anniversary for which such values and benefits are consecutively  
74 shown in the policy.

75 Any of the foregoing provisions or portions thereof not applica-  
76 ble by reason of the plan of insurance may, to the extent inap-  
77 plicable, be omitted from the policy.

78 The insurer shall reserve the right to defer the payment of any  
79 cash surrender value for a period of 6 months after demand there-  
80 for with surrender of the policy.

81 b. [In the case of annuity and pure endowment contracts issued  
82 on or after January 1, 1972, no contract of annuity or pure endow-  
83 ment, except as stated in subsection j., shall be issued or delivered  
84 in this State, unless it shall contain in substance the following

85 provisions, or corresponding provisions which in the opinion of  
 86 the commissioner are at least as favorable to the defaulting or  
 87 surrendering contractholder:

88 (1) That, in the event of default in any stipulated payment, the  
 89 insurer will grant a paid-up nonforfeiture benefit on a plan stipu-  
 90 lated in the contract, effective as of such due date, of such value  
 91 as may be hereinafter specified.

92 (2) A statement of the mortality tables, if any, and interest  
 93 rates used in calculating the paid-up nonforfeiture benefits avail-  
 94 able under the contract, together with a table showing either the  
 95 cash surrender value, if any, or the paid-up nonforfeiture benefit,  
 96 if any, available on each anniversary of the contract either during  
 97 the first 20 contract years or during the term of stipulated pay-  
 98 ments, whichever is shorter, such benefits to be calculated upon  
 99 the assumption that there are no dividends or paid-up additions  
 100 credited to the contract and that there is no indebtedness to the  
 101 insurer on the contract.

102 (3) A statement that the paid-up nonforfeiture benefits available  
 103 under the contract are not less than the minimum benefits required  
 104 by or pursuant to the insurance law of the state in which the con-  
 105 tract is delivered; an explanation of the manner in which the  
 106 paid-up nonforfeiture benefits are altered by the existence of any  
 107 paid-up additions credited to the contract or any indebtedness to  
 108 the insurer on the contract; if a detailed statement of the method  
 109 of computation of the paid-up nonforfeiture benefits shown in the  
 110 contract is not stated therein, a statement that such method of  
 111 computation has been filed with the insurance supervisory official  
 112 of the state in which the contract is delivered; and a statement  
 113 of the method to be used in calculating the paid-up nonforfeiture  
 114 benefit available under the contract on any contract anniversary  
 115 beyond the last anniversary for which such benefits are consecu-  
 116 tively shown in the contract.

117 If an insurer shall provide for the payment of a cash surrender  
 118 value, it shall reserve the right to defer the payment of such value  
 119 for a period of 6 months after demand therefor with surrender of  
 120 the contract.

121 Notwithstanding the requirements of this subsection, any de-  
 122 ferred annuity contract may provide that if the annuity allowed  
 123 under any paid-up nonforfeiture benefit would be less than \$120.00  
 124 annually, the insurer may at its option grant a cash surrender  
 125 value in lieu of such paid-up nonforfeiture benefit of such amount  
 126 as may be required by subsection f.】 (*Deleted by amendment*)  
 127 *P. L. . . . . , c. . . . .*

128 c. Any cash surrender value available under any policy re-  
129 ferred to in subsection a. in the event of default in a premium  
130 payment due on any policy anniversary, whether or not required  
131 by subsection a., shall be an amount not less than the excess, if  
132 any, of the present value, on such anniversary, of the future guar-  
133 anteed benefits which would have been provided for by the policy,  
134 including any existing paid-up additions, if there had been no  
135 default, over the sum of (1) the then present value of the adjusted  
136 premiums as defined in subsection g., corresponding to premiums  
137 which would have fallen due on and after such anniversary, and  
138 (2) the amount of any indebtedness to the insurer on the policy.

139 *Provided, however, that for any policy issued on or after the*  
140 *operative date \*provided for in paragraph (xi)\* of subsection h.*  
140A *\*[as defined therein]\* \*of N. J. S. 17B:25-19\*, which provides  
141 *supplemental life insurance or annuity benefits at the option of the*  
142 *insured and for an identifiable additional premium by rider or*  
143 *supplemental policy provision, the cash surrender value referred*  
144 *to in the first paragraph of this subsection shall be an amount not*  
145 *less than the sum of the cash surrender value as defined in that*  
146 *paragraph for an otherwise similar policy issued at the same age*  
147 *without such rider or supplemental policy provision and the cash*  
148 *surrender value as defined in that paragraph for a policy which*  
149 *provides only the benefits otherwise provided by such rider or*  
150 *supplemental policy provision.**

151 *Provided, further, that for any family policy issued on or after*  
152 *the operative date \*provided for in paragraph (xi)\* of subsection*  
153 *h. \*[as defined therein]\*, which defines a primary insured and pro-*  
154 *vides term insurance on the life of the spouse of the primary in-*  
155 *sured expiring before the spouse's age 71, the cash surrender value*  
156 *referred to in the first paragraph of this subsection shall be an*  
157 *amount not less than the sum of the cash surrender value as defined*  
158 *in that paragraph for an otherwise similar policy issued at the*  
159 *same age without such term insurance on the life of the spouse and*  
160 *the cash surrender value as defined in that paragraph for a policy*  
161 *which provides only the benefits otherwise provided by such term*  
162 *insurance on the life of the spouse.*

163 Any cash surrender value available within 30 days after any  
164 policy anniversary under any policy paid up by completion of all  
165 premium payments or any policy continued under any paid-up  
166 nonforfeiture benefit, whether or not required by subsection a.,  
167 shall be an amount not less than the present value, on such anni-  
168 versary, of the future guaranteed benefits provided for by the  
169 policy, including any existing paid-up additions, decreased by  
170 any indebtedness to the insurer on the policy.

171 d. Any paid-up nonforfeiture benefit available under any policy  
 172 referred to in subsection a. in the event of default in a premium  
 173 payment due on any policy anniversary shall be such that its  
 174 present value as of such anniversary shall be at least equal to the  
 175 cash surrender value then provided for by the policy or, if none  
 176 is provided for, that cash surrender value which would have been  
 177 required by this section in the absence of the condition that pre-  
 178 miums shall have been paid for at least a specified period.

179 e. **■**Any paid-up nonforfeiture benefit available under any an-  
 180 nuity or pure endowment contract referred to in subsection b., in  
 181 the event of default in a stipulated payment due on any contract  
 182 anniversary, shall be such that its present value as of such anni-  
 183 versary shall be an amount not less than the excess, if any, of the  
 184 present value, on such anniversary, of the future guaranteed bene-  
 185 fits which would have been provided for by the contract, including  
 186 any existing paid-up additions, if there had been no default, over  
 187 the sum of (1) the then present value of the adjusted stipulated  
 188 payments as defined in subsection h. corresponding to stipulated  
 189 payments which would have fallen due on and after such anniver-  
 190 sary, and (2) the amount of any indebtedness to the insurer on the  
 191 contract. In determining the benefits referred to in this subsection  
 192 and in calculating the adjusted stipulated payments referred to  
 193 in section h., in the case of annuity contracts under which an elec-  
 194 tion may be made to have annuity payments commence at optional  
 195 dates, the annuity payments shall be deemed to commence at a  
 196 date which shall be the latest permitted by the contract for the  
 197 commencement of such payments but not later than the contract  
 198 anniversary nearest the annuitant's seventieth birthday or the tenth  
 199 anniversary of the contract, whichever is later; and the stipulated  
 200 payments shall be deemed to be payable for the longest period  
 201 during which they would be payable if election were made to have  
 202 the annuity payments commence at such date. **■** *(Deleted by amend-*  
 203 *ment) P. L. . . . ., c. . . . .*

204 f. **■**Any cash surrender value allowed by any annuity or pure  
 205 endowment contract referred to in subsection b. and the present  
 206 value, under any optional provision, of future benefits commene-  
 207 ing on the due date of the stipulated payment in default shall each  
 208 be at least equal to the then present value of the minimum paid-up  
 209 nonforfeiture benefit required by subsection e. **■** *(Deleted by amend-*  
 210 *ment) P. L. . . . ., c. . . . .*

211 g. *This subsection shall not apply to policies issued on or after*  
 212 *the operative date of subsection h. as defined therein. Except as*

213 provided in the third paragraph of this subsection, the adjusted  
214 premiums for any policy referred to in subsection a. shall be cal-  
215 culated on an annual basis and shall be such uniform percentage  
216 of the respective premiums specified in the policy for each policy  
217 year, excluding any extra premiums charged because of impair-  
218 ments or special hazards, that the present value, at the date of  
219 issue of the policy, of all such adjusted premiums shall be equal to  
220 the sum of (1) the then present value of the future guaranteed bene-  
221 fits provided for by the policy; (2) 2% of the amount of insurance,  
222 if the insurance be uniform in amount or of the equivalent uniform  
223 amount, as hereinafter defined, if the amount of insurance varies  
224 with \***[the]**\* duration of the policy; (3) 40% of the adjusted pre-  
225 mium for the first policy year; (4) 25% of either the adjusted  
226 premium for the first policy year or the adjusted premium for a  
227 whole life policy of the same uniform or equivalent uniform amount  
228 with uniform premiums for the whole of life issued at the same age  
229 for the same amount of insurance, whichever is less; provided, how-  
230 ever, that in applying the percentages specified in (3) and (4)  
231 above, no adjusted premium shall be deemed to exceed 4% of the  
232 amount of insurance or uniform amount equivalent thereto. The  
233 date of issue of a policy for the purpose of this subsection shall be  
234 the date as of which the rated age of the insured is determined.

235 In the case of a policy providing an amount of insurance varying  
236 with duration of the policy, the equivalent uniform amount thereof  
237 for the purpose of this subsection shall be deemed to be the uni-  
238 form amount of insurance provided by an otherwise similar policy,  
239 containing the same endowment benefit or benefits, if any, issued  
240 at the same age and for the same term, the amount of which does  
241 not vary with duration and the benefits under which have the same  
242 present value at the date of issue as the benefits under the policy;  
243 provided, however, that in the case of a policy providing a varying  
244 amount of insurance issued on the life of a child under age 10, the  
245 equivalent uniform amount may be computed as though the amount  
246 of insurance provided by the policy prior to the attainment of  
247 age 10 were the amount provided by such policy at age 10.

248 The adjusted premiums for any policy providing term insurance  
249 benefits by rider or supplemental policy provision shall be equal  
250 to (a) the adjusted premiums for an otherwise similar policy  
251 issued at the same age without such term insurance benefits, in-  
252 creased, during the period for which premiums for such term  
253 insurance benefits are payable, by (b) the adjusted premiums for  
254 such term insurance, the foregoing items (a) and (b) being calcu-

255 lated separately and as specified in the first two paragraphs of this  
 256 subsection except that, for the purpose of (2), (3) and (4) of the  
 257 first such paragraph, the amount of insurance or equivalent uni-  
 258 form amount of insurance used in the calculation of the adjusted  
 259 premiums referred to in (b) shall be equal to the excess of the cor-  
 260 responding amount determined for the entire policy over the  
 261 amount used in the calculation of the adjusted premiums in (a).

262 All adjusted premiums and present values referred to in this  
 263 **[section]** *subsection* shall for all policies of ordinary insurance be  
 264 calculated on the basis of the Commissioners 1958 Standardordi-  
 265 nary Mortality Table. Notwithstanding this provision, for any  
 266 category of ordinary insurance such calculations may be made, at  
 267 the option of the insurer, on the basis of the Approved Standard  
 268 Ordinary Mortality Table; provided, further, that for any cate-  
 269 gory of ordinary insurance issued on female risks adjusted pre-  
 270 miums and present values may be calculated, at the option of the  
 271 insurer with approval of the commissioner, according to an age  
 272 not more than 6 years younger than the actual age of the insured.  
 273 Such calculations for all policies of industrial insurance shall be  
 274 made on the basis of the Commissioners 1961 Standard Industrial  
 275 Mortality Table.

276 All calculations shall be made on the basis of the applicable rates  
 277 of interest specified in the policy for calculating cash surrender  
 278 **\*[value]\*** *\*values\** and paid-up nonforfeiture benefits**[**, not exceed-  
 279 ing 4% per annum in the case of policies of insurance issued on or  
 280 after January 1, 1973 and prior to January 1, 1977 and**]** not exceed-  
 281 ing 5½% per annum **[**for policies issued on or after January 1,  
 282 1977, and not exceeding 3½% per annum in the case of all other  
 283 policies of insurance**]**. Provided, however, that in calculating the  
 284 present value of any paid-up term insurance with accompanying  
 285 pure endowment, if any, offered as a nonforfeiture benefit, the rates  
 286 of mortality assumed may be not more than the rates shown in the  
 287 Commissioners 1958 Extended Term Insurance Table if the ad-  
 288 justed premiums for the policy are calculated on the basis of  
 289 the Commissioners 1958 Standard Ordinary Mortality Table, may  
 290 be not more than 130% of the rates shown in the Approved Stand-  
 291 ard Ordinary Mortality Table if the adjusted premiums for the  
 292 policy are calculated on the basis of said table, and may be not  
 293 more than the rates shown in the Commissioners 1961 Industrial  
 294 Extended Term Insurance Table if the adjusted premiums for the  
 295 policy are calculated on the basis of the Commissioners 1961 Stand-  
 296 ard Industrial Mortality Table. Provided, further, that for insur-

297 ance issued on a substandard basis, the calculation of any such  
 298 adjusted premiums and present values may be based on such other  
 299 table of mortality as may be specified by the insurer and approved  
 300 by the commissioner.

301 h. [The adjusted stipulated payments for any annuity or pure  
 302 endowment contract referred to in subsection b. shall be calculated  
 303 on an annual basis and shall be such uniform percentage of the  
 304 respective stipulated payments specified in the contract for each  
 305 contract year that the present value, at the date of issue of the  
 306 contract, of all such adjusted stipulated payments shall be equal  
 307 to the sum of (1) the then present value of the future guaranteed  
 308 benefits provided for by the contract; (2) 20% of the adjusted  
 309 stipulated payment for the first contract year; and (3) 2% of the  
 310 adjusted stipulated payment for the first contract year for each  
 311 year not exceeding 20 during which stipulated payments are pay-  
 312 able.

313 All adjusted stipulated payments and present values referred  
 314 to in this section shall for annuity and pure endowment contracts  
 315 be calculated on the basis of (1) the applicable rates of interest,  
 316 not exceeding 3½% per annum, specified in the contract for cal-  
 317 culating cash surrender values, if any, and paid-up nonforfeiture  
 318 benefits; and (2) the 1937 Standard Annuity Mortality Table, or  
 319 the Annuity Mortality Table for 1949, Ultimate, or any modifi-  
 320 cation of either of these tables approved by the commissioner or  
 321 any other table approved by the commissioner; provided that, in  
 322 the case of annuity or pure endowment contracts issued after the  
 323 operative date for the insurer of paragraph (ix) of subsection a.  
 324 of the standard valuation law, section 17B:19-8, the 3½% maxi-  
 325 mum interest rate specified in item (1) of this paragraph shall be  
 326 increased to 4½%, and, if the applicable rates of interest speci-  
 327 fied in the contract for calculating cash surrender values, if any,  
 328 and paid-up nonforefiture benefits exceed 3½%, there shall be  
 329 substituted for the mortality tables specified in item (2) the 1971  
 330 Individual Annuity Mortality Table, or any modification of this  
 331 table approved by the commissioner or any other table approved  
 332 by the commissioner.]

333 (i) *This subsection \*h.\* shall apply to all policies issued on or*  
 334 *after the operative date \* [of this subsection, as defined in] \* estab-*  
 335 *lished by\* paragraph (xi) \* of this subsection h.\* Except as provided*  
 336 *in paragraph (vii) of this subsection, the adjusted premiums for any*  
 337 *policy shall be calculated on an annual basis and shall be such uni-*  
 338 *form percentage of the respective premiums specified in the policy*

339 for each policy year, excluding amounts payable as extra premiums  
340 to cover impairments or special hazards and also excluding any  
341 uniform annual contract charge or policy fee specified in the policy  
342 in a statement of the method to be used in calculating the cash  
343 surrender **\*[value]\*** *\*values\** and paid-up nonforfeiture benefits,  
344 that the present value, at the date of the policy, of all adjusted  
344A premiums shall be equal to the sum of **\*[A.]\*** *\*(A)\** the then  
345 present value of the future guaranteed benefits provided for by  
346 the policy; **\*[B.]\*** *\*(B)\** 1% of either the amount of insurance, if  
347 the insurance be uniform in amount, or the average amount of in-  
348 surance at the beginning of each of the first 10 policy years; and  
349 **\*[C.]\*** *\*(C)\** 125% of the nonforfeiture net level premium as de-  
350 fined in paragraph (ii). Provided, however, that in applying the  
351 percentage specified in **\*[C.]\*** *\*(C)\** above no nonforfeiture net  
352 level premium shall be deemed to exceed 4% of either the amount  
353 of insurance, if the insurance be uniform in amount, or the average  
354 amount of insurance at the beginning of each of the first 10 policy  
355 years. The date of issue of a policy for the purpose of this section  
356 shall be the date as of which the rated age of the insured is deter-  
356A mined.

357 (ii) The nonforfeiture net level premium shall be equal to the  
358 present value, at the date of issue of the policy, of the guaranteed  
359 benefits provided for by the policy divided by the present value,  
360 at the date of issue of the policy, of an annuity of one per annum  
361 payable on the date of issue of the policy and on each anniversary  
362 of such policy on which a premium falls due.

363 (iii) In the case of policies which cause on a basis guaranteed  
364 in the policy unscheduled changes in benefits or premiums, or which  
365 provide an option for changes in benefits or premiums other than  
366 a change to a new policy, the adjusted premiums and present values  
367 shall initially be calculated on the assumption that future benefits  
368 and premiums do not change from those stipulated at the date of  
369 issue of the policy. At the time of any such change in the benefits  
370 or premiums the future adjusted premiums, nonforfeiture net level  
371 premiums and present values shall be recalculated on the assump-  
372 tion that future benefits and premiums do not change from those  
373 stipulated by the policy immediately after the change.

374 (iv) Except as otherwise provided in paragraph (vii) of this  
375 subsection, the recalculated future adjusted premiums for any such  
376 policy shall be such uniform percentage of the respective future  
377 premiums specified in the policy for each policy year, excluding  
378 amounts payable as extra premiums to cover impairments and

379 special hazards, and also excluding any uniform annual contract  
 380 charge or policy fee specified in the policy in a statement of the  
 381 method to be used in calculating the cash surrender values and  
 382 paid-up nonforfeiture benefits, that the present value, at the time  
 383 of change to the newly defined benefits or premiums, of all such  
 384 future adjusted premiums shall be equal to the excess of the sum  
 385 of the then present value of the then future guaranteed benefits  
 386 provided for by the policy and the additional expense allowance,  
 387 if any, over the then cash surrender value, if any, or present value  
 388 of any paid-up nonforfeiture benefit under the policy.

389 (v) The additional expense allowance, at the time of the change  
 390 to the newly defined benefits or premiums, shall be the sum of 1%  
 391 of the excess\***【, if positive,】**\* of the average amount of insurance at  
 392 the beginning of each of the first 10 policy years subsequent to the  
 393 change over the average amount of insurance prior to the change  
 394 at the beginning of each of the first 10 policy years subsequent to  
 395 the time of the most recent previous change, or, if there has been  
 396 no previous change, the date of issue of the policy; and 125% of  
 397 the increase, if positive, in the nonforfeiture net level premium.

398 (vi) The recalculated nonforfeiture net level premium shall be  
 399 equal to the result obtained by dividing (A) by (B) where

400 (A) equals the sum of the nonforfeiture net level premium ap-  
 401 plicable prior to the change times the present value of an  
 402 annuity of one per annum payable on each anniversary of  
 403 the policy on or subsequent to the date of the change on  
 404 which a premium would have fallen due had the change not  
 405 occurred, and the present value of the increase in future  
 406 guaranteed benefits provided for by the policy, and

407 (B) equals the present value of an annuity of one per annum  
 408 payable on each anniversary of the policy on or subsequent  
 409 to the date of change on which a premium falls due.

410 (vii) Notwithstanding any other provisions of this subsection to  
 411 the contrary, in the case of a policy issued on a substandard basis  
 412 which **\*【provided】\*** *\*provides\** reduced graded amounts of in-  
 413 surance so that, in each policy year, such policy has the same tabular  
 414 mortality cost as an otherwise similar policy issued on the standard  
 415 basis which provides higher uniform amounts of insurance, adjusted  
 416 premiums and present values for such substandard policy may be  
 417 calculated as if it were issued to provide such higher uniform  
 418 amounts of insurance on the standard basis.

419 (viii) All adjusted premiums and present values referred to in  
 420 this subsection shall for all policies of ordinary insurance be cal-  
 421 culated on the basis of the Commissioners 1980 Standard Ordinary

422 *Mortality Table or at the election of the insurer for any one or more*  
 423 *specified plans of life insurance, the Commissioners 1980 Standard*  
 424 *Ordinary Mortality Table with 10-Year Select Mortality Factors;*  
 425 *shall for all policies of industrial insurance be calculated on the*  
 426 *basis of the Commissioners 1961 Standard Industrial Mortality*  
 427 *Table; and shall for all policies issued in a particular calendar year*  
 428 *be calculated on the basis of a rate of interest not exceeding the*  
 429 *nonforfeiture interest rate as defined in paragraph (ix) of this*  
 430 *subsection\* [ , ]\* for policies issued in that calendar year. Provided,*  
 431 *however, that:*

432 *At the option of the insurer, calculations for all policies issued*  
 433 *in a particular calendar year may be made on the basis of a*  
 434 *rate of interest not exceeding the nonforfeiture interest rate,*  
 435 *as defined in this section, for policies issued in the immediately*  
 436 *preceding calendar year.*

437 *Under any paid-up nonforfeiture benefit, including any paid-up*  
 438 *dividend additions, any cash surrender value available, whether*  
 439 *or not required by subsection a., shall be calculated on the basis*  
 440 *of the mortality table and rate of interest used in determining*  
 441 *the amount of such paid-up nonforfeiture benefit and paid-up*  
 442 *dividend additions, if any.*

443 *An insurer may calculate the amount of any guaranteed paid-up*  
 444 *nonforfeiture benefit including any paid-up additions under*  
 445 *the policy on the basis of an interest rate not lower than that*  
 446 *specified in the policy for calculating cash surrender values.*

447 *In calculating the present value of any paid-up term insurance*  
 448 *with accompanying pure endowment, if any, offered as a non-*  
 449 *forfeiture benefit, the rates of mortality assumed may be not*  
 450 *more than those shown in the Commissioners 1980 Extended*  
 451 *Term Insurance for policies of ordinary insurance and not*  
 452 *more than the Commissioners 1961 Industrial Extended Term*  
 453 *Insurance Table for policies of industrial insurance.*

454 *For insurance issued on a substandard basis, the calculation*  
 455 *of such adjusted premiums and present values may be based*  
 456 *on appropriate modifications of the aforementioned tables.*

457 *Any ordinary mortality tables, adopted after 1980 by the Na-*  
 458 *tional Association of Insurance Commissioners, that are ap-*  
 459 *proved by regulation promulgated by the Commissioner for*  
 460 *use in determining the minimum nonforfeiture standard may*  
 461 *be substituted for the Commissioners 1980 Standard Ordinary*  
 462 *Mortality Table with or without 10-Year Select Mortality*  
 463 *Factors or for the Commissioners 1980 Extended Term In-*  
 464 *surance Table.*

465 Any industrial mortality tables, adopted after 1980 by the  
 466 National Association of Insurance Commissioners, that are  
 467 approved by regulation promulgated by the commissioner for  
 468 use in determining the minimum nonforfeiture standard may  
 469 be substituted for the Commissioners 1961 Standard Industrial  
 470 Mortality Table or the Commissioners 1961 Industrial Ex-  
 471 tended Term Insurance Table.

472 (ix) The nonforfeiture interest rate per annum for any policy  
 473 issued in a particular calendar year shall be equal \*to\* 125% of the  
 474 calendar year statutory valuation interest rate for such policy as  
 475 defined in the standard valuation law, paragraph (x) of subsection  
 476 \*~~17B:9-8a.,~~\* ~~17B:19-8a.,~~\* rounded to nearer 1/4 of 1%.

477 (x) Notwithstanding any other provisions in this code (Title  
 478 17B) to the contrary, any refiling of nonforfeiture values or their  
 479 methods of computation for any previously approved policy forms  
 480 which involves only a change in the interest rate or mortality table  
 481 used to compute nonforfeiture values shall not require refiling of  
 482 any other provisions of that policy form.

483 (xi) After the effective date of this subsection, any insurer may  
 484 file with the commissioner a written notice of its election to comply\*,  
 485 with respect to any category of insurance,\* with the provisions of  
 486 this subsection after a specified date before January 1, 1989, which  
 487 shall be the operative date of this subsection \*for that category of  
 488 insurance\* for such insurer. If an insurer makes no such election  
 489 \*with respect to any category of insurance\*, the operative date of  
 489A this subsection \*~~for~~\* \*for that category of insurance issued by\*  
 489B such insurer shall be January 1, 1989.

490 i. In the case of any plan of life insurance which provides for fu-  
 491 ture premium determination, the amounts of which are to be deter-  
 492 mined by the insurer based on then estimates of future experience,  
 493 or in the case of any plan of life insurance which is of such a nature  
 494 that minimum values cannot be determined by the methods de-  
 495 scribed in the preceding subsections of this section, then:

496 the commissioner must be satisfied that the benefits provided  
 497 under the plan are substantially as favorable to policyholders  
 498 and insureds as the minimum benefits otherwise required by  
 499 the preceding subsections of this section;

500 the commissioner must be satisfied that the benefits and the  
 501 pattern of premiums of that plan are not such as to mislead  
 502 prospective policyholders or insureds;

503 the cash surrender values and paid-up nonforfeiture benefits  
 504 provided by such plan must not be less than the minimum

505 *values and benefits required for the plan computed by a method*  
 506 *consistent with the principles of this standard nonforfeiture*  
 507 *law for life insurance, as determined by regulations promul-*  
 508 *gated by the commissioner.*

509 **[i]** *j.* Any cash surrender value and any paid-up nonforfeiture  
 510 benefit, available under the policy **[or contract]** in the event of de-  
 511 fault in **[the payment of]** a premium **[or stipulated]** payment due  
 512 at any time other than on the policy **[or contract]** anniversary,  
 513 shall be calculated with allowance for the lapse of time and the pay-  
 514 ment of fractional premiums **[or stipulated payments]** beyond the  
 515 last preceding policy or contract anniversary. All values referred  
 516 to in subsections **[c. to h. inclusive]** *c., d., g., h. and i.* may be cal-  
 517 culated upon the assumption that any death benefit is payable at  
 518 the end of the policy **[or contract]** year of death. The net value of  
 519 any paid-up additions, other than paid-up term additions, shall be  
 520 not less than the **[dividends]** *amounts* used to provide such addi-  
 521 tions. Notwithstanding the provisions of **[subsections c. and e.]**  
 522 *subsection c.*, additional benefits payable (1) in the event of death  
 523 or dismemberment by accident or accidental means, (2) in the event  
 524 of total and permanent disability, (3) as reversionary annuity or  
 525 deferred reversionary annuity benefits, (4) as term insurance  
 526 benefits provided by a rider or supplemental policy provision to  
 527 which, if issued as a separate policy, this section would not apply,  
 528 (5) as term insurance on the life of a child or on the lives of chil-  
 529 dren provided in a policy on the life of a parent of the child, if such  
 530 term insurance expires before the child's age is 26, is uniform in  
 531 amount after the child's age is one, and has not become paid-up by  
 532 reason of the death of a parent of the child, and (6) as other policy  
 533 benefits additional to life insurance**[,]** *and* endowment**[,]** *and*  
 534 annuity**]** benefits, and premiums for all such additional benefits,  
 535 shall be disregarded in ascertaining cash surrender values and non-  
 536 forfeiture benefits required by this section, and no such additional  
 537 benefits shall be required to be included in any paid-up nonforfei-  
 538 ture benefits. Notwithstanding the provisions of **[subsections c.**  
 539 *and e.] subsection c.*, additional benefits providing the privilege  
 540 to purchase additional insurance **[or annuity]** benefits at some  
 541 future time without furnishing evidence of insurability, and pre-  
 542 miums **[or stipulated payments]** therefor, may, with the consent  
 543 of the commissioner, be disregarded in ascertaining cash surrender  
 544 values and nonforfeiture benefits required by this section, and no  
 545 such additional benefits shall be required to be included in any  
 546 paid-up nonforfeiture benefits.

547 *k. This subsection shall apply to all policies issued on or after*  
 548 *January 1, 1985. Any cash surrender value available under the*  
 549 *policy in the event of default in a premium payment due on any*  
 550 *policy anniversary shall be in an amount which does not differ by*  
 551 *more than 2/10 of 1% of either \*the\* amount of insurance, if the in-*  
 552 *surance be uniform in amount, or the average amount of insurance*  
 553 *at the beginning of each of the first 10 policy years, from the sum*  
 554 *of (a) the greater of zero and the basic cash value hereinafter*  
 555 *specified and (b) the present value of any existing paid-up addi-*  
 556 *tions less the amount of any indebtedness to the insurer under the*  
 557 *policy.*

558 *The basic cash value shall be equal to the present value, on such*  
 559 *anniversary, of the future guaranteed benefits which would have*  
 560 *been provided by the policy, excluding any existing paid-up addi-*  
 561 *tions and before deduction of any indebtedness to the insurer, if*  
 562 *there had been no default, less the then present value of the non-*  
 563 *forfeiture factors, as hereinafter defined, corresponding to pre-*  
 564 *miums which would have fallen due on and after such anniversary.*  
 565 *Provided, however, that the effects on the basic cash value of sup-*  
 566 *plemental life insurance or annuity benefits or of family coverage,*  
 567 *as described in subsection c. or subsection g., whichever is applica-*  
 568 *ble shall be the same as are the effects specified in subsection c. or*  
 569 *subsection g., whichever is applicable on the cash surrender values*  
 570 *defined therein.*

571 *The nonforfeiture factor for each policy year shall be an*  
 572 *amount\*[.] equal to a percentage of the adjusted premium for the*  
 573 *policy year, as defined in subsections g. or h., whichever is appli-*  
 574 *cable. Except as is required by the next succeeding sentence of this*  
 575 *paragraph, such percentage:*

576 *shall be the same percentage for each policy year between the*  
 577 *second policy anniversary and the later of the fifth policy*  
 578 *anniversary and the first policy anniversary at which there is*  
 579 *available under the policy a cash surrender value in an amount,*  
 580 *before including any paid-up additions and before deducting*  
 581 *any indebtedness, of at least 2/10 of 1% of either the amount*  
 582 *of insurance, if the insurance be uniform in amount, or the*  
 583 *average amount of insurance at the beginning of each of the*  
 583A *first 10 policy years; and*

584 *shall be such that no percentage after the later of the two*  
 585 *policy anniversaries specified in the preceding item may apply*  
 586 *to fewer than 5 consecutive policy years.*

587 *Provided, that no basic cash value may be less than the value*  
 588 *which would be obtained if the adjusted premiums for the policy,*

589 *as defined in subsections g., or h., whichever is applicable, were*  
 590 *substituted for the nonforfeiture factors in the calculation of the*  
 591 *basic cash value.*

592 *All adjusted premium and present values referred to in this*  
 593 *subsection shall for a particular policy be calculated on the same*  
 594 *mortality and interest bases as are used in demonstrating the*  
 595 *policy's compliance with the other sections of this amendatory and*  
 596 *supplementary act. The cash surrender values referred to in this*  
 597 *subsection shall include any endowment benefits provided for by*  
 598 *the policy.*

599 *Any cash surrender value available other than in the event of*  
 600 *default in a premium payment due on a policy anniversary, and*  
 601 *the amount of any paid-up nonforfeiture benefit available under*  
 602 *the policy in the event of default in a premium payment shall be*  
 603 *determined in a manner consistent with that specified for deter-*  
 604 *mining the appropriate minimum amounts in subsections a, c, d,*  
 605 *g, h and i. The amounts of any cash surrender values \*and of any*  
 605A *paid-up nonforfeiture benefits granted in connection\* with addi-*  
 606 *tional benefits such as those listed as items (1) through (6) in sub-*  
 607 *section j shall conform with the principles of this subsection.*

608 **[j.] l.** *This section shall not apply to any of the following:*

- 609       • **reinsurance [contract],**
- 610       • **group insurance [policy],**
- 611       • **[group] annuity contract,**
- 612       • **[variable annuity contract,]**
- 613       • **single premium pure endowment [or single stipulated**  
 614 **payment annuity] contract or reversionary annuity con-**  
 615 **tract, [nor to any]**
- 616       • **term policy of uniform amount, which provides no guar-**  
 617 **anteed nonforfeiture or endowment benefits, or renewal**  
 618 **thereof, of [15] 20 years or less expiring before age [66]**  
 619 **71, for which uniform premiums are payable during the**  
 620 **entire term of the policy, [nor to any]**
- 621       • **term policy of decreasing amount which provides no guar-**  
 622 **anteed nonforfeiture or endowment benefits, on which**  
 623 **each adjusted premium, calculated as specified in [subsec-**  
 624 **tion] subsections g. and h. is less than the adjusted [pre-**  
 625 **miums] premium so calculated on [such 15-year] a term**  
 626 **policy of uniform amount, or renewal thereof, which pro-**  
 627 **vides no guaranteed nonforfeiture endowment benefits,**  
 628 **issued at the same age and for the same initial amount**  
 629 **of insurance and for a term of 20 years or less expiring**

630           *before age 71, for which uniform premiums are payable*  
 631           *during the entire term of the policy,*  
 632           • *policy, which provides no guaranteed nonforfeiture or*  
 633           *endowment benefits, for which no cash surrender value,*  
 634           *if any, or present value of any paid-up nonforfeiture*  
 635           *benefit, at the beginning of any policy year, calculated*  
 636           *as specified in subsections c, g, and h exceeds 2½% of*  
 637           *the amount of insurance at the beginning of the same*  
 638           *policy year, [nor to any]*  
 639           • *policy [or contract] which shall be delivered outside this*  
 640           *State through an agent or other representative of the*  
 641           *insurer issuing the policy [or contract].*  
 642       *For the purposes of determining the applicability of this section,*  
 643       *the age \*[of]\* \*at\* expiry for a joint term life insurance policy*  
 644       *shall be the age at expiry of the oldest life.*

1       5. (New section) This section shall be known as the standard non-  
 2       forfeiture law for individual deferred annuities.

3       a. No contract of annuity or pure endowment, except as stated  
 4       in subsection p., shall be issued or delivered in this State on or  
 5       after January 1, 1972 and before the operative date of this section  
 6       as defined in subsection o., unless it shall contain in substance  
 7       the following provisions, or corresponding provisions which in the  
 8       opinion of the commissioner are at least as favorable to the default-  
 9       ing or surrendering contractholder:

10      (1) That, in the event of default in any stipulated payment, the  
 11      insurer will grant a paid-up nonforfeiture benefit on a plan stipu-  
 12      lated in the contract, effective as of such due date, of such value  
 13      as may be hereinafter specified.

14      (2) A statement of the mortality tables, if any, and interest  
 15      rates used in calculating the paid-up nonforfeiture benefits avail-  
 16      able under the contract, together with a table showing either the  
 17      cash surrender value, if any, or the paid-up nonforfeiture benefit,  
 18      if any, available on each anniversary of the contract either during  
 19      the first 20 contract years or during the term of stipulated pay-  
 20      ments, whichever is shorter, such benefits to be calculated upon the  
 21      assumption that there are no dividends or paid-up additions  
 22      credited to the contract and that there is no indebtedness to the  
 23      insurer on the contract.

24      (3) A statement that the paid-up nonforfeiture benefits available  
 25      under the contract are not less than the minimum benefits required  
 26      by or pursuant to the insurance law of the state in which the  
 27      contract is delivered; an explanation of the manner in which the  
 28      paid-up nonforfeiture benefits are altered by the existence of any

29 paid-up additions credited to the contract or any indebtedness to  
30 the insurer on the contract; if a detailed statement of the method  
31 of computation of the paid-up nonforfeiture benefits shown in the  
32 contract is not stated therein, a statement that such method of  
33 computation has been filed with the insurance supervisory official  
34 of the state in which the contract is delivered; and a statement  
35 of the method to be used in calculating the paid-up nonforfeiture  
36 benefit available under the contract on any contract anniversary  
37 beyond the last anniversary for which such benefits are consecu-  
38 tively shown in the contract.

39 If an insurer shall provide for the payment of a cash surrender  
40 value, it shall reserve the right to defer the payment of such value  
41 for a period of 6 months after demand therefor with surrender of  
42 the contract.

43 Notwithstanding the requirements of this subsection, any de-  
44 ferred annuity contract may provide that if the annuity allowed  
45 under any paid-up nonforfeiture benefit would be less than \$120.00  
46 annually, the insurer may at its option grant a cash surrender  
47 value in lieu of such paid-up nonforfeiture benefit of such amount  
48 as may be required by subsection c.

49 b. Any paid-up nonforfeiture benefit available under any annuity  
50 or pure endowment contract referred to in subsection a. in the  
51 event of default in a stipulated payment due on any contract  
52 anniversary, shall be such that its present value as of such  
53 anniversary shall be an amount not less than the excess, if any,  
54 of the present value, on such anniversary, of the future guaran-  
55 teed benefits which would have been provided for by the contract,  
56 including any existing paid-up additions, if there had been no  
57 default, over the sum of (1) the then present value of the adjusted  
58 stipulated payments as defined in subsection d. corresponding to  
59 stipulated payments which would have fallen due on and after  
60 such anniversary, and (2) the amount of any indebtedness to the  
61 insurer on the contract. In determining the benefits referred to in  
62 this subsection and in calculating the adjusted stipulated payments  
63 referred to in subsection d. in the case of annuity contracts under  
64 which an election may be made to have annuity payments com-  
65 mence at optional dates, the annuity payments shall be deemed to  
66 commence at a date which shall be the latest permitted by the  
67 contract for the commencement of such payments but not later than  
68 the contract anniversary nearest the annuitant's seventieth birth-  
69 day or the tenth anniversary of the contract, whichever is later;  
70 and the stipulated payments shall be deemed to be payable for the  
71 longest period during which they would be payable if election were  
72 made to have the annuity payments commence at such date.

73 c. Any cash surrender value allowed by any annuity or pure  
74 endowment contract referred to in subsection a. and the present  
75 value under any optional provision, of future benefits commencing  
76 on the due date of the stipulated payment in default shall each  
77 be at least equal to the then present value of the minimum paid-up  
78 nonforfeiture benefit required by subsection b.

79 d. The adjusted stipulated payments for any annuity or pure  
80 endowment contract referred to in subsection a. shall be calculated  
81 on an annual basis and shall be such uniform percentage of the  
82 respective stipulated payments specified in the contract for each  
83 contract year that the present value, at the date of issue of the  
84 contract, of all such adjusted stipulated payments shall be equal  
85 to the sum of (1) the then present value of the future guaranteed  
86 benefits provided for by the contract; (2) 20% of the adjusted  
87 stipulated payment for the first contract year; and (3) 2% of the  
88 adjusted stipulated payment for the first contract year for each year  
89 not exceeding 20 during which stipulated payments are payable.

90 All adjusted stipulated payments and present values referred to  
91 in this section shall for annuity and pure endowment contracts be  
92 calculated on the basis of (1) the applicable rates of interest, not  
93 exceeding  $3\frac{1}{2}\%$  per annum, specified in the contract for calculat-  
94 ing cash surrender values, if any, and paid-up nonforfeiture  
95 benefits; and (2) the 1937 Standard Annuity Mortality Table, or  
96 the Annuity Mortality Table for 1949, Ultimate, or any modifica-  
97 tion of either of these tables approved by the commissioner or any  
98 other table approved by the commissioner; provided that, in the  
99 case of annuity or pure endowment contracts issued after the opera-  
100 tive date for the insurer of paragraph (ix) of subsection a. of the  
101 standard valuation law, section 17B:19-8, the  $3\frac{1}{2}\%$  maximum  
102 interest rate specified in item (1) of this paragraph shall be  
103 increased to  $4\frac{1}{2}\%$ , and, if the applicable rates of interest specified  
104 in the contract for calculating cash surrender values, if any, and  
105 paid-up nonforfeiture benefits exceed  $3\frac{1}{2}\%$ , there shall be substi-  
106 tuted for the mortality tables specified in item (2) the 1971  
107 Individual Annuity Mortality Table, or any modification of this  
108 table approved by the commissioner or any other table approved  
109 by the commissioner.

110 e. Any cash surrender value and any paid-up nonforfeiture  
111 benefit, available under any contract referred to in subsection a.  
112 in the event of default in the payment of a stipulated payment due  
113 at any time other than on the contract anniversary, shall be calcu-  
114 lated with allowance for the lapse of time and the payment of

115 fractional stipulated payments beyond the last preceding contract  
116 anniversary. All values referred to in subsections b. to d. inclusive,  
117 may be calculated upon the assumption that any death benefit is  
118 payable at the end of the contract year of death. The net value of  
119 any paid-up additions shall be not less than the dividends used to  
120 provide such additions. Notwithstanding the provisions of sub-  
121 section b., additional benefits payable (1) in the event of total  
122 and permanent disability, (2) as reversionary annuity or deferred  
123 reversionary annuity benefits, and (3) as other policy benefits addi-  
124 tional to pure endowment, and annuity benefits, and premiums  
125 for all such additional benefits, shall be disregarded in ascertaining  
126 cash surrender values and nonforfeiture benefits required by this  
127 section, and no such additional benefits shall be required to be  
128 included in any paid-up nonforfeiture benefits. Notwithstanding  
129 the provisions of subsection b., additional benefits providing the  
130 privilege to purchase additional annuity benefits at some future  
131 time without \*~~furnishig~~\* *furnishing*\* evidence of insurability,  
132 and stipulated payments therefor, may, with the consent of the  
133 commissioner, be disregarded in ascertaining cash surrender values  
134 and nonforfeiture benefits required by this section, and no such  
135 additional benefits shall be required to be included in any paid-up  
136 nonforfeiture benefits.

137 f. In the case of contracts issued on or after the operative date  
138 of this section as defined in subsection o., no contract of annuity,  
139 except as stated in subsection p., shall be delivered or issued for  
140 delivery in this State unless it contains in substance the following  
141 provisions, or corresponding provisions which in the opinion of  
142 the commissioner are at least as favorable to the contractholder,  
143 upon cessation of payment of considerations under the contract:

144 (1) That upon cessation of payment of considerations under a  
145 contract, the insurer will grant a paid-up annuity benefit on a  
146 plan stipulated in the contract of such value as is specified in  
147 subsections h., i., j., k. and m.

148 (2) If a contract provides for a lump sum settlement at maturity,  
149 or at any other time, that upon surrender of the contract at or  
150 prior to the commencement of any annuity payments, the insurer  
151 will pay in lieu of any paid-up annuity benefit a cash surrender  
152 benefit of such amount as is specified in subsections h., i., k. and m.  
153 The insurer shall reserve the right to defer the payment of such  
154 cash surrender benefit for a period of 6 months after demand  
155 therefor with surrender of the contract.

156 (3) A statement of the mortality table, if any, and interest rates  
157 used in calculating any minimum paid-up annuity, cash surrender

158 or death benefits that are guaranteed under the contract, together  
159 with sufficient information to determine the amounts of such  
160 benefits.

161 (4) A statement that any paid-up annuity, cash surrender or  
162 death benefits that may be available under the contract are not  
163 less than the minimum benefits required by any statute of the state  
164 in which the contract is delivered and an explanation of the  
165 manner in which such benefits are altered by the existence of any  
166 additional amounts credited by the insurer to the contract, any  
167 indebtedness to the insurer on the contract or any prior with-  
168 draws from or partial surrenders of the contract.

169 Notwithstanding the requirements of this subsection, any de-  
170 ferred annuity contract may provide that if no \***【cosnsiderations】**\*  
171 \**considerations*\* have been received under a contract for a period  
172 of 2 years and the portion of the paid-up annuity benefit at maturity  
173 on the plan stipulated in the contract arising from considerations  
174 paid prior to such period would be less than \$20.00 monthly, the  
175 insurer may at its option terminate such contract by payments in  
176 cash of the then present value of such portion of the paid-up  
177 annuity benefit, calculated on the basis of the mortality table, if  
178 any, and interest rate specified in the contract for determining the  
179 paid-up annuity benefit, and by such payment shall be relieved of  
180 any further obligation under such contract.

181 g. The minimum values as specified in subsections h., i., j., k. and  
182 m. of any paid-up annuity, cash surrender or death benefits avail-  
183 able under an annuity contract referred to in subsection f., shall be  
184 based upon minimum nonforfeiture amounts as defined in this  
185 subsection:

186 (1) With respect to contracts providing for flexible considera-  
187 tions, the minimum nonforfeiture amount at any time at or prior  
188 to the commencement of any annuity payments shall be equal to  
189 an accumulation up to that time at a rate of interest of 3% per  
190 annum of percentages of the net considerations (as hereinafter  
191 defined) paid prior to such time; decreased by the sum of any prior  
192 withdrawals from or partial surrenders of the contract accumulated  
193 at a rate of interest of 3% per annum and the amount of any in-  
194 debtedness to the insurer on the contract, including interest due  
195 and accrued; and increased by any existing additional amounts  
196 credited by the insurer to the contract. The net considerations for  
197 a given contract year used to define the minimum nonforfeiture  
198 amount shall be an amount not less than zero and shall be equal to  
199 the corresponding gross considerations credited to the contract

200 during that contract year less an annual contract charge of \$30.00  
201 and less a collection charge of \$1.25 per consideration credited to  
202 the contract during that contract year. The percentages of net  
203 considerations shall be 65% of the net consideration for the first  
204 contract year and 87½% of the net considerations for the second  
205 and later contract years. Notwithstanding the provisions of the  
206 preceding sentence, the percentage shall be 65% of the portion of  
207 the total net consideration for any renewal contract year which  
208 exceeds by not more than two times the sum of those portions of  
209 the net considerations in all prior contract years for which the  
210 percentage was 65%.

211 (2) With respect to contracts providing for fixed scheduled  
212 considerations, minimum \***[nonforefiture]**\* \*nonforfeiture\*  
213 amounts shall be calculated on the assumption that considerations  
214 are paid annually in advance and shall be defined as for contracts  
215 with flexible considerations which are paid annually with two  
215A exceptions:

216 (a) The portion of the net considerations for the first  
217 contract year to be accumulated shall be the sum of 65% of  
218 the net consideration for the first contract year plus 22½%  
219 of the excess of the net consideration for the first contract  
220 year over the lesser of the net considerations for the second  
221 and third contract years.

222 (b) The annual contract charge shall be the lesser of (i)  
223 \$30.00 or (ii) 10% of the gross annual consideration.

224 (3) With respect to contracts providing for a single considera-  
225 tion, minimum nonforfeiture amounts shall be defined as for con-  
226 tracts with flexible considerations except that the percentage of  
227 net consideration used to determine the minimum nonforfeiture  
228 amount shall be equal to 90% and the net consideration shall be  
229 the gross consideration less a contract charge of \$75.00.

230 h. Any paid-up annuity benefit available under a contract  
231 referred to in subsection f. shall have a present value on the date  
232 annuity payments are to commence at least equal to the minimum  
233 nonforfeiture amount on that date. Such present value shall be  
234 computed using the mortality table, if any, and the interest rate  
235 specified in the contract for determining the minimum paid-up  
236 annuity benefits guaranteed in the contract.

237 i. For contracts referred to in subsection f. which provide cash  
238 surrender benefits, such cash surrender benefits available prior to  
239 maturity shall not be less than the present value as of the date of  
240 surrender of that portion of the maturity value of the paid-up  
241 annuity benefit which would be provided under the contract at

242 maturity arising from considerations paid prior to the time of  
243 cash surrender reduced by the amount appropriate to reflect any  
244 prior withdrawals from or partial surrenders of the contract, such  
245 present value being calculated on the basis of an interest rate not  
246 more than 1% higher than the interest rate specified in the contract  
247 for accumulating the net considerations to determine such maturity  
248 value; decreased by the amount of any indebtedness to the insurer  
249 on the contract, including interest due and accrued; and increased  
250 by any existing additional amounts credited by the insurer to the  
251 contract. In no event shall any cash surrender benefit be less than  
252 the minimum nonforfeiture amount at that time. The death benefit  
253 under such contracts shall be at least equal to the cash surrender  
254 benefit.

255 j. For contracts referred to in subsection f. which do not provide  
256 cash surrender benefits, the present value of any paid-up annuity  
257 benefit available as a nonforfeiture option at any time prior to  
258 maturity shall not be less than the present value of that portion  
259 of the maturity value of the paid-up annuity benefit provided  
260 under the contract arising from considerations paid prior to the  
261 time the contract is surrendered in exchange for, or changed to, a  
262 deferred paid-up annuity, such present value being calculated for  
263 the period prior to the maturity date on the basis of the interest  
264 rate specified in the contract for accumulating the net considera-  
265 tions to determine such maturity value, and increased by any  
266 existing additional amounts credited by the insurer to the contract.  
267 For contracts referred to in subsection f. which do not provide  
268 any death benefits prior to the commencement of any annuity  
269 payments, such present values shall be calculated on the basis of  
270 such interest rate and the mortality table specified in the contract  
271 for determining the maturity value of the paid-up annuity benefit.  
272 However, in no event shall the present value of a paid-up annuity  
273 benefit be less than the minimum nonforfeiture amount at that  
274 time.

275 k. For the purpose of determining the benefits calculated under  
276 subsections i. and j., in the case of annuity contracts under which  
277 an election may be made to have annuity payments commence at  
278 optional maturity dates, the maturity date shall be deemed to be  
279 the latest date for which election shall be permitted by the contract,  
280 but shall not be deemed to be later than the anniversary of the  
281 contract next following the annuitant's seventieth birthday or the  
282 tenth anniversary of the contract, whichever is later.

283 l. Any contract referred to in subsection f. which does not provide  
284 cash surrender benefits or does not provide death benefits at least  
285 equal to the minimum nonforfeiture amount prior to the commence-  
286 ment of any annuity payments shall include a statement in a  
287 prominent place in the contract that such benefits are not provided.

288 m. Any paid-up annuity, cash surrender or death benefits avail-  
289 able at any time, other than on the contract anniversary under any  
290 contract with fixed scheduled considerations referred to in sub-  
291 section f. shall be calculated with allowance for the lapse of time  
292 and the payment of any scheduled considerations beyond the begin-  
293 ning of the contract year in which cessation of payment of consid-  
294 erations under the contract occurs.

295 n. For any contract referred to in subsection f. which provides,  
296 within the same contract by rider or supplemental contract provi-  
297 sion, both annuity benefits and life insurance benefits that are in  
298 excess of the greater of cash surrender benefits or a return of the  
299 gross considerations with interest, the minimum nonforfeiture  
300 benefits shall be equal to the sum of the minimum nonforfeiture  
301 benefits for the annuity portion and the minimum nonforfeiture  
302 benefits, if any, for the life insurance portion computed as if each  
303 portion were a separate contract. Notwithstanding the provisions  
304 of subsections h., i., j., k. and m., additional benefits payable  
305 (1) in the event of total and permanent disability, (2) as rever-  
306 sionary annuity or deferred reversionary annuity benefits, or  
307 (3) as other policy benefits additional to life insurance, endow-  
308 ment, and annuity benefits, and considerations for all such addi-  
309 tional benefits, shall be disregarded in ascertaining the minimum  
310 nonforfeiture amounts, paid-up annuity, cash surrender and death  
311 benefits that may be required by this section. The inclusion of such  
312 additional benefits shall not be required in any paid-up benefits,  
313 unless such additional benefits separately would require minimum  
314 nonforfeiture amounts, paid-up annuity, cash surrender and death  
315 benefits.

316 o. After January 1, 1981, any insurer may file with the commis-  
317 sioner a written notice of its election to comply with the provisions  
318 of this section after a specified date before January 1, 1983. After  
319 the filing of such notice, then upon such specified date, which shall  
320 be the operative date of this section for such insurer, the provisions  
321 of subsections f. through n. shall become operative with  
322 \*~~respect~~\* *respect* to annuity contracts thereafter issued by  
323 such insurer. If an insurer makes no such election, the operative  
324 date of this section for such insurer shall be January 1, 1983.

325 p. This section shall not apply to any reinsurance, group annuity  
326 purchased in connection with one or more retirement plans or  
327 plans of deferred compensation established or maintained by or  
328 for one or more employers (including partnerships or sole pro-  
329 priorships), employee organizations, or any combination thereof,  
330 other than plans providing individual retirement accounts or  
331 individual retirement annuities under Section 408 of the Internal  
332 Revenue Code, as amended, nor to any premium deposit fund,  
333 variable annuity, investment annuity, immediate annuity, any  
334 deferred annuity contract after annuity payments have commenced,  
335 or reversionary annuity, nor to any contract which shall be deliv-  
336 ered outside this State through an agent or other representative  
337 of the insurer issuing the contract. The requirements of subsec-  
338 tions a. to e. of this section shall not apply to any group annuity,  
339 single premium pure endowment, or single stipulated payment  
340 annuity.

1 6. This act shall take effect immediately.

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ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

**SENATE, No. 3024**

[OFFICIAL COPY REPRINT]

**STATE OF NEW JERSEY**

DATED: JUNE 15, 1981

The general objectives of this bill are twofold:

(1) to permit the insurance industry to utilize up-to-date mortality and disability tables and more realistic interest rates, and afford greater flexibility in establishing benefit classifications for purposes of calculating reserve liability on insurance, annuity and pure endowment contracts;

(2) to extend the provisions of the standard valuation and standard nonforfeiture laws and to clarify their application to the different types of insurance policies and annuity and pure endowment contracts.

Section 1 of the bill allows the Commissioner of Insurance, with the concurrence of the insurer, greater flexibility in establishing benefit classifications for purposes of calculating reserve liabilities.

Section 2 liberalizes the interest rate assumptions on policies issued on or after January 1, 1981 for purposes of calculating an insurer's minimum reserve liabilities.

Section 3 statutorily specifies the current standard, and authorizes the Commissioner of Insurance hereafter to approve and promulgate, by regulation, future standard ordinary mortality, standard industrial mortality, individual and group annuity mortality, accidental death benefit and disablement rate tables adopted by the National Association of Insurance Commissioners (NAIC) for purposes of determining minimum standards of valuation of reserve liabilities for various kinds of insurance policies and annuity and pure endowment contracts. Under current law, such tables are prescribed by statute; thus, updated tables can at present only be adopted by legislation. The object of affording flexibility to update mortality and disability tables is to permit the incorporation of changing mortality and disability rates into the calculation of reserve liabilities.

Section 3 also eliminates the setting by statute of interest rate assumptions for purposes of calculating ordinary reserve liabilities, as well as alters the method of calculation of minimum (deficiency) reserves. Henceforth, such assumptions are to be calculated as a func-

tion of a designated market index, either Moody's Corporate Bond Yield Average or, if necessary, some other reference interest rate adopted by NAIC and approved by the commissioner. As in the granting of discretionary authority to the commissioner to update mortality tables, the purpose of this provision is to liberalize reserve liability calculations in accordance with changing market conditions.

Finally, section 3 clarifies the fact that the pertinent provisions of the standard valuation law for calculating reserve liabilities (N. J. S. 17B:19-8) apply equally to deposit term and deposit whole life policies. It should be noted that these valuation provisions and the minimum cash value requirements for insurance premium defaults in subsection k. of section 4 as they apply to deposit term and deposit life policies, are consistent with the NAIC model law recommendations thereon.

Sections 4 and 5 of the bill deal with the standard nonforfeiture law (N. J. S. 17B:25-19), or the paid-up cash surrender value (nonforfeiture benefits) of insurance policies and individual deferred annuity contracts, upon default of the premium payment or surrender of the policy or contract before the end of the policy or contract period.

Sections 4 and 5, among other things:

(1) in accordance with the NAIC model law, separate the standard nonforfeiture law into a nonforfeiture law for life insurance and one for individual deferred annuities;

(2) establish a new minimum standard level of paid cash surrender nonforfeiture benefits for insurance, annuity and pure endowment contracts by, among other things allowing for an earlier and more rapid build-up of cash value;

(3) establish a new formula for calculating an insurer's expense allowances for determining minimum surrender value on life insurance; and

(4) extend the provisions of the standard nonforfeiture law(s) to a wider range of new product lines.

Several of the provisions of this act have separate operative dates, including:

(1) January 1, 1981, for valuation interest rate;

(2) the effective date of this act, but not later than January 1, 1989, for implementation of the 1980 mortality or disability tables and the standard nonforfeiture law for life insurance;

(3) the effective date of this act, but not later than January 1, 1983, in the case of the standard nonforfeiture law for individual deferred annuities;

(4) January 1, 1985 for implementation of (a) the cash surrender value provisions of subsection k. of section 4 of the bill, and (b) the valuation provisions for deposit term and deposit whole life policies.

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SENATE LABOR, INDUSTRY AND  
PROFESSIONS COMMITTEE

STATEMENT TO

**SENATE, No. 3024**

with Senate committee amendments

**STATE OF NEW JERSEY**

DATED: MARCH 23, 1981

This bill would bring New Jersey valuation law and nonforfeiture law into general conformity with the Model Act revisions recommended by the National Association of Insurance Commissioners. The Senate Labor, Industry and Professions Committee made technical amendments to the bill. Additionally, the committee amended the bill to remove the mandate that all policies issued by a single company to have the same operative date.