

**SB2764**



**98TH GENERAL ASSEMBLY**

**State of Illinois**

**2013 and 2014**

**SB2764**

Introduced 1/28/2014, by Sen. William R. Haine

**SYNOPSIS AS INTRODUCED:**

215 ILCS 5/229.2

from Ch. 73, par. 841.2

Amends the Illinois Insurance Code. Makes a technical change in a Section concerning the standard non-forfeiture law for life insurance.

LRB098 19432 RPM 54594 b

**A BILL FOR**

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Insurance Code is amended by  
5 changing Section 229.2 as follows:

6 (215 ILCS 5/229.2) (from Ch. 73, par. 841.2)

7 Sec. 229.2. Standard Non-forfeiture Law for Life  
8 Insurance. (1) No policy of ~~of~~ life insurance, except as stated  
9 in subsection (8), shall be delivered or issued for delivery in  
10 this State unless it contains in substance the following  
11 provisions or corresponding provisions which in the opinion of  
12 the Director are at least as favorable to the defaulting or  
13 surrendering policyholder and are essentially in compliance  
14 with subsection (7) of this law:

15 (i) That, in the event of default in any premium payment,  
16 the company will grant, upon proper request not later than 60  
17 days after the due date of the premium in default, a paid-up  
18 nonforfeiture benefit on a plan stipulated in the policy,  
19 effective as of such due date, of such amount as may be  
20 hereinafter specified. In lieu of such stipulated paid-up  
21 nonforfeiture benefit, the company may substitute, upon proper  
22 request not later than 60 days after the due date of the  
23 premium in default, an actuarially equivalent alternative

1 paid-up nonforfeiture benefit which provides a greater amount  
2 or longer period of death benefits or, if applicable, a greater  
3 amount or earlier payment of endowment benefits.

4 (ii) That, upon surrender of the policy within 60 days  
5 after the due date of any premium payment in default after  
6 premiums have been paid for at least 3 full years in the case  
7 of Ordinary insurance or 5 full years in the case of Industrial  
8 insurance, the company will pay, in lieu of any paid-up  
9 nonforfeiture benefit, a cash surrender value of such amount as  
10 may be hereinafter specified.

11 (iii) That a specified paid-up nonforfeiture benefit shall  
12 become effective as specified in the policy unless the person  
13 entitled to make such election elects another available option  
14 not later than 60 days after the due date of the premium in  
15 default.

16 (iv) That, if the policy shall have become paid-up by  
17 completion of all premium payments or if it is continued under  
18 any paid-up nonforfeiture benefit which became effective on or  
19 after the third policy anniversary in the case of Ordinary  
20 insurance or the fifth policy anniversary in the case of  
21 Industrial insurance, the company will pay, upon surrender of  
22 the policy within 30 days after any policy anniversary, a cash  
23 surrender value of such amount as may be hereinafter specified.

24 (v) In the case of policies which cause on a basis  
25 guaranteed in the policy unscheduled changes in benefits or  
26 premiums, or which provide an option for changes in benefits or

1 premiums other than a change to a new policy, a statement of  
2 the mortality table, interest rate, and method used in  
3 calculating cash surrender values and the paid-up  
4 nonforfeiture benefits available under the policy. In the case  
5 of all other policies, a statement of the mortality table and  
6 interest rate used in calculating the cash surrender values and  
7 the paid-up nonforfeiture benefits available under the policy,  
8 together with a table showing the cash surrender value, if any,  
9 and paid-up nonforfeiture benefit, if any, available under the  
10 policy on each policy anniversary either during the first 20  
11 policy years or during the term of the policy, whichever is  
12 shorter, such values and benefits to be calculated upon the  
13 assumption that there are no dividends or paid-up additions  
14 credited to the policy and that there is no indebtedness to the  
15 company on the policy.

16 (vi) A statement that the cash surrender values and the  
17 paid-up nonforfeiture benefits available under the policy are  
18 not less than the minimum values and benefits required by or  
19 pursuant to the insurance law of the state in which the policy  
20 is delivered; an explanation of the manner in which the cash  
21 surrender values and the paid-up nonforfeiture benefits are  
22 altered by the existence of any paid-up additions credited to  
23 the policy or any indebtedness to the company on the policy; if  
24 a detailed statement of the method of computation of the values  
25 and benefits shown in the policy is not stated therein, a  
26 statement that such method of computation has been filed with

1 the insurance supervisory official of the state in which the  
2 policy is delivered; and a statement of the method to be used  
3 in calculating the cash surrender value and paid-up  
4 nonforfeiture benefit available under the policy on any policy  
5 anniversary beyond the last anniversary for which such values  
6 and benefits are consecutively shown in the policy.

7 Any of the foregoing provisions or portions thereof not  
8 applicable by reason of the plan of insurance may, to the  
9 extent inapplicable, be omitted from the policy.

10 The company shall reserve the right to defer the payment of  
11 any cash surrender value for a period of 6 months after demand  
12 therefor with surrender of the policy.

13 (2) (i) Any cash surrender value available under the policy  
14 in the event of default in a premium payment due on any policy  
15 anniversary, whether or not required by subsection (1), shall  
16 be an amount not less than the excess, if any, of the present  
17 value, on such anniversary, of the future guaranteed benefits  
18 which would have been provided for by the policy, including any  
19 existing paid-up additions, if there had been no default, over  
20 the sum of (i) the then present value of the adjusted premiums  
21 as defined in subsections 4, 4(a), 4(b) and 4(c), corresponding  
22 to premiums which would have fallen due on and after such  
23 anniversary, and (ii) the amount of any indebtedness to the  
24 company on the policy.

25 (ii) For any policy issued on or after the operative date  
26 of subsection 4(c), which provides supplemental life insurance

1 or annuity benefits at the option of the insured for an  
2 identifiable additional premium by rider or supplemental  
3 policy provision, the cash surrender value shall be an amount  
4 not less than the sum of the cash surrender value as determined  
5 in paragraph (i) for an otherwise similar policy issued at the  
6 same age without such rider or supplemental policy provision  
7 and the cash surrender value as determined in such paragraph  
8 for a policy which provides only the benefits otherwise  
9 provided by such rider or supplemental policy provision.

10 (iii) For any family policy issued on or after the  
11 operative date of subsection 4(c), which defines a primary  
12 insured and provides term insurance on the life of the spouse  
13 of the primary insured expiring before the spouse attains age  
14 71, the cash surrender value shall be an amount not less than  
15 the sum of the cash surrender value as determined in paragraph  
16 (i) for an otherwise similar policy issued at the same age  
17 without such term insurance on the life of the spouse and the  
18 cash surrender value as determined in such paragraph for a  
19 policy which provides only the benefits otherwise provided by  
20 such term insurance on the life of the spouse.

21 (iv) Any cash surrender value available within 30 days  
22 after any policy anniversary under any policy paid up by  
23 completion of all premium payments or any policy continued  
24 under any paid-up nonforfeiture benefit, whether or not  
25 required by subsection (1), shall be an amount not less than  
26 the present value, on such anniversary, of the future

1 guaranteed benefits provided for by the policy, including any  
2 existing paid-up additions, decreased by any indebtedness to  
3 the company on the policy.

4 (3) Any paid-up nonforfeiture benefit available under the  
5 policy in the event of default in a premium payment due on any  
6 policy anniversary shall be such that its present value as of  
7 such anniversary shall be at least equal to the cash surrender  
8 value then provided for by the policy, or if none is provided  
9 for, that cash surrender value which would have been required  
10 by this section in the absence of the condition that premiums  
11 shall have been paid for at least a specified period.

12 (4) This subsection (4) shall not apply to policies issued  
13 on or after the operative date of subsection (4c). Except as  
14 provided in the third paragraph of this subsection, the  
15 adjusted premiums for any policy shall be calculated on an  
16 annual basis and shall be such uniform percentage of the  
17 respective premium specified in the policy for each policy  
18 year, excluding any extra premiums charged because of  
19 impairments or special hazards, that the present value, at the  
20 date of issue of the policy, of all such adjusted premiums  
21 shall be equal to the sum of (i) the then present value of the  
22 future guaranteed benefits provided for by the policy; (ii) 2%  
23 of the amount of insurance, if the insurance be uniform in  
24 amount, or of the equivalent uniform amount, as hereinafter  
25 defined, if the amount of insurance varies with duration of the  
26 policy; (iii) 40% of the adjusted premium for the first policy

1 year; (iv) 25% of either the adjusted premium for the first  
2 policy year or the adjusted premium for a whole life policy of  
3 the same uniform or equivalent uniform amount with uniform  
4 premiums for the whole of life issued at the same age for the  
5 same amount of insurance, whichever is less. Provided, however,  
6 that in applying the percentages specified in (iii) and (iv)  
7 above, no adjusted premium shall be deemed to exceed 4% of the  
8 amount of insurance or uniform amount equivalent thereto. The  
9 date of issue of a policy for the purpose of this subsection  
10 shall be the date as of which the rated age of the insured is  
11 determined.

12 In the case of a policy providing an amount of insurance  
13 varying with duration of the policy, the equivalent uniform  
14 amount thereof for the purpose of this subsection shall be  
15 deemed to be the level amount of insurance, provided by an  
16 otherwise similar policy, containing the same endowment  
17 benefit or benefits, if any, issued at the same age and for the  
18 same term, the amount of which does not vary with duration and  
19 the benefits under which have the same present value at the  
20 inception of the insurance as the benefits under the policy;  
21 provided, however, that in the case of a policy providing a  
22 varying amount of insurance issued on the life of a child under  
23 age 10, the equivalent uniform amount may be computed as though  
24 the amount of insurance provided by the policy prior to the  
25 attainment of age 10 were the amount provided by such policy at  
26 age 10.



1           The adjusted premiums for any policy providing term  
2 insurance benefits by rider or supplemental policy provision  
3 shall be equal to (a) the adjusted premiums for an otherwise  
4 similar policy issued at the same age without such term  
5 insurance benefits, increased, during the period for which  
6 premiums for such term insurance benefits are payable, by (b)  
7 the adjusted premiums for such term insurance, the foregoing  
8 items (a) and (b) being calculated separately and as specified  
9 in the first 2 paragraphs of this subsection except that, for  
10 the purposes of (ii), (iii) and (iv) of the first such  
11 paragraph, the amount of insurance or equivalent uniform amount  
12 of insurance used in the calculation of the adjusted premiums  
13 referred to in (b) shall be equal to the excess of the  
14 corresponding amount determined for the entire policy over the  
15 amount used in the calculation of the adjusted premiums in (a).

16           Except as otherwise provided in subsections (4a) and (4b),  
17 all adjusted premiums and present values referred to in this  
18 section shall for all policies of Ordinary insurance be  
19 calculated on the basis of the Commissioners 1941 Standard  
20 Ordinary Mortality Table, provided that for any category of  
21 Ordinary insurance issued on female risks adjusted premiums and  
22 present values may be calculated according to an age not more  
23 than 3 years younger than the actual age of the insured, and  
24 such calculations for all policies of Industrial insurance  
25 shall be made on the basis of the 1941 Standard Industrial  
26 Mortality Table. All calculations shall be made on the basis of

1 the rate of interest, not exceeding 3 1/2% per annum, specified  
2 in the policy for calculating cash surrender values and paid-up  
3 nonforfeiture benefits. Provided, however, that in calculating  
4 the present value of any paid-up term insurance with  
5 accompanying pure endowment, if any, offered as a nonforfeiture  
6 benefit, the rates of mortality assumed may be not more than  
7 130% of the rates of mortality according to such applicable  
8 table. Provided, further, that for insurance issued on a  
9 substandard basis, the calculation of any such adjusted  
10 premiums and present values may be based on such other table of  
11 mortality as may be specified by the company and approved by  
12 the Director.

13 (4a) This subsection (4a) shall not apply to Ordinary  
14 policies issued on or after the operative date of subsection  
15 (4c). In the case of Ordinary policies issued on or after the  
16 operative date of this subsection (4a) as defined herein, all  
17 adjusted premiums and present values referred to in this  
18 Section shall be calculated on the basis of the Commissioners  
19 1958 Standard Ordinary Mortality Table and the rate of interest  
20 specified in the policy for calculating cash surrender values  
21 and paid-up nonforfeiture benefits, provided that such rate of  
22 interest shall not exceed 3 1/2% per annum except that a rate  
23 of interest not exceeding 5 1/2% per annum may be used for  
24 policies issued on or after September 8, 1977, except that for  
25 any single premium whole life or endowment insurance policy a  
26 rate of interest not exceeding 6 1/2% per annum may be used and

1 provided that for any category of Ordinary insurance issued on  
2 female risks, adjusted premiums and present values may be  
3 calculated according to an age not more than 6 years younger  
4 than the actual age of the insured. Provided, however, that in  
5 calculating the present value of any paid-up term insurance  
6 with accompanying pure endowment, if any, offered as a  
7 nonforfeiture benefit, the rates of mortality assumed may be  
8 not more than those shown in the Commissioners 1958 Extended  
9 Term Insurance Table. Provided, however, that for insurance  
10 issued on a substandard basis, the calculation for any such  
11 adjusted premiums and present values may be based on such other  
12 table of mortality as may be specified by the company and  
13 approved by the Director. After the effective date of this  
14 subsection (4a), any company may file with the Director written  
15 notice of its election to comply with the provisions of this  
16 subsection after a specified date before January 1, 1966. After  
17 the filing of such notice, then upon such specified date (which  
18 shall be the operative date of this subsection for such  
19 company), this subsection shall become operative with respect  
20 to the Ordinary policies thereafter issued by such company. If  
21 a company makes no such election, the operative date of this  
22 subsection for such company shall be January 1, 1966.

23 (4b) This subsection (4b) shall not apply to Industrial  
24 policies issued on or after the operative date of subsection  
25 (4c). In the case of Industrial policies issued on or after the  
26 operative date of this subsection (4b) as defined herein, all

1 adjusted premiums and present values referred to in this  
2 Section shall be calculated on the basis of the Commissioners  
3 1961 Standard Industrial Mortality Table and the rate of  
4 interest specified in the policy for calculating cash surrender  
5 values and paid-up nonforfeiture benefits, provided that such  
6 rate of interest shall not exceed 3 1/2% per annum except that  
7 a rate of interest not exceeding 5 1/2% per annum may be used  
8 for policies issued on or after September 8, 1977, except that  
9 for any single premium whole life or endowment insurance policy  
10 a rate of interest not exceeding 6 1/2% per annum may be used.  
11 Provided, however, that in calculating the present value of any  
12 paid-up term insurance with accompanying pure endowment, if  
13 any, offered as a nonforfeiture benefit, the rates of mortality  
14 assumed may be not more than those shown in the Commissioners  
15 1961 Industrial Extended Term Insurance Table. Provided,  
16 further, that for insurance issued on a substandard basis, the  
17 calculations of any such adjusted premiums and present values  
18 may be based on such other table of mortality as may be  
19 specified by the company and approved by the Director. After  
20 the effective date of this subsection (4b), any company may  
21 file with the Director a written notice of its election to  
22 comply with the provisions of this subsection after a specified  
23 date before January 1, 1968. After the filing of such notice,  
24 then upon such specified date (which shall be the operative  
25 date of this subsection for such company), this subsection  
26 shall become operative with respect to the Industrial policies

1 thereafter issued by such company. If a company makes no such  
2 election, the operative date of this subsection for such  
3 company shall be January 1, 1968.

4 (4c) (a) This subsection shall apply to all policies issued  
5 on or after its operative date. Except as provided in paragraph  
6 (g), the adjusted premiums for any policy shall be calculated  
7 on an annual basis and shall be such uniform percentage of the  
8 respective premiums specified in the policy for each policy  
9 year, excluding amounts payable as extra premiums to cover  
10 impairments or special hazards and any uniform annual contract  
11 charge or policy fee specified in the policy in a statement of  
12 the method to be used in calculating the cash surrender value  
13 and paid-up nonforfeiture benefits of the policy, that the  
14 present value, at the date of issue of the policy, of all  
15 adjusted premiums shall be equal to the sum of (i) the then  
16 present value of the future guaranteed benefits provided for by  
17 the policy; (ii) 1% of either the amount of insurance, if the  
18 insurance is uniform in amount, or the average amount of  
19 insurance at the beginning of each of the first 10 policy  
20 years; and (iii) 125% of the nonforfeiture net level premium as  
21 hereinafter defined. In applying the percentage specified in  
22 (iii), however, no nonforfeiture net level premium shall exceed  
23 4% of either the amount of insurance, if the insurance is  
24 uniform in amount, or the average amount of insurance at the  
25 beginning of each of the first 10 policy years. The date of  
26 issue of a policy for the purpose of this subsection is the

1 date as of which the rated age of the insured is determined.

2 (b) The nonforfeiture net level premium equals the present  
3 value, at the date of issue of the policy, of the guaranteed  
4 benefits provided for by the policy divided by the present  
5 value, at the date of issue of the policy, of an annuity of one  
6 per annum payable on the date of issue of the policy and on  
7 each anniversary of such policy on which a premium falls due.

8 (c) In the case of a policy which causes, on a basis  
9 guaranteed in such policy, unscheduled changes in benefits or  
10 premiums, or which provides an option for changes in benefits  
11 or premiums other than a change to a new policy, adjusted  
12 premiums and present values shall initially be calculated on  
13 the assumption that future benefits and premiums do not change  
14 from those stipulated at the date of issue of such policy. At  
15 the time of any such change in the benefits or premiums, the  
16 future adjusted premiums, nonforfeiture net level premiums and  
17 present values shall be recalculated on the assumption that  
18 future benefits and premiums do not change from those  
19 stipulated by such policy immediately after the change.

20 (d) Except as otherwise provided in paragraph (g), the  
21 recalculated future adjusted premiums for any policy shall be  
22 such uniform percentage of the respective future premiums  
23 specified in the policy for each policy year, excluding amounts  
24 payable as extra premiums to cover impairments and special  
25 hazards and any uniform annual contract charge or policy fee  
26 specified in the policy in a statement of the method to be used

1 in calculating the cash surrender values and paid-up  
2 nonforfeiture benefits, that the present value, at the time of  
3 change to the newly defined benefits or premiums, of all such  
4 future adjusted premiums shall be equal to the excess of (A)  
5 the sum of (i) the then present value of the then future  
6 guaranteed benefits provided for by the policy and (ii) the  
7 additional expense allowance, if any, over (B) the then cash  
8 surrender value, if any, or present value of any paid-up  
9 nonforfeiture benefit under the policy.

10 (e) The additional expense allowance at the time of the  
11 change to the newly defined benefits or premiums shall be the  
12 sum of (i) 1% of the excess, if positive, of the average amount  
13 of insurance at the beginning of each of the first 10 policy  
14 years subsequent to the change over the average amount of  
15 insurance prior to the change at the beginning of each of the  
16 first 10 policy years subsequent to the time of the most recent  
17 previous change, or, if there has been no previous change, the  
18 date of issue of the policy; and (ii) 125% of the increase, if  
19 positive, in the nonforfeiture net level premium.

20 (f) The recalculated nonforfeiture net level premium  
21 equals the result obtained by dividing X by Y, where

22 (i) X equals the sum of

23 (A) the nonforfeiture net level premium applicable prior to  
24 the change times the present value of an annuity of one per  
25 annum payable on each anniversary of the policy on or  
26 subsequent to the date of the change on which a premium would

1 have fallen due had the change not occurred, and

2 (B) the present value of the increase in future guaranteed  
3 benefits provided for by the policy; and

4 (ii) Y equals the present value of an annuity of one per  
5 annum payable on each anniversary of the policy on or  
6 subsequent to the date of change on which a premium falls due.

7 (g) Notwithstanding any other provisions of this  
8 subsection to the contrary, in the case of a policy issued on a  
9 substandard basis which provides reduced graded amounts of  
10 insurance so that, in each policy year, such policy has the  
11 same tabular mortality cost as an otherwise similar policy  
12 issued on the standard basis which provides higher uniform  
13 amounts of insurance, adjusted premiums and present values for  
14 such substandard policy may be calculated as if it were issued  
15 to provide such higher uniform amounts of insurance on the  
16 standard basis.

17 (h) All adjusted premiums and present values referred to in  
18 this Section shall for all policies of ordinary insurance be  
19 calculated on the basis of the Commissioners 1980 Standard  
20 Ordinary Mortality Table or, at the election of the company for  
21 any one or more specified plans of life insurance, the  
22 Commissioners 1980 Standard Ordinary Mortality Table with  
23 Ten-Year Select Mortality Factors. All adjusted premiums and  
24 present values referred to in this Section shall for all  
25 policies of Industrial insurance be calculated on the basis of  
26 the Commissioners 1961 Standard Industrial Mortality Table.



1 All adjusted premiums and present values referred to in this  
2 Section for all policies issued in a particular calendar year  
3 shall be calculated on the basis of a rate of interest not  
4 exceeding the nonforfeiture interest rate as defined in this  
5 subsection for policies issued in that calendar year. The  
6 provisions of this paragraph are subject to the provisions set  
7 forth in subparagraphs (i) through (vii).

8 (i) At the option of the company, calculations for all  
9 policies issued in a particular calendar year may be made on  
10 the basis of a rate of interest not exceeding the nonforfeiture  
11 interest rate, as defined in this subsection, for policies  
12 issued in the immediately preceding calendar year.

13 (ii) Under any paid-up nonforfeiture benefit, including  
14 any paid-up dividend additions, any cash surrender value  
15 available, whether or not required by subsection (1), shall be  
16 calculated on the basis of the mortality table and rate of  
17 interest used in determining the amount of such paid-up  
18 nonforfeiture benefit and paid-up dividend additions, if any.

19 (iii) A company may calculate the amount of any guaranteed  
20 paid-up nonforfeiture benefit, including any paid-up additions  
21 under the policy, on the basis of an interest rate no lower  
22 than that specified in the policy for calculating cash  
23 surrender values.

24 (iv) In calculating the present value of any paid-up term  
25 insurance with an accompanying pure endowment, if any, offered  
26 as a nonforfeiture benefit, the rates of mortality assumed may

1 be not more than those shown in the Commissioners 1980 Extended  
2 Term Insurance Table for policies of ordinary insurance and not  
3 more than the Commissioner 1961 Industrial Extended Term  
4 Insurance Table for policies of industrial insurance.

5 (v) For insurance issued on a substandard basis, the  
6 calculation of any such adjusted premiums and present values  
7 may be based on appropriated modifications of the  
8 aforementioned tables.

9 (vi) Any ordinary mortality tables adopted after 1980 by  
10 the National Association of Insurance Commissioners and  
11 approved by regulations promulgated by the Director for use in  
12 determining the minimum nonforfeiture standard may be  
13 substituted for the Commissioners 1980 Standard Ordinary  
14 Mortality Table with or without Ten-Year Select Mortality  
15 Factors or for the Commissioners 1980 Extended Term Insurance  
16 Table.

17 (vii) Any industrial mortality tables adopted after 1980 by  
18 the National Association of Insurance Commissioners and  
19 approved by regulations promulgated by the Director for use in  
20 determining the minimum nonforfeiture standard may be  
21 substituted for the Commissioners 1961 Standard Industrial  
22 Mortality Table or the Commissioners 1961 Industrial Extended  
23 Term Insurance Table.

24 (i) The nonforfeiture interest rate per annum for any  
25 policy issued in a particular calendar year shall be equal to  
26 125% of the calendar year statutory valuation interest rate for

1 such policy, as defined in the Standard Valuation Law, rounded  
2 to the nearest .25%.

3 (j) Notwithstanding any other provision in this Code to the  
4 contrary, any refiling of nonforfeiture values or their methods  
5 of computation for any previously approved policy form which  
6 involves only a change in the interest rate or mortality table  
7 used to compute nonforfeiture values shall not require refiling  
8 of any other provisions of that policy form.

9 (k) After the effective date of this subsection, any  
10 company may, with respect to any category of insurance, file  
11 with the Director a written notice of its election to comply  
12 with the provisions of this subsection after a specified date  
13 before January 1, 1989. That date shall be the operative date  
14 of this subsection for that category of insurance for such  
15 company. If a company makes no such election, the operative  
16 date of this subsection for that category of insurance issued  
17 by such company shall be January 1, 1989.

18 (5) In the case of any plan of life insurance which  
19 provides for future premium determination, the amounts of which  
20 are to be determined by the insurance company based on then  
21 estimates of future experience, or in the case of any plan of  
22 life insurance which is of such a nature that minimum values  
23 cannot be determined by the methods described in subsections  
24 (1), (2), (3), (4), (4a), (4b) or (4c), then

25 (a) the Director shall satisfy himself that the benefits  
26 provided under such plan are substantially as favorable to

1 policyholders and insured parties as the minimum benefits  
2 otherwise required by subsections (1), (2), (3), (4), (4a),  
3 (4b) or (4c);

4 (b) the Director shall satisfy himself that the benefits  
5 and the pattern of premiums of that plan are not such as to  
6 mislead prospective policyholders or insured parties; and

7 (c) the cash surrender values and paid-up nonforfeiture  
8 benefits provided by such plan shall not be less than the  
9 minimum values and benefits computed by a method consistent  
10 with the principles of this Standard Nonforfeiture law for Life  
11 Insurance, as determined by regulations promulgated by the  
12 Director.

13 (6) Any cash surrender value and any paid-up nonforfeiture  
14 benefit, available under the policy in the event of default in  
15 a premium payment due at any time other than on the policy  
16 anniversary, shall be calculated with allowance for the lapse  
17 of time and the payment of fractional premiums beyond the last  
18 preceding policy anniversary. All values referred to in  
19 subsections (2), (3), (4), (4a), (4b) and (4c) may be  
20 calculated upon the assumption that any death benefit is  
21 payable at the end of the policy year of death. The net value  
22 of any paid-up additions, other than paid-up term additions,  
23 shall be not less than the amounts used to provide such  
24 additions. Notwithstanding the provisions of subsection (2),  
25 additional benefits payable (i) in the event of death or  
26 dismemberment by accident or accidental means, (ii) in the

1 event of total and permanent disability, (iii) as reversionary  
2 annuity or deferred reversionary annuity benefits, (iv) as term  
3 insurance benefits provided by a rider or supplemental policy  
4 provision to which, if issued as a separate policy, this  
5 section would not apply, (v) as term insurance on the life of a  
6 child or on the lives of children provided in a policy on the  
7 life of a parent of the child, if such term insurance expires  
8 before the child's age is 26, is uniform in amount after the  
9 child's age is one, and has not become paid-up by reason of the  
10 death of a parent of the child, and (vi) as other policy  
11 benefits additional to life insurance and endowment benefits,  
12 and premiums for all such additional benefits, shall be  
13 disregarded in ascertaining cash surrender values and  
14 nonforfeiture benefits required by this section, and no such  
15 additional benefits shall be required to be included in any  
16 paid-up nonforfeiture benefits.

17 (7) This subsection shall apply to all policies issued on  
18 or after January 1, 1987. Any cash surrender value available  
19 under the policy in the event of default in a premium payment  
20 due on any policy anniversary shall be in an amount which does  
21 not differ by more than .2% of either the amount of insurance  
22 if the insurance is uniform in amount, or the average amount of  
23 insurance at the beginning of each of the first 10 policy  
24 years, from the sum of (a) the greater of zero and the basic  
25 cash value hereinafter specified and (b) the present value of  
26 any existing paid-up additions less the amount of any

1 indebtedness to the company under the policy.

2       The basic cash value equals the present value, on such  
3 anniversary, of the future guaranteed benefits which would have  
4 been provided for by the policy, excluding any existing paid-up  
5 additions and before deduction of any indebtedness to the  
6 company, if there had been no default, less the then present  
7 value of the nonforfeiture factors, as hereinafter defined,  
8 corresponding to premiums which would have fallen due on and  
9 after such anniversary. The effects on the basic cash value of  
10 supplemental life insurance or annuity benefits or of family  
11 coverage, as described in subsection (2) or (4), whichever is  
12 applicable, shall, however, be the same as are the effects  
13 specified in subsection (2) or (4), whichever is applicable, on  
14 the cash surrender values defined in that subsection.

15       The nonforfeiture factor for each policy year equals a  
16 percentage of the adjusted premium for the policy year, as  
17 defined in subsection (4) or (4c), whichever is applicable.  
18 Except as is required by the next succeeding sentence of this  
19 paragraph, such percentage

20       (a) shall be the same percentage for each policy year  
21 between the second policy anniversary and the later of (i) the  
22 fifth policy anniversary and (ii) the first policy anniversary  
23 at which there is available under the policy a cash surrender  
24 value in an amount, before including any paid-up additions and  
25 before deducting any indebtedness, of at least .2% of either  
26 the amount of insurance, if the insurance is uniform in amount,

1 or the average amount of insurance at the beginning of each of  
2 the first 10 policy years; and

3 (b) shall be such that no percentage after the later of the  
4 2 policy anniversaries specified in the preceding item (a) may  
5 apply to fewer than 5 consecutive policy years.

6 No basic cash value may be less than the value which would  
7 be obtained if the adjusted premiums for the policy, as defined  
8 in subsection (4) or (4c), whichever is applicable, were  
9 substituted for the nonforfeiture factors in the calculation of  
10 the basic cash value.

11 All adjusted premiums and present values referred to in  
12 this subsection shall for a particular policy be calculated on  
13 the same mortality and interest bases as those used in  
14 accordance with the other subsections of this law. The cash  
15 surrender values referred to in this subsection shall include  
16 any endowment benefits provided for by the policy.

17 Any cash surrender value available other than in the event  
18 of default in a premium payment due on a policy anniversary,  
19 and the amount of any paid-up nonforfeiture benefit available  
20 under the policy in the event of default in a premium payment  
21 shall be determined in manners consistent with the manners  
22 specified for determining the analogous minimum amounts in  
23 subsections 1, 2, 3, 4c, and 6. The amounts of any cash  
24 surrender values and of any paid-up nonforfeiture benefits  
25 granted in connection with additional benefits such as those  
26 listed as items (i) through (vi) in subsection (6) shall

1 conform with the principles of this subsection (7).

2 (8) This Section shall not apply to any of the following:

3 (a) reinsurance,

4 (b) group insurance,

5 (c) a pure endowment,

6 (d) an annuity or reversionary annuity contract,

7 (e) a term policy of uniform amount, which provides no  
8 guaranteed nonforfeiture or endowment benefits, or renewal  
9 thereof, of 20 years or less expiring before age 71, for which  
10 uniform premiums are payable during the entire term of the  
11 policy,

12 (f) a term policy of decreasing amount, which provides no  
13 guaranteed nonforfeiture or endowment benefits, on which each  
14 adjusted premium, calculated as specified in subsections (4),  
15 (4a), (4b) and (4c), is less than the adjusted premium so  
16 calculated, on a term policy of uniform amount, or renewal  
17 thereof, which provides no guaranteed nonforfeiture or  
18 endowment benefits, issued at the same age and for the same  
19 initial amount of insurance and for a term of 20 years or less  
20 expiring before age 71, for which uniform premiums are payable  
21 during the entire term of the policy,

22 (g) a policy, which provides no guaranteed nonforfeiture or  
23 endowment benefits, for which no cash surrender value, if any,  
24 or present value of any paid-up nonforfeiture benefit, at the  
25 beginning of any policy year, calculated as specified in  
26 subsections (2), (3), (4), (4a), (4b) and (4c), exceeds 2.5% of



1 the amount of insurance at the beginning of the same policy  
2 year,

3 (h) any policy which shall be delivered outside this State  
4 through an agent or other representative of the company issuing  
5 the policy.

6 For purposes of determining the applicability of this  
7 Section, the age of expiry for a joint term life insurance  
8 policy shall be the age of expiry of the oldest life.

9 (Source: P.A. 83-1465.)