

ACT 176

H.B. NO. 2103-76

A Bill for an Act Relating to Insurance.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Section 431-269, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

“(c) Minimum valuation standard:

- (1) Old policies: Except as otherwise provided in paragraph (3), the minimum standard for the valuation of all such policies and contracts issued prior to the operative date of section 431-561, shall be that provided by the laws in effect immediately prior to January 1, 1956.
- (2) Except as otherwise provided in paragraph (3), the minimum standard for the valuation of all the policies and contracts issued on or after the operative date of section 431-561 shall be the Commissioners Reserve Valuation Method defined in subsection (d) of this section, three and one-half per cent interest, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued after the effective date of this Act, and prior to January 1, 1986, four per cent interest, and the following tables:
 - (A) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in the policies—the Commissioners 1941 Standard Ordinary Mortality Table for such policies issued prior to the operative date of section 431-561(e) (5), and the Commissioners 1958 Standard Ordinary Mortality Table for the policies issued on or after the operative date; provided that for any category of such policies issued on female risks all modified net premiums and present values referred to in this section may be calculated according to an age not more than three years younger than the actual age of the insured.
 - (B) For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in the policies—the 1941 Standard Industrial Mortality Table for such policies issued prior to the operative date of section 431-561(e) (6), and the Commissioners 1961 Standard Industrial Mortality Table for the policies issued on or after the operative date.
 - (C) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies—the 1937 Standard Annuity Mortality Table or, at the option of the insurer, the Annuity Mortality Table for 1949, ultimate, or any modification of either of these tables approved by the commissioner.
 - (D) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies—the Group Annuity Mortality Table for 1951, any modification of the table approved by the commissioner, or, at the option of the insurer, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.
 - (E) For total and permanent disability benefits in or supplementary to ordinary policies or contracts—for policies or contracts issued after December 31, 1965, the tables of period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study

of the Society of Actuaries, with due regard to the type of benefit; for policies or contracts issued after December 31, 1960, and prior to January 1, 1966, either the tables or, at the option of the insurer, the Class (3) Disability Table (1926); and for policies issued prior to January 1, 1961, the Class (3) Disability Table (1926). Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

- (F) For accidental death benefits in or supplementary to policies—for policies issued after December 31, 1965, the 1959 Accidental Death Benefits Table; for policies issued after December 31, 1960, and prior to January 1, 1966, either the table or, at the option of the insurer, the Inter-company Double Indemnity Mortality Table; and for policies issued prior to January 1, 1961, the Inter-company Double Indemnity Mortality Table. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.
 - (G) For group life insurance, life insurance issued on the substandard basis, and other special benefits—such tables as may be approved by the commissioner.
- (3) The minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this paragraph as defined herein, and for all annuities and pure endowments purchased after such operative date under group annuity and pure endowment contracts, shall be the Commissioners Reserve Valuation Method defined in subsection (d) and the following tables and interest rates:
- (A) For individual annuity and pure endowment contracts issued prior to January 1, 1986, excluding any disability and accidental death benefits in such contracts—the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the Commissioner, and six per cent interest for single premium immediate annuity contracts, and four per cent interest for all other individual annuity and pure endowment contracts.
 - (B) For individual annuity and pure endowment contracts issued on or after January 1, 1986, excluding any disability and accidental death benefits in such contracts—the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the Commissioner, and three and one-half percent interest.
 - (C) For all annuities and pure endowment contracts purchased prior to January 1, 1986 under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts—the 1971 Group Annuity Mortality Table, or any modification of this table approved by the Commissioner and six per cent interest.
 - (D) For all annuities and pure endowments purchased on or after January 1, 1986 under group annuity and pure endowment contracts, excluding any disability and accidental death benefits in

such contracts—the 1971 Group Annuity Mortality Table, or any modification of this table approved by the Commissioner and three and one-half per cent interest.

After the effective date of this Act, any insurer may file with the commissioner a written notice of its election to comply with the provisions of this paragraph after a specified date before January 1, 1979, which shall be the operative date of this paragraph for such insurer, provided that an insurer may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If an insurer makes no such election, the operative date of this paragraph for such insurer shall be January 1, 1979.”

SECTION 2. Section 431-561, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

“(e) The adjusted premium—life:

- (1) Except as provided in subsection (e) (4) of this section, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding extra premiums on a substandard policy, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of:
 - (A) The then present value of the future guaranteed benefits provided for by the policy;
 - (B) Two per cent of the amount of insurance, if the insurance is uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy;
 - (C) Forty per cent of the adjusted premium for the first policy year;
 - (D) Twenty-five per cent of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less.
- (2) Provided, that in applying the percentages specified in (C) and (D) above, no adjusted premium shall be deemed to exceed four per cent of the amount of insurance or uniform amount equivalent thereto. Whenever the plan or term of a policy has been changed, either by request of the insured or automatically in accordance with the policy, the date of inception of the changed policy for the purposes of determining a nonforfeiture benefit or cash surrender value shall be the date as of which the age of the insured is determined for the purposes of the changed policy.
- (3) In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of this paragraph shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the

same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy; provided, that in the case of a policy providing a varying amount of insurance issued on the life of a child under age ten, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten was the amount provided by the policy at age ten.

- (4) The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (A) the adjusted premiums for an otherwise similar policy issued at the same age without such term insurance benefits, increased, during the period for which premiums for such term insurance benefits are payable, by (B) the adjusted premiums for the term insurance, the foregoing items (A) and (B) being calculated separately and as specified in subsection (e) (1), (2), and (3) except that, for the purposes of subsection (e) (1) (B), (C), and (D) the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (B) shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (A).
- (5) Except as otherwise provided in paragraphs (6) and (7) of subsection (e) of this section, all adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1941 Standard Ordinary Mortality Table, provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than three years younger than the actual age of the insured, and such calculations for all policies of industrial insurance shall be made on the basis of the 1941 Standard Industrial Mortality Table. All calculations shall be made on the basis of the rate of interest, not exceeding three and one-half per cent a year, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits. Provided, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than one hundred thirty per cent of the rates of mortality according to the applicable table. Provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the commissioner.
- (6) In the case of ordinary policies issued on or after the operative date of this paragraph as defined herein, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table and the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that such rate of interest

shall not exceed three and one-half per cent a year, except that a rate of interest not exceeding four per cent a year may be used for policies issued after the effective date of this Act and prior to January 1, 1986, and provided further that, for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than three years younger than the actual age of the insured; provided, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commission's 1958 Extended Term Insurance Table; provided further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the commissioner. After June 1, 1959, any insurer may file with the commissioner a written notice of its election to comply with the provisions of this paragraph (6) after a specified date before January 1, 1966. After the filing of such notice, then upon such specified date (which shall be the operative date of this paragraph (6) for such insurer), this paragraph (6) shall become operative with respect to the ordinary policies thereafter issued by such insurer. If an insurer makes no such election, the operative date of this paragraph (6) for such insurer shall be January 1, 1966.

- (7) In the case of industrial policies issued on or after the operative date of this paragraph as defined herein, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table and the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits; provided that such rate of interest shall not exceed three and one-half per cent a year, except that a rate of interest not exceeding four per cent a year may be used for policies issued after the effective date of this Act and prior to January 1, 1986, provided, further that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table; provided further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the commissioner. After May 8, 1965, any insurer may file with the commissioner a written notice of its election to comply with the provisions of this paragraph after a specified date before January 1, 1968. After the filing of such notice, then upon such specified date (which shall be the operative date of this paragraph for such insurer), this paragraph shall become operative with respect to the industrial policies thereafter issued by such insurer. If an insurer makes no such election, the operative date of this

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paragraph for such insurer shall be January 1, 1968.”

SECTION 3. Statutory material to be repealed is bracketed. New material is underscored. In printing this Act, the revisor of statutes need not include the brackets, the bracketed material, or the underscoring.*

SECTION 4. This Act shall take effect upon its approval.

(Approved June 1, 1976.)

*Edited accordingly.