

COUNCIL OF THE DISTRICT OF COLUMBIA

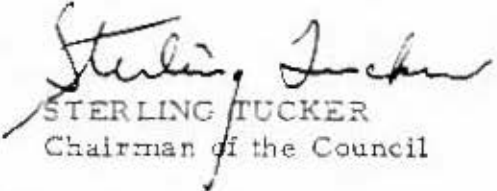
NOTICE

D. C. Law 2-120

"Standard Valuation and Nonforfeiture Amendments  
Act of 1978"

Pursuant to Section 412 of the District of Columbia Self-Government and Governmental Reorganization Act, P. L. 93-198, "the Act", the Council of the District of Columbia adopted Bill No. 2-304, on first and second readings June 27, 1978 and July 11, 1978, respectively. Following the signature of the Mayor on August 2, 1978, this legislation was assigned Act No. 2-250, published in the August 11, 1978, edition of the D. C. Register, (Vol. 25, page 1519) and transmitted to Congress on August 14, 1978 for a 30-day review, in accordance with Section 502 (c)(1) of the Act.

The Council of the District of Columbia hereby gives notice that the 30-day Congressional Review Period has expired and, therefore, cites the following legislation as D. C. Law 2-120, effective October 13, 1978.

  
STERLING TUCKER  
Chairman of the Council

Dates Counted During the 30-Day Congressional Review Period:

AUGUST 14, 15, 16, 17

SEPTEMBER 6, 7, 8, 11, 12, 13, 14, 15, 18, 19, 20, 25, 26, 27, 28, 29

OCTOBER 2, 3, 4, 5, 6, 10, 11, 12

D.C. LAW

2-120

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

October 13, 1978

To amend Chapter V of the Life Insurance Act, approved June 19, 1934 (48 Stat. 1156; D.C. Code, sec. 35-701 et seq.) to update the standard valuation and nonforfeiture laws and to adopt a standard nonforfeiture law for individual deferred annuities.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Standard Valuation and Nonforfeiture Amendments Act of 1978".

Sec. 2. The fifth paragraph of section 1(b) of Chapter V of the Life Insurance Act, approved June 19, 1934 (48 Stat. 1157; D.C. Code, sec. 35-701(b)) is amended to read as follows:

"Except as otherwise provided in paragraph (2) of subsection (c) for group annuity and pure endowment contracts, the legal minimum standard for the valuation of annuities issued on and after January 1, 1935, shall be McClintock's Table of Mortality Among Annuitants, with interest at 4 per centum per annum, but annuities deferred ten or more years and written in connection with life insurance shall be valued on the same basis as that used in

computing the consideration or premium therefor, or upon any higher standard at the option of the company."

Sec. 3. Subsection (c) of section 1 of Chapter V of the Life Insurance Act, approved June 19, 1934 (48 Stat. 1157; D.C. Code, sec. 35-701(c)) is amended by:

(a) adding immediately after the words "(the standard nonforfeiture law)" in the first paragraph thereof the following new words: "except as otherwise provided in paragraph (2) of this subsection for group annuity and pure endowment contracts issued prior to such operative date";

(b) striking the word "The" in paragraph (1) and inserting in lieu thereof the following new words: "Except as otherwise provided in paragraph (2) of this subsection, the";

(c) striking the words "reserve valuation method defined in paragraph (2), 3.5 per centum interest" in paragraph (1) and inserting in lieu thereof the following new words:

"reserve valuation methods defined in paragraphs (3) and (4) of this subsection and in section 20, 3.5 per centum interest per annum, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after the effective date of the Standard Valuation and Nonforfeiture

Amendments Emergency Act of 1978, 4.5 per centum interest per annum";

(d) striking the word "three" in subparagraph (i) of paragraph (1) and inserting in lieu thereof the word "six";

(e) striking the "." at the end of subparagraph (ii) of paragraph (1) and adding immediately at the end of such subparagraph the following new words: ": 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 six years younger than the actual age of the insured.";

(f) redesignating paragraphs (2), (3) and (4) as paragraphs (3), (5) and (6), respectively;

(g) adding immediately after paragraph (1) the following new paragraph to read as follows:

"(2) The minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this paragraph and for all annuities and pure endowments purchased on or after such operative date under group annuity and pure endowment contracts shall be the Commissioners reserve valuation methods defined in paragraphs (3) and (4) of this subsection and the following tables and interest rates:

"(i) For individual single premium immediate annuity contracts, 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 Superintendent and 7.5 per centum interest per annum.

"(ii) For individual annuity and pure endowment contracts, other than single premium immediate annuity contracts, 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 Superintendent and 5.5 per centum interest per annum for single premium deferred annuity and pure endowment contracts and 4.5 per centum interest per annum for all other such individual annuity and pure endowment contracts.

"(iii) For all annuities and pure endowments purchased 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

Superintendent and 7.5 per centum interest per annum.

"After the effective date of the Standard Valuation and Nonforfeiture Amendments Emergency Act of 1978, any company may file with the Superintendent 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 company, provided, a company may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If a company makes no such election, the operative date of this paragraph for such company shall be January 1, 1979."

(h) striking the word "Reserves" in paragraph (3), as redesignated, and inserting in lieu thereof the following new words: "Except as otherwise provided in paragraph (4) of this subsection and in section 20, reserves";

(i) striking the words "(ii) annuity and pure endowment contracts" in the last sentence of paragraph (3), as redesignated, and inserting in lieu thereof the following new words:

"(ii) group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer

(including a partnership or sole proprietorship), or by an employee organization or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal Revenue Code of 1954 (88 Stat. 959; 26 U.S.C. 408), as now or hereafter amended";

(j) inserting immediately after the words "(iv) all other benefits, except life insurance and endowment benefits in life insurance policies" in the last sentence of paragraph (3), as redesignated, the following new words: "and benefits provided by all other annuity and pure endowment contracts";

(k) striking the words "paragraph (2)" in the last sentence of paragraph (3), as redesignated, and inserting in lieu thereof the following new words: "paragraph (3)";

(l) adding immediately after paragraph (3), as redesignated, the following new paragraph (4) to read as follows:

"(4) This paragraph shall apply to all annuity and pure endowment contracts except those group annuity and pure endowment contracts for which reserves are to be calculated by a method consistent with the principles of paragraph (3) of this subsection.

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

(m) striking the words "paragraph (2)" in paragraph (5), as redesignated, and inserting in lieu thereof the following new words: "paragraph (3) of this subsection and section 20"; and



(n) amending paragraph (b), as redesignated, to read as follows:

"Reserves for any category of policies, contracts, or benefits as established by the Superintendent, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein."

Sec. 4. Subsection (b) of section 3 of Chapter V of the Life Insurance Act, approved June 19, 1934 (48 Stat. 1158; D.C. Code, sec. 35-703) is amended by striking the words "section 5c" and inserting in lieu thereof "section 5d".

Sec. 5. The ninth paragraph of section 5 of Chapter V of the Life Insurance Act, approved June 19, 1934 (48 Stat. 1161; D.C. Code, sec. 35-705) is amended by:

(a) inserting immediately after the words "Sixth. A provision" the following new words:

"specifying the options available in the event of cessation of payment of considerations under the contract. In the case of contracts issued on or after

the operative date of section 5c (the standard nonforfeiture law for individual deferred annuities), such options shall be in accordance with section 5c. In the case of contracts issued prior to the operative date of section 5c, such options shall provide"; and

(b) striking the words "A company" in the last sentence of such paragraph and inserting in lieu thereof the following new words: "For contracts issued prior to the operative date of section 5c, a company".

Sec. 6. The title of section 5b of Chapter V of the Life Insurance Act, approved June 19, 1934 (52 Stat. 31; D.C. Code, sec. 35-705b) is amended to read as follows: "Standard nonforfeiture law for life insurance."

Sec. 7. The first sentence of the fifth paragraph of subsection (d) of section 5b of Chapter V of the Life Insurance Act, approved June 19, 1934 (52 Stat. 32; D.C. Code, sec. 35-705b(d)) is amended by:

(a) striking the words "not exceeding 3.5 per centum per annum";

(b) inserting immediately after the words "paid-up nonforfeiture benefits" the following new words: ", which rate of interest shall not exceed 3.5 per centum per annum; except that a rate of interest not exceeding 5.5 per centum per annum may be used for policies issued on or after the

effective date of the Standard Valuation and Nonforfeiture Amendments Emergency Act of 1978"; and

(c) striking the word "three" and inserting in lieu thereof the following new word: "six".

Sec. 8. The first sentence of the sixth paragraph of subsection (d) of section 5b of Chapter V of the Life Insurance Act, approved June 19, 1934 (62 Stat. 32; D.C. Code, sec. 35-705b(d)) is amended by:

(a) striking the words "not exceeding 3.5 per centum per annum,"; and

(b) inserting immediately after the words "paid-up nonforfeiture benefits" the following new words: ", which rate of interest shall not exceed 3.5 per centum per annum except that a rate of interest not exceeding 5.5 per centum per annum may be used for policies issued on or after the effective date of the Standard Valuation and Nonforfeiture Amendments Emergency Act of 1978: Provided, That for any category of industrial insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than six years younger than the actual age of the insured".

Sec. 9. Chapter V of the Life Insurance Act, approved June 19, 1934 (48 Stat. 1156; D.C. Code, sec. 35-705c) is amended by:

(a) redesignating section 5c (62 Stat. 34; D.C. Code, sec. 35-705c) as section 5d; and

(b) adding immediately after section 5b the following new section 5c to read as follows:

"SEC. 5c. STANDARD NONFORFEITURE LAW FOR  
INDIVIDUAL DEFERRED ANNUITIES.

"(a) This section shall not apply to any reinsurance, group annuity purchased under a retirement plan or plan of deferred compensation established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts of individual retirement annuities under section 408 of the Internal Revenue Code of 1954 (88 Stat. 959; 26 U.S.C. 408), as now or hereafter amended, premium deposit fund, variable contract, immediate annuity, any deferred annuity contract after annuity payments have commenced, or reversionary annuity, nor to any contract which shall be delivered outside the District of Columbia through an agent or other representative of the company issuing the contract.

"(b) In the case of contracts issued on or after the operative date of this section as defined in subsection (k), no contract of annuity, except as stated in subsection (a), shall be delivered or issued for delivery in the District of Columbia unless it contains in substance the following provisions, or corresponding provisions which in the opinion of the Superintendent are at least as favorable to the contract holder.

"(1) That upon cessation of payment of considerations under a contract, the company will grant a paid-up annuity benefit on a plan stipulated in the contract of such value as is specified in subsections (d), (e), (f), (g), and (i).

"(2) If a contract provides for a lump sum settlement at maturity, or at any other time, that upon surrender of the contract at or prior to the commencement of any annuity payments, the company will pay in lieu of any paid-up annuity benefit a cash surrender benefit of such amount as is specified in subsections (d), (e), (g), and (i). The company shall reserve the right to defer the

payment of such cash surrender benefit for a period of six months after demand therefor with surrender of the contract.

"(3) A statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of such benefits.

"(4) A brief and general statement of the method to be used in calculating any paid-up annuity, cash surrender or death benefits that may be available under the contract and an explanation of the manner in which such benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract or any prior withdrawals from or partial surrenders of the contract.

"Notwithstanding the requirements of this section, any deferred annuity contract may provide that if no considerations have been received under a contract for a period of two full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in

the contract arising from considerations paid prior to such period would be less than twenty dollars monthly, the company may at its option terminate such contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by such payment shall be relieved of any further obligation under such contract.

"(c) The minimum values as specified in subsections (d), (e), (f), (g), and (i) of any paid-up annuity, cash surrender or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as defined in this subsection.

"(1) With respect to contracts providing for flexible considerations, the minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to such time at a rate of interest of 3 per centum per annum of percentages of the net considerations (as hereinafter defined) paid prior to such time, decreased by the sum of:

"(i) any prior withdrawals from or partial surrender of the contract accumulated at a rate of interest of 3 per centum per annum; and

"(ii) the amount of any indebtedness to the company on the contract, including interest due and accrued; and increased by any existing additional amounts credited by the company to the contract.

"The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount not less than zero and shall be equal to the corresponding gross considerations credited to the contract during that contract year less an annual contract charge of thirty dollars and less a collection charge of one dollar and twenty-five cents per consideration credited to the contract during that contract year. The percentages of net considerations shall be 65 per centum of the net consideration for the first contract year and 87.5 per centum of the net considerations for the second and later contract years. Notwithstanding the provisions of the preceding sentence, the percentage shall be 65 per



centum of the portion of the total net consideration for any renewal contract year which exceeds by not more than two times the sum of those portions of the net considerations in all prior contract years for which the percentage was 65 per centum.

"(2) With respect to contracts providing for fixed scheduled considerations, minimum nonforfeiture amounts shall be calculated on the assumption that considerations are paid annually in advance and shall be defined as for contracts with flexible considerations which are paid annually with two exceptions:

"(i) The portion of the net consideration for the first contract year to be accumulated shall be the sum of 65 per centum of the net consideration for the first contract year plus 22.5 percentum of the excess of the net consideration for the first contract year over the lesser of the net considerations for the second and third contract years.

"(ii) The annual contract charge shall be the lesser of thirty dollars or

10 per centum of the gross annual consideration.

"(3) With respect to contracts providing for a single consideration, minimum nonforfeiture amounts shall be defined as for contracts with flexible considerations except that the percentage of net consideration used to determine the minimum nonforfeiture amount shall be equal to 90 per centum and the net consideration shall be the gross consideration less a contract charge of seventy-five dollars.

"(d) Any paid-up annuity benefit available under a contract shall be such that its present value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that date. Such present value shall be computed using the mortality table, if any, and the interest rate specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract.

"(e) For contracts which provide cash surrender benefits, such cash surrender benefits available prior to maturity shall not be less than

the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit which would be provided under the contract at maturity arising from considerations paid prior to the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract, such present value being calculated on the basis of an interest rate not more than one percent higher than the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, decreased by the amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract. In no event shall any cash surrender benefit be less than the minimum nonforfeiture amount at that time. The death benefit under such contracts shall be at least equal to the cash surrender benefit.

"(f) For contracts which do not provide cash surrender benefits, the present value of any paid-up annuity benefit available as a nonforfeiture option at any time prior to maturity shall not be

less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid prior to the time the contract is surrendered in exchange for, or changed to, a deferred paid-up annuity, such present value being calculated for the period prior to the maturity date on the basis of the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, and increased by any existing additional amounts credited by the company to the contract. For contracts which do not provide any death benefits prior to the commencement of any annuity payments, such present values shall be calculated on the basis of such interest rate and the mortality table specified in the contract for determining the maturity value of the paid-up annuity benefit. However, in no event shall the present value of the paid-up annuity benefit be less than the minimum nonforfeiture amount at the time.

"(g) For the purpose of determining the benefits calculated under subsections (e) and (f), in the case of annuity contracts under which an

election may be made to have annuity payments commence at optional maturity dates, the maturity date shall be deemed to be the latest date for which election shall be permitted by the contract, but shall not be deemed to be later than the anniversary of the contract next following the annuitant's seventieth birthday or the tenth anniversary of the contract, whichever is later.

"(h) Any contract which does not provide cash surrender benefits or does not provide death benefits at least equal to the minimum nonforfeiture amount prior to the commencement of any annuity payments shall include a statement in a prominent place in the contract that such benefits are not provided.

"(i) Any paid-up annuity, cash surrender or death benefits available at any time, other than on the contract anniversary under any contract with fixed scheduled considerations, shall be calculated with allowance for the lapse of time and the payment of any scheduled considerations beyond the beginning of the contract year in which cessation of payment of considerations under the contract occurs.

"(j) For any contract which provides, within the same contract by rider or supplemental contract provision, both annuity benefits and life insurance benefits that are in excess of the greater of cash surrender benefits or a return of the gross considerations with interest, the minimum nonforfeiture benefits shall be equal to the sum of the minimum nonforfeiture benefits for the annuity portion and the minimum nonforfeiture benefits, if any, for the life insurance portion computed as if each portion were a separate contract.

Notwithstanding the provisions of subsections (d), (e), (f), (g), and (i), additional benefits payable: (1) in the event of total and permanent disability; (2) as reversionary annuity or deferred reversionary annuity benefits; or (3) as other policy benefits additional to life insurance, endowment and annuity benefits, and considerations for all such additional benefits, shall be disregarded in ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits that may be required by this section. The inclusion of such additional benefits shall not be required in any paid-up

benefits, unless such additional benefits 7.33  
separately would require minimum nonforfeiture  
amounts, paid-up annuity, cash surrender and death 7.34  
benefits.

"(k) After the effective date of the Standard 7.36  
Valuation and Nonforfeiture Amendments Emergency  
Act of 1978, any company may file with the 7.38  
Superintendent a written notice of its election to  
comply with the provisions of this section after a  
specified date which is no more than two years 7.39  
after such effective date. After the filing of  
such notice, then upon such specified date, which 7.40  
shall be the operative date of this section for  
such company, this section shall become operative  
with respect to annuity contracts thereafter issued 7.41  
by such company. If a company makes no such  
election, the operative date of this section for 7.42  
such company shall be two years after the effective 7.43  
date of the Standard Valuation and Nonforfeiture  
Amendments Emergency Act of 1978."

Sec. 10. Section 20 of Chapter 7 of the Life Insurance 7.45  
Act, approved June 19, 1934 (48 Stat. 1176; D.C. Code, sec.  
35-721) is amended to read as follows: 7.46

"SEC. 20. WHEN ACTUAL PREMIUM FOR LIFE POLICY IS LESS THAN VALUATION NET PREMIUM.

"If in any contract year the gross premium charged by any life insurance company on any policy or contract is less than the valuation net premium for the policy or contract calculated by the method used in calculating the reserve thereon but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for such policy or contract shall be the greater of either the reserve calculated according to the mortality table, rate of interest, and method actually used for such policy or contract, or the reserve calculated by the method actually used for such policy or contract but using the minimum standards of mortality and rate of interest and replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium."

Sec. 11. This act shall take effect as provided for acts of the Council of the District of Columbia in section 602(c)(1) of the District of Columbia Self-Government and Governmental Reorganization Act.



RECORD OF OFFICIAL COUNCIL ACTION

Docket No: Bill No. 2-304

First Reading Action: June 27, 1978

VOICE VOTE: Adopted Unanimously (3abs) J Moore, Dixon, Mason

*Patricia H. Haver*  
 Secretary to the Council

ROLL CALL VOTE:

COUNCIL MEMBER	ATE	NAT	N.Y.	A.B.	COUNCIL MEMBER	ATE	NAT	N.Y.	A.B.	COUNCIL MEMBER	ATE	NAT	N.Y.	A.B.
TUCKER					MASON					SPAULDING				
HARDY					MOORE, D.					WILSON				
BARRY					MOORE, J.					WINTER				
CLARKE					ROLARK									
DIXON					SHACKLETON									

X-Indicates Vote    A. B.-Absent    N. Y.-Not Voting

Secretary to the Council

Amended First Reading Action: \_\_\_\_\_

VOICE VOTE: \_\_\_\_\_

Secretary to the Council

ROLL CALL VOTE:

COUNCIL MEMBER	ATE	NAT	N.Y.	A.B.	COUNCIL MEMBER	ATE	NAT	N.Y.	A.B.	COUNCIL MEMBER	ATE	NAT	N.Y.	A.B.
TUCKER					MASON					SPAULDING				
HARDY					MOORE, D.					WILSON				
BARRY					MOORE, J.					WINTER				
CLARKE					ROLARK									
DIXON					SHACKLETON									

X-Indicates Vote    A. B.-Absent    N. Y.-Not Voting

Secretary to the Council

Final Reading or Emergency Action: July 11, 1978

VOICE VOTE: Adopted Unanimously (1abs) Hardy

*Patricia H. Haver*  
 Secretary to the Council

ROLL CALL VOTE:

COUNCIL MEMBER	ATE	NAT	N.Y.	A.B.	COUNCIL MEMBER	ATE	NAT	N.Y.	A.B.	COUNCIL MEMBER	ATE	NAT	N.Y.	A.B.
TUCKER					MASON					SPAULDING				
HARDY					MOORE, D.					WILSON				
BARRY					MOORE, J.					WINTER				
CLARKE					ROLARK									
DIXON					SHACKLETON									

X-Indicates Vote    A. B.-Absent    N. Y.-Not Voting

Secretary to the Council