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[CHAPTER 66]

AN ACT

February 19, 1948
[H. R. 1634]
[Public Law 414]

To amend section 1, and provisions (6), (7), and (8) of section 3, and provision (3) of section 4 of chapter V of the Act of June 19, 1934, entitled "An Act to regulate the business of life insurance in the District of Columbia", and to add sections 5a, 5b, and 5c thereto.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of chapter V of the Act of June 19, 1934, entitled "An Act to regulate the business of life insurance in the District of Columbia", be amended to read as follows:

Life insurance, D. C.
48 Stat. 1156.
D. C. Code § 35-701.

"SECTION 1. SUPERINTENDENT TO VALUE POLICIES; LEGAL STANDARD OF VALUATION.—(a) The Superintendent shall annually value, or cause to be valued, the reserve liabilities (hereinafter called reserves) for all outstanding life-insurance policies and annuity and pure endowment contracts of every life-insurance company doing business in the District except that in the case of an alien company such valuation shall be limited to its insurance transactions in the United States, and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest and methods (net level premium method or other) used in the calculation of such reserves. All such valuations made by him or by his authority, shall be made upon the net premium basis. In calculating such reserves, he may use group methods and approximate averages for fractions of a year or otherwise. In lieu of the valuation of the reserves herein required of any foreign or alien company, he may accept any valuation made, or caused to be made, by the insurance supervisory official of any State or other jurisdiction when such valuation complies with the minimum standard herein provided and if the official of such State or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the Superintendent when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that State or jurisdiction.

Annual valuation of reserve liabilities.

Basis.

Valuations made by States, etc.

"Any such company which at any time shall have adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the approval of the Superintendent, adopt any lower standard of valuation, but not lower than the minimum herein provided.

"(b) This subsection shall apply to only those policies and contracts issued prior to the operative date of section 5b (the standard nonforfeiture law) of this chapter.

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"The legal minimum standard for the valuation of life-insurance contracts issued before January 1, 1935, shall be the method and basis of valuation heretofore applied by the Superintendent in the valuation of such contracts, and for life-insurance contracts issued on and after said date shall be the one-year preliminary term method of valuation, except as hereinafter modified, on the basis of the American Experience Table of Mortality with interest at 3½ per centum per annum: *Provided*, That any life company may, at its option, value its insurance contracts issued on and after January 1, 1935, in accordance with their terms on the basis of the American Men Ultimate Table of Mortality with interest not higher than 3½ per centum per annum by the level net premium method or by the modified preliminary term method hereinafter described.

Valuation of life-insurance contracts.

"If the premium charged for term insurance under a limited payment life preliminary term policy providing for the payment of all premiums thereon in less than twenty years from date of the policy,

Premium payment.

or under an endowment preliminary term policy, exceeds that charged for like insurance under twenty payment life preliminary term policies of the same company, the reserve thereon at the end of the year, including the first, shall not be less than the reserve on a twenty payment life preliminary term policy issued in the same year and at the same age, together with an amount which shall be equivalent to the accumulation of a net level premium sufficient to provide for a pure endowment at the end of the premium payment period, equal to the difference between the value at the end of such period of such a twenty payment life preliminary term policy and the full net level premium reserve at such time of such a limited payment life or endowment policy. The premium payment period is the period during which premiums are concurrently payable under such twenty payment life preliminary term policy and such limited payment life or endowment policy.

Reserves.

Premium payment period.

Preliminary term method.

"Policies issued on the preliminary term method shall contain a clause specifying that the reserve thereof shall be computed in accordance with the modified preliminary term method of valuation provided for herein.

Valuation of annuities.

"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.

Valuation of industrial policies.

"The legal minimum standard for the valuation of industrial policies issued after January 1, 1935, shall be the American Experience Table of Mortality with interest at 3½ per centum per annum: *Provided*, That any life company may voluntarily value its industrial policies on the basis of the standard industrial mortality table or the substandard industrial mortality table by the level net premium method or in accordance with their terms by the modified preliminary term method hereinbefore described.

Variation of standards.

"The Superintendent may vary the standards of interest and mortality in the case of alien companies as to contracts issued by such companies in other countries than the United States, and in particular cases of invalid lives and other extra hazards.

"Reserves for all such policies and contracts may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by this subsection.

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"(c) This subsection shall apply to only those policies and contracts issued on or after the operative date of section 5B (the standard nonforfeiture law) of this chapter.

Minimum standards for valuation.

"(1) The minimum standard for the valuation of all such policies and contracts shall be the Commissioners reserve valuation method defined in paragraph (2), 3½ per centum interest, and the following tables:

"(i) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies, the Commissioners 1941 Standard Ordinary Mortality Table.

"(ii) For all industrial life-insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies, the 1941 Standard Industrial Mortality Table.

"(iii) For annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies, the 1937 Standard Annuity Mortality Table.

"(iv) For total and permanent disability benefits in or supplementary to ordinary policies or contracts, class (3) Disability Table (1926)

which, for active lives, shall be combined with a mortality table permitted for calculating the reserves for life-insurance policies.

"(v) For accidental death benefits in or supplementary to policies, the Intercompany Double Indemnity Mortality Table combined with a mortality table permitted for calculating the reserves for life-insurance policies.

"(vi) For group life insurance, life insurance issued on the substandard basis and other special benefits, such tables as may be approved by the Superintendent.

Reserves.

"(2) Reserves according to the Commissioners reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of (A) over (B), as follows:

Modified net premiums.

"(A) A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due: *Provided, however*, That such net level annual premium shall not exceed the net level annual premium on the nineteen year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of such policy.

"(B) A net one-year term premium for such benefits provided for in the first policy year.

Calculation of reserves.

"Reserves according to the Commissioners reserve valuation method for (i) life-insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums, (ii) annuity and pure endowment contracts, (iii) disability and accidental death benefits in all policies and contracts, and (iv) all other benefits, except life insurance and endowment benefits in life-insurance policies, shall be calculated by a method consistent with the principles of this paragraph (2).

"(3) In no event shall a company's aggregate reserves for all life-insurance policies, excluding disability and accidental death benefits, be less than the aggregate reserves calculated in accordance with the method set forth in paragraph (2) and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

Optional standards.

"(4) 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 shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein: *Provided, however*, That reserves for participating life-insurance policies may, with the consent of the Superintendent, be calculated according to a rate of interest lower than the rate of interest used in calculating the nonforfeiture benefits in such policies, with the further proviso that if such lower rate differs from the rate used in the calculation of the nonforfeiture benefits by more than one-half per centum the company issuing such policies shall file with

Use of lower interest rate.

the Superintendent a plan providing for such equitable increases, if any, in the cash surrender values and nonforfeiture benefits in such policies as the Superintendent shall approve."

48 Stat. 1159. D. C. Code § 35-703 (6), (7), (8).

SEC. 2. That provisions (6), (7), and (8) of section 3 of chapter V of said Act, be amended to read as follows:

Loans.

"(6) A provision that after the policy has been in force three full years the company at any time, while the policy is in force, will advance, on proper assignment or pledge of the policy and on the sole security thereof, at a specified rate of interest, a sum equal to, or at the option of the insured less than the amount required by section 5c of this chapter under the conditions specified thereby; and that the company will deduct from such loan value any indebtedness not already deducted in determining such value and any unpaid balance of the premium for the current policy year, and may collect interest in advance on the loan to the end of the current policy year. This provision shall not be required in term insurance, nor shall it apply to temporary insurance or pure endowment insurance, issued or granted in exchange for lapsed or surrendered policies. The policy may further provide that if the interest on the loan is not paid when due it shall be added to the existing loan and shall bear interest at the same rate.

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Indebtedness.

Nonapplicability.

Interest.

"(7) A provision for nonforfeiture benefits and cash surrender values in accordance with the requirements of section 5a or section 5b of this chapter.

Infra.

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"(8) A provision specifying the options, if any, to which the policyholder is entitled in the event of default in a premium payment."

48 Stat. 1161. D. C. Code § 35-704 (3).

SEC. 3. That provision (3) of section 4 of chapter V of said Act, be amended to read as follows:

Settlement at maturity at less than face value.

"(3) Except for provisions relating to misstatement of age, suicide, aviation, and military or naval service in time of war, a provision for any mode of settlement at maturity, after the expiration of the contestable period of the policy, of less value than the amount insured on the face of the policy plus dividend additions, if any, less any indebtedness to the company on or secured by the policy, and less any premium that may, by the terms of the policy, be deducted. This paragraph shall not apply to any nonforfeiture provision."

Nonapplicability.

48 Stat. 1161. D. C. Code § 35-705.

SEC. 4. That said Act is amended by inserting after section 5 of chapter V thereof the following three new sections:

"SEC. 5a. NONFORFEITURE BENEFITS AND CASH SURRENDER VALUES.—This section shall apply only to policies of life insurance issued prior to the operative date of section 5b (the standard nonforfeiture law) of this chapter.

Default in premium payments.

"The nonforfeiture benefits referred to in provision (7) of section 3 of this chapter shall be available to the insured in event of default in premium payments, after premiums shall have been paid for three years, and shall be a stipulated form of insurance, effective from the due date of the defaulted premium, the net value of which shall be at least equal to the reserve at the date of default on the policy and on dividend additions thereto, if any, exclusive of the reserve on account of return premium insurance and on total and permanent disability and additional accidental death benefits (the policy to specify the mortality table and rate of interest adopted for computing such reserve), less a specified percentage (not more than two and one-half) of the amount insured by the policy and of existing dividend additions thereto, if any, and less any existing indebtedness to the company on or secured by the policy: *Provided*, That a company may, in lieu of the provision herein permitted for the deduction from the reserve of a sum not more than 2½ per centum of the amount insured by the policy, and of any dividend additions thereto, insert in the policy a

Deductions.

provision that one-fifth of said reserve may be deducted, or may provide therein that a deduction may be made of said 2½ per centum or one-fifth of said reserve, at the option of the company: *Provided further*, That the policy may be surrendered to the company at its home office within one month of the due date of defaulted premium for a specified cash value at least equal to the sum which would otherwise be available for the purchase of insurance as aforesaid: *And provided further*, That the company may defer payment for not more than six months after the application therefor is made. A provision may also be inserted in the policy that in event of default in a premium payment before such benefit becomes available, the reserve on any dividend additions then in force may at the option of the company be paid in cash or applied as a net premium to the purchase of paid-up term insurance for any amount not in excess of the face of the original policy. This section shall not apply to term insurance of twenty years or less. The net single premium rate employed in computing the term of temporary insurance or the amount of pure endowment insurance granted as a nonforfeiture value under any life-insurance policy may at the option of the company be based upon a table of mortality showing rates of mortality not greater than 130 per centum of those shown by the American Men Ultimate Table of Mortality instead of the table used in computing the reserve on the policy, or in case of substandard policies not greater than 130 per centum of the rates of mortality shown by the table of mortality approved by the Superintendent for computing the reserve on the policy, anything herein to the contrary notwithstanding.

Surrender for cash value.

Deferred payment.

Default before benefit becomes available.

Nonapplicability.

Net single premium rate.

"SEC. 5b. STANDARD NONFORFEITURE LAW.—(a) In the case of policies issued on or after the operative date of this section, as defined in subsection (g) no policy of life insurance, except as stated in subsection (f), shall be issued or delivered in the District of Columbia unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the Superintendent are at least as favorable to the defaulting or surrendering policyholder—

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"(1) that, in event of default in any premium payment after premiums have been paid one full year in the case of ordinary insurance or three full years in the case of industrial insurance, the company will grant, upon proper request not later than sixty days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such due date, of such value as may be hereinafter specified;

Paid-up nonforfeiture benefit.

"(2) that, upon surrender of the policy within sixty days after the due date of any premium payment in default after premiums have been paid for at least three full years in the case of ordinary insurance or five full years in the case of industrial insurance, the company will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be hereinafter specified;

Cash surrender value.

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

"(4) that, if the policy shall become paid up by completion of all premium payments or if it is continued under any paid-up nonforfeiture benefit which became effective on or after the third policy anniversary in the case of ordinary insurance or the fifth policy anniversary in the case of industrial insurance, the company will pay, upon surrender of the policy within thirty days after any policy anniversary, a cash surrender value of such amount as may be hereinafter specified;

Statement of table and interest rate used.

"(5) a statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy, together with a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary either during the first twenty policy years or during the term of the policy, whichever is shorter, such values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the company on the policy;

Statement of calculation method.

"(6) a brief and general statement of the method to be used in calculating the cash surrender value and the paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values and benefits are consecutively shown in the policy, with an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the company on the policy.

Nonapplicability.

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

Deferred payment.

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

Cash surrender value.

"(b) Any cash surrender value available under any policy referred to in subsection (a) in the event of default in a premium payment due on any policy anniversary, whether or not required by subsection (a), shall be an amount not less than the excess, if any, of the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions, if there had been no default, over the sum of (i) the then present value of the adjusted premiums as defined in subsection (d), corresponding to premiums which would have fallen due on and after such anniversary, and (ii) the amount of any indebtedness to the company on the policy. Any cash surrender value available within thirty days after any policy anniversary under any policy paid up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefit, whether or not required by subsection (a), shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the company on the policy.

Ante, p. 31.

Nonforfeiture benefit.

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

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Adjusted premiums.

"(d) The adjusted premiums for any policy referred to in subsection (a) 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 amounts stated in the policy as extra premiums to cover impairments or special hazards, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of (i) the then present value of the future guaranteed benefits provided for by the policy; (ii) 2 per centum of

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the amount of insurance, if the insurance be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy; (iii) 40 per centum of the adjusted premium for the first policy year; (iv) 25 per centum 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: *Provided, however*, That in applying the percentages specified in (iii) and (iv) above, no adjusted premium shall be deemed to exceed 4 per centum of the amount of insurance or level amount equivalent thereto.

Restriction.

"In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent level amount thereof for the purpose of this subsection shall be deemed to be the level 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.

"All adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1941 Standard Ordinary Mortality Table for Ordinary Insurance and the 1941 Standard Industrial Mortality Table for Industrial Insurance and the rate of interest, not exceeding 3½ per centum per annum, specified in the policy for calculating cash surrender values, if any, and paid-up nonforfeiture benefits: *Provided, however*, 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 130 per centum of the rates of mortality according to such 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 company and approved by the Superintendent.

Basis.

Rates of mortality.

Substandard basis.

"(e) Any cash surrender value and any paid-up nonforfeiture benefit, available under any such policy in the event of default in the payment of any premium due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in subsections (b), (c), and (d) may be calculated upon the assumption that any death benefit is payable at the end of the policy or contract year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the dividends used to provide such additions. Notwithstanding the provisions of subsection (b), additional benefits payable (i) in the event of death or dismemberment by accident or accidental means, (ii) in the event of total and permanent disability, (iii) as reversionary annuity or deferred reversionary annuity benefits, (iv) as decreasing term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply, and (v) as other policy benefits additional to life insurance and endowment benefits, and premiums for all such additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

Calculation of benefits, etc.

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Net value.

Additional benefits.

"(f) This section shall not apply to any reinsurance, group insurance, pure endowment, annuity or reversionary annuity contract, nor

Nonapplicability.

to any term policy of uniform amount, or renewal thereof, of fifteen years or less expiring before age sixty-six, for which uniform premiums are payable during the entire term of the policy, nor to any term policy of decreasing amount on which each adjusted premium, calculated as specified in subsection (d), is less than the adjusted premium so calculated, on such fifteen-year term policy issued at the same age and for the same initial amount of insurance, nor to any policy or contract which shall be delivered outside the District of Columbia through an agent or other representative of the company issuing the policy.

Election of compliance by company.

"(g) After the effective date of this Act, any company may file with the Superintendent a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1950. After the filing of such notice, then upon such specified date (which shall be the operative date for such company), this section shall become operative with respect to the policies and contracts thereafter issued by such company. If a company makes no such election, the operative date of this section for such company shall be January 1, 1950."

Loan value.

Ante, p. 31.

Ante, p. 30.

"SEC. 5c. LOAN PROVISIONS IN POLICIES.—(a) In the case of ordinary policies issued prior to the operative date of section 5b (the standard nonforfeiture law) of this chapter the loan value referred to in provision (6) of section 3 of this chapter shall be the reserve at the end of the current policy year on the policy and on the dividend additions thereto, if any, exclusive of the reserve on account of return premium insurance and of total and permanent disability and additional accidental death benefits, less a sum not more than 2½ per centum of the amount insured by the policy and of any dividend additions thereto (the policy to specify the mortality table and rate of interest adopted for computing such reserve). The policy may provide that such loan may be deferred for not exceeding six months after the application therefor is made. A company may, in lieu of the provision hereinabove permitted for the deduction from a loan on the policy of a sum not more than 2½ per centum of the amount insured by the policy and of any dividend additions thereto, insert in the policy a provision that one-fifth of the said reserve may be deducted in case of a loan under the policy, or may provide therein that the deduction may be the said 2½ per centum or the one-fifth of the said reserve at the option of the company.

Deferment of loan.

Deductions.

Deferment of loan.

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"(b) In the case of ordinary policies issued on or after the operative date of section 5b (the standard nonforfeiture law) of this chapter the loan value referred to in provision (6) of section 3 of this chapter shall be the cash surrender value at the end of the current policy year as required by section 5b of this chapter. The company shall reserve the right to defer such loan, except when made to pay premiums, for six months after application therefor is made."

Approved February 19, 1948.

[CHAPTER 67]

February 25, 1948
[H. R. 2029]
[Public Law 415]

AN ACT

To provide for the free importation of synthetic-rubber scrap.

46 Stat. 678.
19 U. S. C. § 1201, par. 1697.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph 1697 of the Tariff Act of 1930 (relating to the free importation of rubber and rubber scrap) is amended by striking out "scrap or refuse india rubber" and inserting in lieu thereof "scrap or refuse synthetic or india rubber".

Approved February 25, 1948.