§ 4517. Standard of valuation reserves. (a) The legal minimum standard of valuation for all life insurance certificates issued by an authorized society prior to January first, nineteen hundred fifty-seven shall be in accordance with provisions of law applicable thereto as of December thirty-first, nineteen hundred fifty-six, including the setting aside and maintenance of the required statutory contingency reserve on such of its certificates as are valued on an interest assumption in excess of three and one-half percent per annum. The legal minimum standard of valuation for all annuity contracts, and disability benefits and accident and sickness benefits in all certificates and contracts shall be in accordance with the provisions of law applicable thereto as of December thirty-first, nineteen hundred fifty-six.

(b) In every valuation report of every authorized society and in every valuation of reserves made or caused to be made by the superintendent or accepted by him in lieu of such valuation, the reserve liability on all certificates issued on and after January first, nineteen hundred fifty-seven shall be determined on a basis of the net tabular value of the reserves on such certificates, not including any value for the right to make extra payments or to require additional insurance contributions. Such tabular values shall not be less than the reserve determined according to the commissioners reserve valuation method as defined in this subsection. If the premium charged is less than the tabular net premium according to the basis of valuation used, an additional reserve equal to the present value of the deficiency in such premiums, as determined in the manner prescribed in section four thousand two hundred eighteen of this chapter, shall be set up and maintained as a liability; provided that, in the case of any society which is not qualifying with the provisions of section four thousand five hundred fifteen of this article, the deficiency reserve shall be determined on the basis of the difference between the net insurance contribution, as in practice actually collected for life insurance benefits, and the tabular net premium. The reserve liability shall be properly adjusted in the event that the mid-year or tabular values are not appropriate.

(1) Reserves according to the commissioners reserve valuation method, for the life insurance and endowment benefits of certificates 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 certificates, over the then present value of any future modified net premiums therefor. The modified net premiums for any such certificate shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the certificate, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the certificate and the excess of:

(A) a net level premium equal to the present value, at the date of issue, of such benefits provided for after the first certificate year, divided by the present value, at the date of issue, of an annuity of one dollar per annum payable on the first and each subsequent anniversary of such certificate 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 certificate, over

(B) a net one-year term premium for such benefits provided for in the first certificate year.

(2) Reserves according to the commissioners reserve valuation method for (i) life insurance certificates providing for varying amounts of benefits or requiring the payment of varying premiums, (ii) annuity and pure endowment benefits, (iii) disability and accidental death benefits in all certificates and contracts, and (iv) all other benefits, except life insurance and endowment benefits, shall be calculated by a method consistent with the principles of this subsection (b), except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

(c) (1) The minimum standard for the valuation of life insurance and annuity certificates issued on and after January first, nineteen hundred fifty-seven, but prior to July first, nineteen hundred seventy-two, shall be three percent interest and for life insurance and annuity certificates issued on and after July first, nineteen hundred seventy-two, but prior to January first, nineteen hundred eighty, shall be three and one-half percent interest, and the following tables:

(A) for certificates of life insurance issued prior to January first, nineteen hundred seventy-five -- American Men Ultimate Table of

Mortality, with Bowerman's or Davis' Extension thereof or, with the consent of the superintendent, the Commissioners 1941 Standard Ordinary Mortality Table, the Commissioners 1958 Standard Ordinary Mortality Table or the Commissioners 1941 Standard Industrial Table of Mortality; provided that for any category of ordinary insurance issued on female risks, all modified net 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 for certificates issued on and after January first, nineteen hundred seventy-five, -- the Commissioners 1941 Standard Ordinary Mortality Table, the Commissioners 1958 Standard Ordinary Mortality Table or the Commissioners 1961 Standard Industrial Table of Mortality;

(B) for annuity certificates, including life annuities provided or available under optional modes of settlement in such certificates -- the 1937 Standard Annuity Table or, at the option of the society, the Annuity Mortality Table for 1949, Ultimate, or any modification of either table approved by the superintendent;

(C) for disability benefits issued in connection with life benefit certificates -- Hunter's Disability Table, which, for active lives, shall be combined with a mortality table permitted for calculating the reserves on life insurance certificates, except that the table known as Class III Disability Table (1926) modified to conform to the contractual waiting period, or, at the option of the society, 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 benefits, shall be used in computing reserves for disability benefits under a contract which presumes that total disability shall be considered to be permanent after a specified period; and

(D) for accidental death benefits issued in connection with life benefit certificate -- the Inter-Company Double Indemnity Mortality Table or, at the option of the society, the 1959 Accidental Death Benefits Table. Either such table shall be combined with a mortality table permitted for calculating the reserves for life insurance certificates.

(2) The minimum standard for the valuation of life insurance and annuity certificates issued on and after January first, nineteen hundred eighty, shall be subject to the requirements and exceptions of section

four thousand two hundred seventeen of this chapter, provided that a society may also elect to use the Commissioners 1941 Standard Ordinary Mortality Table or the Commissioners 1961 Standard Industrial Table.

(3) The superintendent may, in his discretion, accept other standards for valuation if he finds that the reserves produced thereby will not be less in the aggregate than reserves computed in accordance with the minimum valuation standard herein prescribed. The superintendent may, in his discretion, vary the standards of mortality applicable to all certificates of insurance on substandard lives or other extrahazardous lives by any society authorized to do business in this state. Whenever the mortality experience under all certificates valued on the same mortality table is in excess of the expected mortality according to such table for a period of three consecutive years, the superintendent may require additional reserves when deemed necessary in his judgment on account of such certificates.

(4) Any society, with the consent of the superintendent and under any conditions he may impose, may establish and maintain reserves on its certificates in excess of the reserves required thereunder, but the contractual rights of any insured member shall not be affected thereby.

(d) Every society shall maintain reserves for all individual accident and health insurance certificates which shall place a sound value on its liabilities under such certificates and which shall not be less than the reserves according to the standards set forth in regulations issued by the superintendent and, in no event, less than the pro rata gross unearned premium reserve for such certificates. Prior to the issuance of any regulation provided for in this subsection the superintendent shall give at least ten days notice thereof to each society licensed to write accident and health insurance in this state, by ordinary mail addressed to its principal place of business, and provide an opportunity for hearing on such proposed action.

(e) All of the foregoing valuations, in any valuation report filed by a society as required by the provisions of this article, shall either be certified by a competent actuary, or, at the request and expense of the society be verified by an actuary of the insurance department of the state, province or country in which the society is domiciled.

(f) Any authorized society which issues certificates or other obligations providing for benefits in case of death or disability

resulting solely from accident, or in case of temporary disability resulting from sickness, or hospital expense or surgical and medical expense benefits shall maintain reserves for unearned premiums and for disabled lives in accordance with standards prescribed from time to time by the superintendent, which standards shall conform as nearly as practicable to those required for similar reserves of accident and health insurance companies under the laws of this state.