

Vermont Insurance Division

BULLETIN 69 Standard Non-Forfeiture and Valuation Laws for Life Insurance

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On July 1, 1983, amendments to Vermont's nonforfeiture and valuation laws became effective. Public Act No. 27 (H. 199), approved April 12, 1983, relates to minimum standards for valuation of life insurance policies. Public Act No. 55 (H. 201), approved April 23, 1983 relates to the standard nonforfeiture law for life insurance.

These amendments permit insurers to use policy forms based on the 1980 CSO Table and require full compliance no later than January 1, 1989. The Vermont legislature provided flexibility in implementing the new laws by allowing compliance on a category-by-category basis with approval of the Commissioner.

It is widely recognized that a principal purpose of these new laws is to enable companies to offer more competitively priced products. To the extent that companies would have to delay introducing any products based on the new requirements until they could revise and develop broad categories of their portfolio on that basis, Vermont consumers would be denied the opportunity to purchase superior insurance products. Moreover, such inflexibility would unduly strain company and Department resources. The requirements herein retain statutory flexibility and are designed to facilitate introduction of the new products in Vermont.

Subsection (k) of Section 3747a of the Standard Nonforfeiture Law, which defines the date on which the 1983 Amendments to the Standard Nonforfeiture Law and the Standard Valuation Law are to become effective, reads as follows:

(k) After the effective date of this section 3747a, any company may file with the commissioner a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1989, which shall be the operative date of this section for such company. If a company makes such an election, it may do so with respect to any category of insurance and implement the provisions of this section 3747a on a category-by-category basis with the approval of the Commissioner. For any category, if a company makes no such election, the operative date of this section for such company and for such category shall be January 1, 1989.

For purposes of this subsection, a particular plan of insurance to be issued on a particular policy form will be considered by the Commissioner to be a category of insurance provided that the filing of the first such policy form, or the first filing under 3747a(j) as regards such policy form, is accompanied by a statement, signed by an authorized officer of the insurer, stating that:

(a) For this category of insurance, the insurer elects to comply with the provisions of Section 3747a of the Standard Nonforfeiture Law of the state.

(b) Each category of insurance of the same generic form submitted for approval in this state subsequent to this election will comply with the provisions of Section 3747a of the Standard Nonforfeiture Law of this state. The insurer will identify the generic form applicable to this election and will provide a list of approved policy forms of the generic form applicable to this election.

(c) Coincident with the offering of each such category of insurance for sale in this state, the insurer will discontinue the sale in this state of all existing like categories of insurance.

(d) After an election is made, all future filings shall include a statement as to: (1) The generic form of the filings, and (2) any prior election under this bulletin as to such generic form.

"Generic form" referred to in item (b), above, refers to the general structure of a product. Plans of insurance within the conventional line of products (i.e., with premiums, death benefits and cash values fixed by the contract) are divided into four generic forms:

(1) Plans, with cash values, that provide death benefits and require premium payments to at least age 85 (Whole Life Form).

(2) Plans, with cash values, that provide death benefits to at least age 85 and require premium payments to an age less than 85 (Limited Pay Life Form).

(3) Plans, with cash values, that provide for the payment of an endowment benefit upon maturity prior to age 85 (Endowment Form).

(4) Plans which expire without value at the end of a specified term, including yearly renewable term renewable to the maximum age in the statutory mortality table (Term Form).

The non-conventional plans (i.e., plans for which either cash values, death benefits, or premium rates are not fixed by the contract) consist of two generic forms: General Account and Separate Account Forms.

"Like categories of insurance" referred to in item (c) above refers, within the conventional line of products, to plans providing the same death and endowment benefits and having the same premium-paying period. All non-conventional products of the same generic form are "like categories of insurance."

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