

**§2532-A. Adjusted premiums for policies issued on or after January 1, 1989, or elected operative date of this section**

1. This section shall apply to all policies issued on or after the operative date of this section as defined herein. Except as provided in subsection 7, the adjusted premiums for any policy shall be calculated on an annual basis and shall be that uniform percentage of the respective premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments or special hazards and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the date of issue of the policy, of all adjusted premiums shall be equal to the sum of:

- A. The then present value of the future guaranteed benefits provided for by the policy; [PL 1983, c. 346, §13 (NEW).]
- B. One percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years; and [PL 1983, c. 346, §13 (NEW).]
- C. One hundred twenty-five percent of the nonforfeiture net level premium as hereinafter defined. [PL 1983, c. 346, §13 (NEW).]

In applying the percentage specified in paragraph C, no nonforfeiture net level premium may be deemed to exceed 4% of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years. The date of issue of a policy for the purpose of this section shall be the date as of which the rated age of the insured is determined. [PL 1983, c. 346, §13 (NEW).]

2. The nonforfeiture net level premium shall be equal to the present value, at the date of issue of the policy, of the guaranteed benefits provided for by the policy divided by the present value, at the date of issue of the policy, of an annuity of one per annum payable on the date of issue of the policy and on each anniversary of the policy on which a premium falls due. [PL 1983, c. 346, §13 (NEW).]

3. In the case of policies which cause, on a basis guaranteed in the policy, unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, the adjusted premiums and present values shall initially be calculated on the assumption that future benefits and premiums do not change from those stipulated at the date of issue of the policy. At the time of any change of that type in the benefits or premiums the future adjusted premiums, nonforfeiture net level premiums and present values shall be recalculated on the assumption that future benefits and premiums do not change from those stipulated by the policy immediately after the change. [PL 1983, c. 346, §13 (NEW).]

4. Except as otherwise provided in subsection 7, the recalculated future adjusted premiums for any policy of that type shall be that uniform percentage of the respective future premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments and special hazards, and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the time of change to the newly defined benefits or premiums of all those future adjusted premiums shall be equal to the excess of:

- A. The sum of the then present value of the then future guaranteed benefits provided for by the policy and the additional expense allowance, if any; over [PL 1983, c. 346, §13 (NEW).]

B. The then cash surrender value, if any, or present value of any paid-up nonforfeiture benefit under the policy. [PL 1983, c. 346, §13 (NEW).]  
[PL 1983, c. 346, §13 (NEW).]

5. The additional expense allowance, at the time of the change to the newly defined benefits or premiums, shall be the sum of:

A. One percent of the excess, if positive, of the average amount of insurance at the beginning of each of the first 10 policy years subsequent to the change over the average amount of insurance prior to the change at the beginning of each of the first 10 policy years subsequent to the time of the most recent previous change, or, if there has been no previous change, the date of issue of the policy; and [PL 1983, c. 346, §13 (NEW).]

B. One hundred twenty-five percent of the increase, if positive, in the nonforfeiture net level premium. [PL 1983, c. 346, §13 (NEW).]  
[PL 1983, c. 346, §13 (NEW).]

6. The recalculated nonforfeiture net level premium shall be equal to the result obtained by dividing paragraph A by paragraph B where:

A. Paragraph A equals the sum of:

(1) The nonforfeiture net level premium applicable prior to the change times the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of the change on which a premium would have fallen due had the change not occurred; and

(2) The present value of the increase in future guaranteed benefits provided for by the policy; and [PL 1983, c. 346, §13 (NEW).]

B. Paragraph B equals the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of change on which a premium falls due. [PL 1983, c. 346, §13 (NEW).]  
[PL 1983, c. 346, §13 (NEW).]

7. Notwithstanding any other provisions of this section to the contrary, in the case of a policy issued on a substandard basis which provides reduced graded amounts of insurance so that, in each policy year, that policy has the same tabular mortality cost as an otherwise similar policy issued on the standard basis which provides higher uniform amounts of insurance, adjusted premiums and present values for that substandard policy may be calculated as if it were issued to provide those higher uniform amounts of insurance on the standard basis.  
[PL 1983, c. 346, §13 (NEW).]

8. All adjusted premiums and present values referred to in this Standard Nonforfeiture Law for Life Insurance shall, for all policies of ordinary insurance issued after the operative date of this section, be calculated on the basis of the Commissioners 1980 Standard Ordinary Mortality Table or, at the election of the insurer for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with 10-year select mortality factors; shall, for all policies of industrial insurance, be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table; and shall, for all policies issued in a particular calendar year, be calculated on the basis of a rate of interest not exceeding the nonforfeiture interest rate as defined in this section for policies issued in that calendar year, provided that:

A. At the option of the insurer, calculations for all policies issued in a particular calendar year may be made on the basis of a rate of interest not exceeding the nonforfeiture interest rate, as defined in this section, for policies issued in the immediately preceding calendar year; [PL 1983, c. 346, §13 (NEW).]

B. Under any paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by section 2529, shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of that paid-up nonforfeiture benefit and paid-up dividend additions, if any; [PL 1983, c. 346, §13 (NEW).]

C. An insurer may calculate the amount of any guaranteed paid-up nonforfeiture benefit, including any paid-up additions under the policy on the basis of an interest rate no lower than that specified in the policy for calculating cash surrender values; [PL 1983, c. 346, §13 (NEW).]

D. 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 1980 Extended Term Insurance Table for policies of ordinary insurance and not more than the Commissioners 1961 Industrial Extended Term Insurance Table for policies of industrial insurance; [PL 1983, c. 346, §13 (NEW).]

E. For insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on appropriate modifications of the tables mentioned in this section; [PL 1983, c. 346, §13 (NEW).]

F. Any approved commissioners standard ordinary mortality tables, adopted in accordance with paragraph H, may be substituted for the Commissioners 1980 Standard Ordinary Mortality Table with or without 10-year select mortality factors or for the Commissioners 1980 Extended Term Insurance Table; [PL 2013, c. 238, Pt. C, §11 (AMD).]

G. Any approved commissioners standard industrial mortality tables, adopted in accordance with paragraph H, may be substituted for the Commissioners 1961 Standard Industrial Mortality Table or the Commissioners 1961 Industrial Extended Term Insurance Table; and [PL 2013, c. 238, Pt. C, §11 (AMD).]

H. For policies issued before the operative date of the valuation manual, as defined in section 951-A, subsection 3, the superintendent may adopt rules approving commissioners standard mortality tables for use in determining the minimum nonforfeiture standard. Rules adopted pursuant to this paragraph are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A. For policies issued on or after the operative date of the valuation manual, the applicable commissioners standard mortality tables specified in the valuation manual are approved for use in determining the minimum nonforfeiture standard unless superseded by rule adopted by the superintendent. [PL 2013, c. 238, Pt. C, §12 (NEW).]

[PL 2013, c. 238, Pt. C, §§11, 12 (AMD).]

**9.** The nonforfeiture interest rate per annum for any policy issued in a particular calendar year must be equal to 125% of the calendar year statutory valuation interest rate for that policy as defined in the Standard Valuation Law, rounded to the nearer 1/4 of 1%, except as otherwise provided in the valuation manual for policies issued on and after the operative date of the valuation manual, as defined in section 951-A, subsection 3.

[PL 2013, c. 238, Pt. C, §13 (AMD).]

**10.** Notwithstanding any other provision in this code to the contrary, any refiling of nonforfeiture values or their methods of computation for any previously approved policy form which involves only a change in the interest rate or mortality table used to compute nonforfeiture values shall not require refiling of any other provisions of that policy form.

[PL 1983, c. 346, §13 (NEW).]

**11.** After the effective date of this section, any insurer 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, 1989, which shall be the operative date of this section for that insurer. If an insurer makes no such election, the operative date of this section for that company shall be January 1, 1989.

[PL 1983, c. 346, §13 (NEW).]

SECTION HISTORY

PL 1983, c. 346, §13 (NEW). PL 2013, c. 238, Pt. C, §§11-13 (AMD).

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