



Ohio Revised Code

Section 3915.071 Paid-up nonforfeiture benefit or alternative nonforfeiture benefit.

Effective: September 4, 2014

Legislation: Senate Bill 140 - 130th General Assembly

(A) As used in this section, "operative date of the valuation manual" means the January 1 of the first calendar year that the valuation manual, as defined in section 3903.72 of the Revised Code, is effective.

(B) No policy of life insurance shall be delivered or issued for delivery in this state, on or after January 1, 1989, or the operative date (not before January 1, 1983) applicable to such policy, as permitted by division (P) of this section, unless it contains in substance the provisions set out in this division which are applicable to the plan of insurance or corresponding provisions which, in the opinion of the superintendent of insurance, are at least as favorable to the policyholder:

(1) That the company will, upon proper request within sixty days after the due date of a premium in default, grant a paid-up nonforfeiture benefit on a plan stated in the policy. The effective date of the benefit shall be the due date of the unpaid premium. The benefit shall be in the amount specified in this section.

(2) That upon proper request, within the same sixty-day period, the company may substitute an alternative nonforfeiture benefit of an actuarially equivalent value. The amount may be greater or the death benefit may be for a longer period. If the benefit is an endowment benefit, the amount may be greater or payment may be made earlier.

(3) That after premiums have been paid for at least three full years for ordinary insurance or for at least five full years for industrial insurance, the company will, upon surrender of the policy within sixty days after the due date of an unpaid premium, pay a cash surrender value in the amount specified in this section in lieu of any paid-up nonforfeiture benefits.

(4) That if another available nonforfeiture benefit is not elected within sixty days after the due date of an unpaid premium, the paid-up nonforfeiture benefit specified in the policy shall become



effective.

(5) That if all premiums for the policy have been paid, the company will pay the cash surrender value, upon surrender of the policy within thirty days after a policy anniversary, in the amount specified in this section. That value will also be available within any such thirty-day period if the policy is continuing under any 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.

(6) A statement of the mortality table, interest rate, and method used in calculating cash surrender values and paid-up nonforfeiture benefits available under policies which guarantee unscheduled changes in benefits or premiums upon the happening of specified events or upon the exercise of an option without change to a new policy.

For all other policies, a statement of the mortality table and interest rate used in calculating the cash surrender values and paid-up nonforfeiture benefits, together with a table showing such values and benefits on each policy anniversary during the first twenty policy years, or the term of the policy, if shorter. Values and benefits are to be calculated on 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.

(7) A statement that the cash surrender values and paid-up nonforfeiture benefits are not less than those required by the law of the state in which the policy is delivered.

(8) An explanation of the manner in which cash surrender values and paid-up nonforfeiture benefits are increased by any paid-up additions to the policy and decreased by any indebtedness to the company on the policy.

(9) A statement that a detailed statement of the method of computation of values and benefits has been filed with the insurance supervisory official of the state in which the policy is delivered if such a detailed statement is not included in the policy.

(10) A statement of the method used in calculating the cash surrender value and paid-up



nonforfeiture benefit available on any policy anniversary beyond the last anniversary for which values and benefits are consecutively shown in the policy.

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

(C) Upon default in payment of a premium due on a policy anniversary, any cash surrender value shall be determined as of the due date. The value shall be not less than the present value on the anniversary of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions, had default not occurred, less the present value on the anniversary of the adjusted premiums corresponding to the premiums which would have fallen due on and after such anniversary and less any indebtedness to the company on the policy. Any cash surrender value provided for by the policy shall be in substantial compliance with section 3915.072 of the Revised Code.

If supplemental life insurance or annuity benefits are added at issue, at the option of the insured, to a policy by rider or supplemental policy provision and for an identifiable additional premium, the cash surrender values for the basic insurance and for the supplemental insurance or benefits shall be determined as if each had been issued as a separate policy. The cash surrender value of the policy shall be the sum of the cash surrender value of the basic insurance and of the supplemental insurance or benefits.

The cash surrender value for a family policy, which defines a primary insured and which provides term insurance on the life of the spouse of the primary insured expiring before the spouse's age seventy-one, is the sum of the cash surrender value of the insurance on the primary insured and the cash surrender value of the term insurance on the spouse, determined as if the insurance on each had been issued as a separate policy.

Any cash surrender value available within thirty days after a policy anniversary, under a policy paid up by completion of all premium payments or continued under any paid-up nonforfeiture benefit, shall be not less than the present value, on the anniversary, of the future guaranteed benefits provided by the policy, including any paid-up additions, and decreased by any indebtedness to the company on the policy.



Any paid-up nonforfeiture benefit available upon default in payment of the premium due on a policy anniversary shall have a present value as of the anniversary at least equal to the policy's cash surrender value on that date or, if none is provided for, the cash surrender value which would have been required by this section in the absence of the condition that premiums shall have been paid for the requisite number of years.

(D)(1) Amounts payable as extra premiums to cover impairments or special hazards and uniform annual contract charges or policy fees specified in the policy statement of the method to be used in calculating cash surrender values and paid-up nonforfeiture benefits are excluded in calculating adjusted premiums and recalculated future adjusted premiums.

A policy issued on a substandard basis but similar to one issued on a standard basis may be considered the same as the standard policy in calculating adjusted premiums and present values if tabular mortality costs in each policy year are the same as those in the standard policy and if the policies differ only in that the substandard policy provides reduced graded amounts of insurance and the standard policy provides higher uniform amounts of insurance.

(2) The adjusted premiums for any policy are calculated on an annual basis and shall be a uniform per cent of the respective premiums specified in the policy for each policy year such that the present value, at the date of issue, of all such adjusted premiums is equal to the sum of the following:

- (a) The present value at the date of issue of the future guaranteed benefits;
- (b) One per cent of either the amount of insurance, if uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years; and
- (c) One hundred twenty-five per cent of the nonforfeiture net level premium, as defined in division (D)(3) of this section, provided that for the purposes of this division (D)(2)(c) the nonforfeiture net level premium shall not be deemed to exceed four per cent of either the amount of insurance, if uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years.



The date of issue, as used in this division, is the date as of which the rated age of the insured is determined.

(3) The nonforfeiture net level premium is equal to the present value, at the date of issue, of the guaranteed benefits provided for by the policy divided by the present value, at the date of issue, of an annuity of one per annum payable on the date of issue and on each anniversary of the policy on which a premium falls due.

(4) Adjusted premiums, present values, additional expense allowances, and nonforfeiture net level premiums for policies which guarantee unscheduled changes in benefits or premiums upon the happening of specified events or upon the exercise of an option without change to a new policy are determined as follows:

(a) At the date of issue, adjusted premiums, nonforfeiture net level premiums, and present values are calculated on the assumption that there will be no change in future benefits or premiums;

(b) At the time of a change in benefits or premiums, future adjusted premiums, nonforfeiture net level premiums and present values are recalculated on the assumption that there will be no other change in future benefits or premiums;

(c) These recalculated future adjusted premiums are a uniform percentage of the respective future premiums specified in the policy for each policy year after the change such that the present value, at the time of change, of the future adjusted premiums is equal to the sum of:

(i) The present value at the time of change of all future guaranteed benefits provided for by the policy;

(ii) Any additional expense allowance less the cash surrender value at that time or, if none, the value of any paid-up nonforfeiture benefit.

(d) The additional expense allowance, at the time of change, is the sum of one per cent of any increase in the average amount of insurance and one hundred twenty-five per cent of any increase in the nonforfeiture net level premium. The average amount of insurance after the change is the



average amount of insurance at the beginning of the first ten policy years following the change. The average amount of insurance before the change is the average amount of insurance at the beginning of each of the first ten policy years starting with the date of the most recent previous change or, if there has been no change, the date of issue.

(e) The recalculated nonforfeiture net level premium is the quotient of (i) the present value of the increase in future guaranteed benefits provided by the policy plus (ii) the nonforfeiture net level premium before the change times the present value of an annuity of one per annum payable on each anniversary of the policy on and after the date of change on which a premium would, except for the change, have fallen due divided by (iii) the present value of an annuity of one per annum payable on each anniversary on or after the date of change on which a premium falls due.

(E) For policies issued prior to the operative date of the valuation manual:

(1) For all policies of ordinary insurance issued on the standard basis, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the commissioners 1980 standard ordinary mortality table and a rate of interest not exceeding the nonforfeiture interest rate provided for by division (E)(3) of this section or, at the option of the company, a rate not exceeding the nonforfeiture interest rate for policies issued in the preceding calendar year. The company may elect to use the commissioners 1980 standard ordinary mortality table with ten-year select mortality factors for any specified plan of life insurance. The superintendent may approve the use of any ordinary mortality table adopted after 1980 by the national association of insurance commissioners in determining the minimum nonforfeiture standard for such policies.

(2) For all policies of industrial insurance issued on the standard basis, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the commissioners 1961 standard industrial mortality table and a rate of interest not exceeding the nonforfeiture interest rate provided for by division (E)(3) of this section or, at the option of the company, a rate not exceeding the nonforfeiture interest rate for policies issued in the preceding calendar year. The superintendent may approve the use of any industrial mortality table adopted after 1980 by the national association of insurance commissioners in determining the minimum nonforfeiture standard for such policies.

(3) The nonforfeiture interest rate for a policy issued in any calendar year is equal to one hundred



twenty-five per cent of the valuation interest rate for the policy as defined in section 3903.724 of the Revised Code, rounded to the nearer one-quarter of one per cent, provided, however, that the nonforfeiture interest rate shall not be less than four per cent.

(F) For all policies issued on or after the operative date of the valuation manual:

(1) For all policies of ordinary insurance, the valuation manual shall provide the commissioners standard mortality table for use in determining the minimum nonforfeiture standard that may be substituted for the commissioners 1980 standard ordinary mortality table, with or without ten-year select mortality factors, or for the commissioners 1980 extended term insurance table. If the superintendent approves by rule any commissioners standard ordinary mortality table adopted by the national association of insurance commissioners for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual, then that minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the valuation manual.

(2) For all policies of industrial insurance, the valuation manual shall provide the commissioners standard mortality table for use in determining the minimum nonforfeiture standard that may be substituted for the commissioners 1961 standard industrial mortality table or the commissioners 1961 industrial extended term insurance table. If the superintendent approves by rule any commissioners standard industrial mortality table adopted by the national association of insurance commissioners for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual, then that minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the valuation manual.

(3) The nonforfeiture interest rate per annum for any policy issued in a particular calendar year shall be provided by the valuation manual.

(G) Any cash surrender value for any paid-up nonforfeiture benefit including any paid-up dividend additions shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of such benefit and paid-up dividend additions.

(H) Guaranteed paid-up nonforfeiture benefits, including any paid-up additions, shall be calculated



on the basis of an interest rate no lower than that specified in the policy when calculating cash surrender values.

(I) Present values, for any paid-up term insurance or any paid-up term insurance with accompanying pure endowment offered as a nonforfeiture benefit, shall be calculated using rates of mortality not to exceed those shown in the commissioners 1980 extended term insurance table for policies of ordinary insurance and those shown in the commissioners 1961 industrial extended term insurance table for policies of industrial insurance. The superintendent may approve the use of any extended term insurance table adopted after 1980 by the national association of insurance commissioners in determining such present values.

(J) Adjusted premiums and present values for policies that are issued on a substandard basis may be calculated on the basis of such table of mortality as may be specified by the company and approved by the superintendent.

(K) The superintendent of insurance may by rule adopt methods for computing cash surrender values and paid-up nonforfeiture benefits for plans of life insurance which are of such a nature that values cannot be determined by any method described in this section, provided the superintendent is satisfied that the benefits provided in any such plan are substantially as favorable to policyholders and insureds as the minimum benefits otherwise required by this section and that the benefits and patterns of premiums for the plan will not mislead prospective policyholders or insureds. Such methods must be consistent with the principles of this section. This division shall apply to any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the company on the basis of estimates of future experience made at the time of any such determination.

(L) Any cash surrender value and any paid-up nonforfeiture benefit, available upon default in payment of a premium due at any time other than on a policy anniversary, shall be calculated with allowance for lapse of time and payment of fractional premiums beyond the preceding policy anniversary. All values referred to in this section may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up addition, other than paid-up term additions, shall be not less than the amount used to provide such additions.



(M) All other policy benefits additional to life insurance and endowment benefits shall be disregarded, and premiums for all such additional benefits and any extra premiums to cover impairments or special hazards shall be disregarded, in ascertaining the cash surrender values and nonforfeiture benefits required by this section. No such additional benefits shall be required to be included in any paid-up nonforfeiture benefit. Such benefits include additional benefits payable:

(1) For death or dismemberment by accident or accidental means;

(2) For total and permanent disability;

(3) As reversionary annuity or deferred reversionary annuity benefits;

(4) As term insurance benefits provided by rider or supplemental policy provisions to which, issued as a separate policy, this section would not apply;

(5) As term insurance on the life of a child or lives of children provided in a policy on the life of a parent, if such term insurance expires before the child's age is twenty-six, is uniform in amount after the child's age is one, and has not become paid-up by reason of the death of a parent.

(N) This section does not apply to any reinsurance, group insurance, pure endowment or annuity or reversionary annuity contract nor to any:

(1) Term policy, or renewal thereof, of uniform amount and for twenty years or less expiring before age seventy-one which provides no guaranteed nonforfeiture or endowment benefit and for which uniform premiums are payable during the entire term and any renewal of the policy;

(2) Term policy of decreasing amount, which provides no guaranteed nonforfeiture or endowment benefits, and for which each adjusted premium is less than the adjusted premium for a term policy described in division (N)(1) of this section issued at the same age and for the same initial amount of insurance;

(3) Policy, which provides no guaranteed nonforfeiture or endowment benefits, and for which the



cash surrender value or present value of any paid-up nonforfeiture benefit for any policy year calculated according to this section as of the beginning of such policy year, does not exceed two and one-half per cent of the amount of insurance at the beginning of the same policy year;

(4) Policy which is delivered outside this state through an agent or other representative of the company issuing the policy.

For purposes of determining the applicability of this division to a joint-term life insurance policy, the age at expiry shall be the age at expiry of the oldest life.

(O) No approved policy form need be refiled if nonforfeiture values or methods for computing such values for it are refiled and the only change is in the interest rate or the mortality table.

(P) The operative date of this section shall be January 1, 1989, except that an earlier operative date may be elected as provided in this division. A company may, by written notice filed with the superintendent, elect to issue all, or one or more, of its policy forms pursuant to this section on and after a date specified in the notice. The date specified may be any date on or after January 1, 1983, and before January 1, 1989. The date specified shall be the operative date of this section for the policy form or forms specified in the notice.

No other statute shall be construed to prohibit any life insurance company from classifying its policies and electing to issue specified forms of policies pursuant to the plan set forth in this section, while using other legal basis as to reserve calculations and nonforfeiture values for other of its policies, nor shall it be construed to prohibit any life insurance company from adopting other reasonable classifications of policies or policyholders.