



Ohio Revised Code

Section 3915.07 Standard nonforfeiture law.

Effective: August 25, 1983

Legislation: House Bill 20 - 115th General Assembly

(A) In the case of policies issued before January 1, 1989, or an earlier date, not before January 1, 1983, as of which section 3915.071 of the Revised Code becomes operative for such policies, no such policy of life insurance, except as set forth in division (G) of this section, shall be issued or delivered in this state unless such policy contains in substance the following provisions or corresponding provisions which in the opinion of the superintendent of insurance are at least as favorable to the defaulting or surrendering policyholder:

(1) That in the event of default in any premium payment, 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 is specified in this section;

(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 is specified in this section;

(3) That a specified paid-up nonforfeiture benefit becomes 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 has 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 is specified in this section;

(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 and paid-up nonforfeiture benefit 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;

(6) A statement that the cash surrender values and paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to any applicable statute of the state in which the policy is delivered; 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; if a detailed statement of the method of computation of the values and benefits shown in the policy is not stated therein, a statement that such method of computation has been filed with the insurance supervisory official of the state in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and 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.

Any portions of division (A) of this section which are not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from 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 therefor with surrender of the policy.

(B) Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, whether or not required by division (A) of this section, shall be an amount not less than the excess 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 the then present value of the adjusted premiums as defined in divisions (D), (E) (1), and (2) of this section, corresponding to premiums which would have fallen due on and after such anniversary, plus 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 division (A) of this section, 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.

(C) Any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due on any policy anniversary shall have a present value as of such anniversary at least equal to the cash surrender value then provided for by the policy 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 at least a specified period.

(D) Except as otherwise provided in this division, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform per cent of the respective premiums specified in the policy for each policy year, excluding any extra premiums charged because of impairments or special hazards, that the present value, at the date of issue of the policy, of all such adjusted premiums is equal to the sum of the following:

- (1) The then present value of the future guaranteed benefits provided for by the policy;
- (2) Two per cent of the amount of insurance, if the insurance is uniform in amount, or of the equivalent uniform amount, if the amount of insurance varies with duration of the policy;
- (3) Forty per cent of the adjusted premium for the first policy year;
- (4) Twenty-five per cent 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.

In applying the percentage specified in divisions (D) (3) and (4) of this section, no adjusted premium shall be deemed to exceed four per cent of the amount of insurance or uniform amount equivalent thereto. The date of issue of a policy for determining such adjusted premiums is the date as of which



the rated age of the insured is determined.

In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for determining such adjusted premiums is the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefits 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; provided, that in the case of a policy providing a varying amount of insurance issued on the life of a child under ten, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten were the amount provided by such policy at age ten.

The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (a) the adjusted premiums for an otherwise similar policy issued at the same age without such term insurance benefits, increased, during the period for which premiums for such term insurance benefits are payable, by (b) the adjusted premiums for such term insurance, the foregoing items (a) and (b) being calculated separately and as specified in the preceding paragraphs of this division except that, for the purposes of divisions (D) (2), (3), and (4) of this section, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (b) shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (a).

Except as otherwise provided in divisions (E) (1) and (2) of this section, all adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of the commissioners 1941 standard ordinary mortality table, provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than three years younger than the actual age of the insured for policies issued prior to January 1, 1979, and according to an age not more than six years younger than the actual age of the insured for policies issued on and after January 1, 1979 and such calculations for all policies of industrial insurance shall be made on the basis of the 1941 standard industrial mortality table. All calculations shall be made on the basis of the rate of interest, not exceeding three and one-half per cent per annum, specified in the policy for calculating cash



surrender values and paid-up nonforfeiture benefits. In calculating the present value of any paid-up term insurance with accompanying pure endowment offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than one hundred thirty per cent of the rates of mortality according to such applicable table. For insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on any other table of mortality that is specified by the company and approved by the superintendent of insurance.

(E) (1) In the case of ordinary policies issued on or after the operative date of this division as defined in this division, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the commissioners 1958 standard ordinary mortality table and the rate of interest, not exceeding three and one-half per cent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than six years younger than the actual age of the insured. Provided 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 those shown in the commissioners 1958 extended term insurance 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. The operative date of this division for any company is the earlier of the date specified in a written notice to the superintendent of the company's election to comply with the provisions of this division or January 1, 1966.

(2) In the case of industrial policies issued on or after the operative date of this division as defined in this division, 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 the rate of interest, not exceeding three and one-half per cent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits; provided, 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 those shown in the commissioners 1961 industrial extended term insurance table and provided, that for insurance issued on a substandard basis, the calculations 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. The



operative date of this division for any company is the earlier of the date specified in a written notice to the superintendent of the company's election to comply with the provisions of this division or January 1, 1968.

(3) In lieu of the rate of interest provided in divisions (E) (1) and (2) of this section, a company may specify an interest rate not exceeding four per cent for calculating cash surrender values and paid-up nonforfeiture benefits in any ordinary or industrial policy issued on or after January 1, 1975, and prior to January 1, 1979, and may specify an interest rate not exceeding five and one-half per cent for calculating cash surrender values and paid-up nonforfeiture benefits in any ordinary or industrial policy issued on or after January 1, 1979.

(F) Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment 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 divisions (B), (C), (D), (E) (1), and (2) of 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 additions, other than paid-up term additions, shall be not less than the dividends used to provide such additions. Notwithstanding division (B) of this section, additional benefits payable:

(1) In the event of death or dismemberment by accident or accidental means;

(2) In the event of total and permanent disability;

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

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

(5) As term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, 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 of the child;



(6) As 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 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 benefits.

(G) This section does not apply to any reinsurance, group insurance, pure endowment, annuity, or reversionary annuity contract, nor 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 divisions (D), (E) (1), and (2) of this section, is less than the adjusted premium calculated on such fifteen-year term policy issued at the same age and for the same initial amount of insurance, nor to any policy which is delivered outside this state through an agent or other representative of the company issuing the policy.

(H) Except as provided in division (E) (1) of this section with respect to ordinary policies and division (E) (2) of this section with respect to industrial policies any company may, at its option, file with the superintendent a written notice of its election to issue all or any of its policies pursuant to this section on and after a specified date. If such election does not apply to all forms of policies issued on and after such specified date, such election shall specify the forms of policies to which it applies. The operative date of this section with respect to such forms of policies is the date specified in the election pertaining to such forms of policies. No other statute shall be construed as 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 any other legal basis as to reserve calculations and nonforfeiture values as to others of its policies, nor shall it be construed to prohibit any life insurance company from adopting other reasonable classifications of policies or policyholders.