LEGISLATIVE BILL 354

Approved by the Governor May 11, 1979

Introduced by Banking, Commerce and Insurance Committee, DeCamp, 40, Chmn.; Schmit, 23; Fitzgerald, 14; Brennan, 9; Merz, 1

AN ACT to amend sections 44-403, 44-404, 44-407, 44-407.08, and 44-407.09, Reissue Revised Statutes of Nebraska, 1943, relating to insurance; to establish standards of valuation, interest rates, and reserves as prescribed; to change the Standard Nonforfeiture Law for Life Insurance; to enact the Standard Nonforfeiture Law for Individual Deferred Annuities; and to repeal the original sections.

Be it enacted by the people of the State of Nebraska,

Section 1. That section 44-403, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

44-403. This section shall apply to only those policies and contracts issued prior to the operative date defined in section 44-407.07 (the Standard Nonforfeiture Law _for Life Insurance_). All such valuations made by the Department of Insurance, or by its authority, shall be according to the standard of valuation adopted by the company, which standard shall be stated in its annual report to the department. Such standard of valuation, whether on the net level premium, preliminary term, any modified preliminary term, or select and ultimate reserve basis, for all such policies issued after July 17, 1913, shall be according to the American Experience or Actuaries' Table of Mortality, with not less than three and not more than four per cent compound interest. When the preliminary term basis is used it shall not exceed one year. Insurance against total and permanent mental or physical disability resulting from accident or disease, or against accidental death, combined with a policy of life insurance, shall be valued on the basis of the mean reserve, being one half of the additional annual premium charged therefor. Except as otherwise provided in subdivision (b) of section 44-404 for all annuities and pure endowments purchased on or after the operative date of such subdivision (b) under group annuity and pure endowment contracts, the legal minimum standard for the valuation of annuities shall be McClintock's Table of Mortality Among Annuitants, or the American Experience Table of Mortality, with compound interest at three and one half per cent per annum _for individual annuities and_ five per cent per annum for group annuities, but annuities deferred ten or more years, and written in connection with life or term insurance, shall be valued on the same mortality table from which the consideration or premiums were computed, with compound interest not higher than three and one half per cent per annum. The legal standard for the valuation of industrial policies shall be the American Experience Table of Mortality, with compound interest at not less than three nor more than three and one half per cent per annum: Provided, any life insurance company may voluntarily value its industrial policies written on the weekly payment plan according to the Standard Industrial Mortality Table or the Substandard Industrial Mortality Table. Reserves for all such policies and contracts may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by this section.

Sec. 2. That section 44-404, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

44-404. This section shall apply to only those policies and contracts issued on or after the operative date defined in section 44-407.07 (the Standard Nonforfeiture Law for Life Insurance), except as otherwise provided in subdivision (b) of this section for all annuities and pure endowments purchased on or after the operative date of such subdivision (b) under group annuity and pure endowment contracts issued prior to such operative date defined in section 44-407.07.

(a) Except as otherwise provided in subdivision (b) of this section, the minimum standard for the valuation of all such policies and contracts shall be the Commissioners Reserve Valuation ~~Method~~ Methods defined in ~~subdivision~~ subdivisions (c), (d) and (g) of this section; five per cent interest for group annuity and pure endowment contracts and three and one half per cent interest for all other such policies and contracts, or in the cases of policies and contracts, other than annuity and pure endowment contracts, issued on or after September 2, 1973, ~~and prior to January 1, 1986,~~ four per cent interest for such policies issued prior to the operative date of this act, and four and one half per cent interest for such policies issued on or after the operative date of this act; and the following tables: (i) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies,--the Commissioners 1941 Standard Ordinary Mortality Table for such policies issued prior to the operative date of section 44-407.08 (Standard Nonforfeiture Law), and the Commissioners 1958 Standard Ordinary Mortality Table for such policies issued on or after such operative date; Provided, that for any category of such policies issued on female risks all modified net premiums and present values referred to in this section, may be calculated according to an age not more than ~~three~~ six years younger than the actual age of the insured; (ii) for all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies,--the 1941 Standard Industrial Mortality Table for such policies issued prior to the operative date of section 44-407.09 (Standard Nonforfeiture Law for Life Insurance), and the Commissioners 1961 Standard Industrial Mortality Table for such policies issued on or after such operative date; (iii) for individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies,--the 1937 Standard Annuity Mortality Table, or at the option of the company, the Annuity Mortality Table for 1949, Ultimate, or any modification of either of these tables approved by the Department of Insurance; (iv) for group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies,--the Group Annuity Mortality Table for 1951, any modification of such table approved by the Department of Insurance, or, at the option of the company, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts; (v) for total and permanent disability benefits in or supplementary to ordinary policies or contracts--for policies or contracts issued on or after January 1, 1966, 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 benefit; for policies or contracts issued on or after January 1, 1961, and prior to January 1, 1966, either such tables or, at the option of the company, the Class (3) Disability Table (1926); and for policies issued prior to January 1, 1961, the Class (3) Disability Table (1926). Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies; (vi) for accidental death benefits in or supplementary to policies--for policies issued on or after January 1, 1966, the 1959 Accidental Death Benefits Table; for policies issued on or after January 1, 1961, and prior to January 1, 1966, either such table or, at the option of the company, the Inter-Company Double Indemnity Mortality Table; and for policies issued prior to January 1, 1961, the Inter-Company Double Indemnity Mortality Table. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies; and (vii) for group life insurance, life insurance issued on the substandard basis and other special benefits--such tables as may be approved by the Department of Insurance.

(b) The minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this subdivision, as defined herein, and for all annuities and pure endowments purchased on or after such operative date under group annuity and pure endowment contracts, shall be the Commissioners Reserve Valuation ~~Method~~ Methods defined in ~~subdivision~~ subdivisions (c) and (d) of this section and the following tables and interest rates:

(i) For individual annuity and pure endowment contracts issued prior to ~~January 1, 1986~~ the operative date of this act, excluding any disability and accidental death benefits in such contracts--the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the Department of Insurance, and six per cent interest for single premium immediate annuity contracts, and four per cent interest for all other individual annuity and pure endowment contracts;

(ii) ~~For individual annuity and pure endowment contracts issued on or after January 1, 1986, excluding any disability and accidental death benefits in such contracts--the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the Department of Insurance, and three and one-half per cent interest;~~ For individual single premium immediate annuity contracts issued on or after the operative date of this act, excluding any disability and accidental death benefits in such contracts -- the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the director, and seven and one half per cent interest;

(iii) For individual annuity and pure endowment contracts issued on or after the operative date of this act, other than single premium immediate annuity contracts, excluding any disability and accidental death benefits in such contracts -- the 1971 Individual Annuity Table, or any modification of this table approved by the director, and five and one half per cent interest for single premium deferred annuity and pure endowment contracts and four and one half per cent interest for all other such individual annuity and pure endowment contracts;

~~(iii)~~ (iv) For all annuities and pure endowments purchased prior to the operative date of this act, ~~January 1, 1986,~~ under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts--the 1971 Group Annuity Mortality Table, or any modification of this table approved by the Department of Insurance, and six per cent interest; and

~~(iv) For all annuities and pure endowments purchased on or after January 1, 1986, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts the 1971 Group Annuity Mortality Table, or any modification of this table approved by the Department of Insurance, and three and one half per cent interest.~~

(v) For all annuities and pure endowments purchased on or after the operative date of this act, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts -- the 1971 Group Annuity Mortality Table, or any modification of this table approved by the director, and seven and one half per cent interest.

~~After September 2, 1973, any company may file with the Department of Insurance a written notice of its election to comply with the provisions of this subdivision after a specified date before January 1, 1979, which shall be the operative date of this subdivision for such company; Provided, that an insurer may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If a company makes no such election, the operative date of this subdivision for such company shall be January 1, 1979.~~

(c) Except as otherwise provided in subdivisions (d) and (g) of this section, reserves ~~Reserves~~ according to the Commissioners Reserve Valuation Methods, for the life insurance and endowment benefits of policies 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 policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of (i) over (ii), as follows: (i) A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due; Provided, 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 policy; (ii) a net one year term premium for such benefits provided for in the first policy year. Reserves according to the Commissioners Reserve Valuation Methods for (i) life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums, (ii) group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code, as amended, (iii) disability and accidental death benefits in all policies and contracts, and (iv) all other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts, shall be calculated by a method consistent with the principles of this subdivision, ~~paragraph (c),~~ except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

(d) This subdivision shall apply to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code, as amended.

Reserves according to the commissioners annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of such contract, that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate, or rates, specified in such contracts for determining guaranteed benefits. The valuation considerations shall be the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values.

~~(d)~~ (e) In no event shall a company's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, be less than the aggregate reserves calculated in accordance with the ~~method~~ methods set forth in ~~paragraph (c)~~ subdivisions (c), (d), and (g) of this section and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

~~(e)~~ (f) Reserves for any category of policies, contracts or benefits as established by the Department of Insurance, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein. ~~; Provided, that reserves for participating life insurance policies may, with the consent of the Department of Insurance, be calculated according to a rate of interest lower than the rate of interest used in calculating the nonforfeiture benefits in such policies, with the further proviso that if such lower rate differs from the rate used in the calculation of the nonforfeiture benefits by more than one half per cent, the company issuing such policies shall file with the department a plan providing for such equitable increases, if any, in the cash surrender values and nonforfeiture benefits in such policies as the department shall approve.~~

~~(f)~~ (g) If in any contract year the gross premium charged by any life insurance company on any policy or contract is less than the valuation net premium for the policy or contract calculated by the ~~according to the~~

~~mortality-table,-rate-of--interest--and~~ method used in calculating the reserve thereon but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for such policy or contract shall be the greater of either the reserve calculated according to the mortality table, rate of interest, and method actually used for such policy or contract, or the reserve calculated by the method actually used for such policy or contract, but using the minimum standards of mortality and rate of interest and replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium. ~~there-shall-be--maintained--on such-policy-or-contract-a-deficiency-reserve-in--addition to-all-other-reserves-required-by--law.---For--each--such policy-or-contract-the-deficiency-reserve--shall--be--the present-value,-according-to-such-standard,-of-an--annuity of-the--difference--between--such--net--premium--and--the premium-charged-for-such-policy-or-contract,-running--for the-remainder-of-the-premium-paying-period.~~

Sec. 3. That section 44-407, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

44-407. Sections 44-407 to 44-407.09 shall be known as the Standard Nonforfeiture Law for Life Insurance.

Sec. 4. That section 44-407.08, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

44-407.08. In the case of ordinary policies issued on or after the operative date of this section as defined herein, all adjusted premiums and present values referred to in sections 44-407 to 44-407.09, shall be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table and the rate of interest, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits; such rate of interest shall not exceed three and one half per cent per annum except that a rate of interest not exceeding four per cent per annum may be used for policies issued on or after September 2, 1973 and prior to the operative date of this act and a rate of interest not exceeding five and one half per cent per annum may be used for policies issued on or after the operative date of this act; ~~January-1,--1986;~~ 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~~ six years younger than the actual age of the insured; provided further, 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; and 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 Department of Insurance.

After September 28, 1959, any company may file with the Department of Insurance a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1966. After the filing of such notice, then upon such specified date, which shall be the operative date of this section for such company, this section shall become operative with respect to the ordinary policies thereafter issued by such company. If a company makes no such election, the operative date of this section for such company shall be January 1, 1966.

Sec. 5. That section 44-407.09, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

44-407.09. In the case of industrial policies issued on or after the operative date of this section, all adjusted premiums and present values referred to in sections 44-407 to 44-407.09, shall be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table and the rate of interest, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits; such rate of interest shall not exceed three and one half per cent per annum except that a rate of interest not exceeding four per cent per annum may be used for policies issued on or after September 2, 1973 and prior to the operative date of this act, and a rate of interest not exceeding five and one half per cent per annum may be used for policies issued on or after the operative date of this act; ~~January 1, 1986;~~ 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 further, 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 Department of Insurance. After September 18, 1965, any company may file with the Department of Insurance a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1968. After the filing of such notice, then upon such specified date, which shall be the operative date of this section for such company, this section shall become operative with respect to the industrial policies thereafter issued by such company. If a company makes no such election, the operative date of this section for such company shall be January 1, 1968.

Sec. 6. (1) Sections 6 to 19 of this act shall be known as the Standard Nonforfeiture Law for Individual Deferred Annuities.

(2) Sections 6 to 18 of this act shall not apply to any reinsurance, group annuity purchased under a retirement plan or plan of deferred compensation established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code, as amended, premium deposit fund, variable annuity, investment annuity, immediate annuity, any deferred annuity contract after annuity payments have commenced, or reversionary annuity, nor to any contract which shall be delivered outside this state through an agent or other representative of the company issuing the contract.

Sec. 7. In the case of contracts issued on or after the operative date of this act, no contract of annuity, except as stated in subsection (2) of section 6 of this act, shall be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions which in the opinion of the Department of Insurance are at least as favorable to the contractholder, upon cessation of payment of considerations under the contract:

(1) That, upon cessation of payment of considerations under a contract, the company will grant a paid-up annuity benefit on a plan stipulated in the contract of such value as is specified in sections 12, 13, 14, 15, and 17 of this act.

(2) If a contract provides for a lump sum settlement at maturity, or at any other time, that, upon surrender of the contract at or prior to the commencement of any annuity payments, the company will pay in lieu of any paid-up annuity benefit a cash surrender benefit of such amount as is specified in sections 12, 13, 15, and

17 of this act. The company shall reserve the right to defer the payment of such cash surrender benefit for a period of six months after demand therefor with surrender of the contract.

(3) A statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of such benefits.

(4) A statement that any paid-up annuity, cash surrender or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which such benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract or any prior withdrawals from or partial surrenders of the contract.

Sec. 8. Notwithstanding the requirements of section 7 of this act, any deferred annuity contract may provide that if no considerations have been received under a contract for a period of two full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from considerations paid prior to such period would be less than twenty dollars monthly, the company may at its option terminate such contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by such payment shall be relieved of any further obligation under such contract.

Sec. 9. The minimum values as specified in sections 12, 13, 14, 15, and 17 of this act, of any paid-up annuity, cash surrender or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts, as defined in sections 10 and 11 of this act.

Sec. 10. With respect to contracts providing for flexible considerations, the minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to such time at a rate of interest of three per cent per annum of percentages of the net considerations paid prior to such time, decreased by the sum of (1) any prior withdrawals from or partial surrenders of the contract accumulated at a rate of interest of three per cent per annum; and (2) the amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract.

The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount not less than zero and shall be equal to the corresponding gross considerations credited to the contract during that contract year less an annual contract charge of thirty dollars and less a collection charge of one dollar and twenty-five cents per consideration credited to the contract during that contract year. The percentages of net considerations shall be sixty-five per cent of the net consideration for the first contract year and eighty-seven and one half per cent of the net considerations for the second and later contract years. Notwithstanding the provisions of the preceding sentence, the percentage shall be sixty-five per cent of the portion of the total net consideration for any renewal contract year which exceeds by not more than two times the sum of those portions of the net considerations in all prior contract years for which the percentage was sixty-five per cent.

Sec. 11. With respect to contracts providing for fixed scheduled considerations, minimum nonforfeiture amounts shall be calculated on the assumption that considerations are paid annually in advance and shall be defined as for contracts with flexible considerations which are paid annually with two exceptions: (1) The portion of the net consideration for the first contract year to be accumulated shall be the sum of sixty-five per cent of the net consideration for the first contract year plus twenty-two and one half per cent of the excess of the net consideration for the first contract year over the lesser of the net considerations for the second and third contract years; and (2) the annual contract charge shall be the lesser of (a) thirty dollars or (b) ten per cent of the gross annual considerations.

With respect to contracts providing for a single consideration, minimum nonforfeiture amounts shall be defined as for contracts with flexible considerations except that the percentage of net consideration used to determine the minimum nonforfeiture amount shall be equal to ninety per cent and the net consideration shall be the gross consideration less a contract charge of seventy-five dollars.

Sec. 12. Any paid-up annuity benefit available under a contract shall be such that its present value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that date. Such present value shall be computed using the mortality table, if any, and the interest rate specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract.

Sec. 13. For contracts which provide cash surrender benefits, such cash surrender benefits available prior to maturity shall not be less than the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit which would be provided under the contract at maturity arising from considerations paid prior to the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract, such present value being calculated on the basis of an interest rate not more than one per cent higher than the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, decreased by the amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract. In no event shall any cash surrender benefit be less than the minimum nonforfeiture amount at that time. The death benefit under such contracts shall be at least equal to the cash surrender benefit.

Sec. 14. For contracts which do not provide cash surrender benefits, the present value of any paid-up annuity benefit available as a nonforfeiture option at any time prior to maturity shall not be less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid prior to the time the contract is surrendered in exchange for, or changed to, a deferred paid-up annuity, such present value being calculated for the period prior to the maturity date on the basis of the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, and increased by any existing additional amounts credited by the company to the contract. For contracts which do not provide any death benefits prior to the commencement of any annuity payments, such present values shall be calculated on the basis of such interest rate and the mortality table specified in the contract for determining the maturity value of the paid-up annuity benefit. In no event shall the present value of paid-up annuity benefit be less than the minimum nonforfeiture amount at that time.

Sec. 15. For the purpose of determining the benefits calculated under sections 13 and 14 of this act, in the case of annuity contracts under which an election may be made to have annuity payments commence at optional maturity dates, the maturity date shall be deemed to be the latest date for which election shall be permitted by the contract, but shall not be deemed to be later than the anniversary of the contract next following the annuitant's seventieth birthday or the tenth anniversary of the contract, whichever is later.

Sec. 16. Any contract which does not provide cash surrender benefits or does not provide death benefits at least equal to the minimum nonforfeiture amount prior to the commencement of any annuity payments shall include a statement in a prominent place in the contract that such benefits are not provided.

Sec. 17. Any paid-up annuity, cash surrender or death benefits available at any time, other than on the contract anniversary under any contract with fixed scheduled considerations, shall be calculated with alowance for the lapse of time and the payment of any scheduled considerations beyond the beginning of the contract year in which cessation of payment of considerations under the contract occurs.

Sec. 18. For any contract which provides, within the same contract by rider or supplemental contract provision, both annuity benefits and life insurance benefits that are in excess of the greater of cash surrender benefits or a return of the gross considerations with interest, the minimum nonforfeiture benefits shall be equal to the sum of the minimum nonforfeiture benefits for the annuity portion and the minimum nonforfeiture benefits, if any, for the life insurance portion computed as if each portion were a separate contract. Notwithstanding the provisions of sections 12, 13, 14, 15, and 17 of this act, additional benefits payable (1) in the event of total and permanent disability, (2) as reversionary annuity or deferred reversionary annuity benefits, or (3) as other policy benefits additional to life insurance, endowment and annuity benefits, and considerations for all such additional benefits, shall be disregarded in ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits that may be required by sections 6 to 18 of this act. The inclusion of such additional benefits shall not be required in any paid-up benefits, unless such additional benefits separately would require minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits.

Sec. 19. After the effective date of this act, any company may file with the Department of Insurance a written notice of its election to comply with the provisions of this act after a specified date before the second anniversary of the effective date of this act. After the filing of such notice, such specified date shall be the operative date of this act for such company. Annuity contracts thereafter issued by such company shall comply with this act. If a company makes no such election, the operative date of this act for such company shall be the second anniversary of the effective date of this act.

Sec. 20. That original sections 44-403, 44-404, 44-407, 44-407.08, and 44-407.09, Reissue Revised Statutes of Nebraska, 1943, are repealed.