

created. The commission shall consist of five members who shall be appointed by the Governor, by and with the advice and consent of two-thirds of all the members of the Senate. The commissioners first appointed under this act, shall continue in office for terms of two, four, six, eight, and ten years, respectively, from the effective date of this act [and until their respective successors shall be duly appointed and shall be qualified], but their successors shall each be appointed for a term of ten years. *No commissioner, upon the expiration of his term as aforesaid, shall continue to hold office until his successor shall be duly appointed or shall be qualified.* Each commissioner, at the time of his appointment and qualification, shall be a resident of the Commonwealth of Pennsylvania, and shall have been a qualified elector therein for a period of at least one year next preceding his appointment, and shall also be not less than thirty years of age.

Terms of office.

Qualifications of members.

Section 2. This act shall become effective immediately upon its final enactment.

APPROVED—The 31st day of March, A. D. 1943.

EDWARD MARTIN

No. 18

AN ACT

To further amend sections three hundred one and three hundred three of the act, approved the seventeenth day of May, one thousand nine hundred and twenty-one (Pamphlet Laws, seven hundred eighty-nine), entitled, as amended "An act relating to insurance; establishing an insurance department; and amending, revising, and consolidating the law relating to the licensing, qualification, regulation, examination, suspension, and dissolution of insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and certain societies and orders, the examination and regulation of fire insurance rating bureaus, and the licensing and regulation of insurance agents and brokers; the service of legal process upon foreign insurance companies, associations or exchanges; providing penalties; and repealing existing laws," by further regulating the computation of the reserve liability of life insurance companies; the issuance of life insurance policies, and redefining deficiency reserve requirements.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section three hundred one of the act, approved the seventeenth day of May, one thousand nine hundred and twenty-one (Pamphlet Laws, seven hundred eighty-nine), entitled, as amended "An act relating to insurance; establishing an insurance department; and amending, revising, and consolidating the law relating

Insurance.

Section 301, act of May 17, 1921, P. L. 789, amended by act of April 26, 1929, P. L. 793, further amended.

to the licensing, qualification, regulation, examination, suspension, and dissolution of insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and certain societies and orders, the examination and regulation of fire insurance rating bureaus, and the licensing and regulation of insurance agents and brokers; the service of legal process upon foreign insurance companies, associations or exchanges; providing penalties; and repealing existing laws," as amended in part by the act, approved the twenty-sixth day of April, one thousand nine hundred and twenty-nine (Pamphlet Laws, seven hundred ninety-three), is hereby further amended to read as follows:

Computation of
reserve liability.

Section 301. Computation of Reserve Liability.—The Insurance Commissioner shall each year compute the reserve liability, as of the thirty-first day of December of the preceding year, of every company authorized to make insurance on lives in this Commonwealth, in accordance with the terms of the policy, contract, and rules following:

(a) The net value of all outstanding policies of life insurance, issued by the company prior to the first day of January, one thousand eight hundred and ninety, shall be computed upon the basis of the American experience table of mortality, with interest at not less than four and one-half and not more than six per centum per annum.

(b) The net value of all outstanding policies, issued between the first day of January, one thousand eight hundred and ninety, and the first day of January, one thousand nine hundred and three, on the combined experience or actuaries' table of mortality, with interest at four per centum per annum.

(c) The net value of all outstanding policies of life insurance, issued on and after the first day of January, nineteen hundred and three, on the American experience table of mortality, with interest at three and one-half per centum per annum: Provided, however, That any company may value its group term insurance policies, under which premium rates are not guaranteed for a period in excess of five years, according to the American men ultimate table of mortality, with interest at three and one-half per centum per annum.

(d) The net value of all policies of life insurance, issued on and after January first, one thousand nine hundred and twenty-one, where the premiums are payable monthly or oftener, shall be valued according to the American experience table of mortality, with interest at three and one-half per centum per annum. But any company may voluntarily value its industrial policies according to the standard industrial mortality table, with interest at three and one-half per centum per annum.

The net value of a policy at any time shall be taken to be the single net premium which will, at that time, effect the insurance, less the value at that time of the future net premiums called for by the table of mortality and rate of interest designated.

The legal minimum standard for valuation of annuities issued after January one, one thousand nine hundred and twelve, shall be McClintock's table of mortality among annuitants, with interest at three and one-half per centum per annum; but annuities deferred ten or more years, and written in connection with life or term insurance, shall be valued upon the same mortality table from which the consideration or premiums were computed, with interest not higher than three and one-half per centum per annum.

Any such company may, however, at any time elect *under any of its policies of life insurance* to reserve on the American experience table of mortality, with a lower rate of interest, but at a rate not less than [three] *two* per centum, *or on the American men ultimate table of mortality (with such modification and extension below age twenty as may be approved by the Insurance Commissioner), with interest at a rate not more than three and one-half per centum and not less than two per centum* and its [policy obligation] *obligations under such policies* shall thereafter be valued accordingly

The aggregate net value so ascertained of the policies of any such life insurance company shall be deemed its reserve liability, to provide for which it shall hold funds in secure investments of an amount equal to such net value above all its other liabilities. The Insurance Commissioner shall, after having determined as above the net value of all the policies in force, see that the company has that amount in safe legal securities, after all its other debts and claims against it have been provided for. The provisions of this section for the valuation of policies and for premium rates shall not apply to companies or associations transacting business on the mutual assessment plan.

Section 2. Section three hundred three of the act, approved the seventeenth day of May, one thousand nine hundred and twenty-one (Pamphlet Laws, seven hundred eighty-nine), entitled, as amended "An act relating to insurance; establishing an insurance department; and amending, revising, and consolidating the law relating to the licensing, qualification, regulation, examination, suspension, and dissolution of insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and certain societies and orders, the examination and regulation of fire insurance rating bureaus, and the licensing and regulation of insurance agents and brokers; the service of legal process upon foreign insur-

Section 303,
act of May 17,
1921, P. L. 789,
amended by act
of April 26,
1929, P. L. 793,
further amended.

ance companies, associations, or exchanges; providing penalties; and repealing existing laws," as amended by the act, approved the twenty-sixth day of April, one thousand nine hundred and twenty-nine (Pamphlet Laws, seven hundred ninety-three), is hereby further amended to read as follows:

Section 303. Separate Liability of Companies Charging Less than Net Premiums Computed on Mortality Tables; Unlawful to Issue Policies Below Rate Fixed in Mortality Tables.—When the actual premium charged by any life insurance company doing business in the Commonwealth is less than the *tabular* net premium for such insurance, computed [according to the table of mortality and rate of interest prescribed in this act] *as provided in this section*, such company shall be charged, as a separate liability, with the value of an annuity the amount of which shall equal the difference between such premiums, and the term of which in years shall equal the number of future annual payments due on such insurance at the date of the valuation. [Provided, however, That in this Commonwealth, it shall not be less than the net premium, computed according to the American experience table of mortality, with interest at four per centum per annum, except that for group term insurance policies, valued according to the American men ultimate table of mortality, with interest at three and one-half per centum per annum, as permitted by section three hundred and one of this act, premiums may be charged in any amount not less than the net premium according to the American men ultimate table of mortality, with interest at three and one-half per centum per annum.] *The tabular net premium for the purpose of this section shall be computed according to the table of mortality and rate of interest prescribed for such insurance in clauses (a), (b), (c), or (d) of section three hundred and one of this act, except that it shall be computed according to the table of mortality and rate of interest specified in the policy as the basis of the reserve for such insurance, if the table so specified is the American men ultimate table of mortality.*

Inconsistent acts
repealed.

Act effective
immediately.

Section 3. All acts and parts of acts inconsistent herewith are hereby repealed.

Section 4. This act shall become effective immediately upon final enactment.

APPROVED—The 7th day of April, A. D. 1943.

EDWARD MARTIN