grant for such construction from the federal government or the commonwealth, shall be accorded highest priority in any system of priority established by the division pursuant to section thirty A of said chapter twenty-one, excluding the priority system established pursuant to the second paragraph of section six of chapter seven hundred and forty-seven of the acts of nineteen hundred and seventy, provided that said projects satisfy all other requirements of eligibility established by the division under said section thirty A. The scope of the projects entitled to the priority preference established by this section shall be limited to the scope of the project applications as submitted to the division prior to the date specified above. The limitation in said section thirty A of said chapter twenty-one regarding the maximum amount of a grant which may be made under said section thirty A shall not apply to any project which qualifies for the priority preference established by this section.

SECTION 11. The division of water pollution control may make grants to reimburse public entities for the costs of projects for the design of collection systems for which applications were received by the division prior to July first, nineteen hundred seventy-seven. Said grants shall be made in accordance with such regulations and procedures as may be established by the division, shall not exceed fifteen per cent of the costs of such design, and shall be funded from the proceeds of bond funds available to the division. For the purposes of this section the terms "public entity" and "collection system" shall be as defined in section twenty-six A of chapter twenty-one of the General Laws. The scope of the projects eligible for the design grants authorized by this section shall be limited to the scope of the project as described in the project application as submitted to the division prior to the date specified above.

SECTION 12. No commitment to award, or the award of, any grant by the division, or the payment of financial assistance by the commonwealth pursuant to a grant awarded prior to the effective date of this act shall be abated or impaired by reason of the passage of this act. The director may review projects which, as of the effective date of this act, are receiving financial assistance from the commonwealth under the provisions of any law amended by this act and may make such adjustments in the amount and manner of such assistance consistent with the provisions of this act.

Approved August 21, 1979.

Chap. 558. AN ACT RELATIVE TO THE RESERVES OF LIFE INSURANCE COMPANIES, AND NONFORFEITURE BENEFITS FOR LIFE INSURANCE POLICIES AND INDIVIDUAL DEFERRED ANNUITIES.

Be it enacted, etc., as follows:

SECTION 1. Subdivision 1 of section 9 of chapter 175 of the General Laws is hereby amended by striking out paragraph Fourth, as amended by section 1 of chapter 1145 of the acts of 1973, and inserting in place thereof the following paragraph:-

Fourth, Except as otherwise provided in paragraph (b) of subdivision 2, the net value of all outstanding annuity contracts and of all contracts issued as pure endowments shall be computed on the basis of "McClintock's Tables of Mortality among Annuitants" or on such higher table as the commissioner may prescribe, with interest at not more than five per cent per annum for group annuity and pure endowment contracts and not more than four per cent per annum for individual annuity and pure endowment contracts; provided, that annuities issued prior to January first, nineteen hundred and seven, and annuities deferred ten or more years and written in connection with life, endowment or term insurance shall be valued on the same mortality table from which the consideration or premiums were computed.

SECTION 2. Paragraph (a) of subdivision 2 of said section 9 of said chapter 175, as amended by section 1 of chapter 1145 of the acts of 1973, is hereby further amended by striking out the first paragraph and inserting in place thereof the following paragraph:-

(a) Except as otherwise provided in paragraph (b), the minimum standard of valuation shall be the Commissioners Reserve Valuation Methods, as defined in subdivisions 3, 3A and 6, interest at five per cent per annum for group annuity and pure endowment contracts and three and one-half per cent per annum for all other policies, and contracts or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after March sixth, nineteen hundred and seventy-four, interest at four per cent per annum for such policies issued prior to December first, nineteen hundred and seventy-nine and interest at four and one-half per cent per annum for policies issued on or after December first, nineteen hundred and seventy-nine, and tables of mortality hereinafter specified.

SECTION 3. Said paragraph (a) of said subdivision 2 of said section 9 of said chapter 175 is hereby further amended by striking out clause First, as amended by section 1 of chapter 323 of the acts of 1960, and inserting in place thereof the following clause:-

First, for all ordinary policies of life insurance issued on the standard basis, excluding any total and permanent disability and accidental death benefits in such policies, the "Commissioners 1941 Standard Ordinary Mortality Table" shall be used for such policies issued prior to January first, nineteen hundred and sixty-six and the "Commissioners 1958 Standard Ordinary Mortality Table" shall be used for such policies issued on or after said 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 computed according to an age not more than six years younger than the actual age of the insured.

SECTION 4. Said subdivision 2 of said section 9 of said chapter 175 is hereby further amended by striking out paragraph (b), added by section 3 of chapter 1145 of the acts of 1973, and inserting in place thereof the following paragraph:-

(b) The minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after January first, nineteen hundred and seventy-nine, and for all annuities and pure endowments purchased on or after such date under group annuity and pure endowment contracts, shall be the Commissioners Reserve Valuation Methods, as defined in subdivisions 3 and 3A, and the tables of mortality and interest rates hereinafter specified.

First, for individual annuity and pure endowment contracts issued prior to December first, nineteen hundred and seventy-nine, excluding any disability and accidental death benefit in such contracts, the "1971 Individual Annuity Mortality Table", or any modification of this table approved by the commissioner, and six per cent interest per annum for single premium immediate annuity contracts, and four per cent interest per annum for all other individual annuity and pure endowment contracts.

Second, for individual single premium immediate annuity contracts issued on or after December first, nineteen hundred and seventy-nine, 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 commissioner, and seven and one-half per cent interest per annum.

Third, for individual annuity and pure endowment contracts issued on or after December first, nineteen hundred and seventy-nine, other than single premium immediate annuity contracts, 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 commissioner, and five and one-half per cent interest per annum for single premium deferred annuity and pure endowment contracts and four and one-half per cent interest per annum for all other such individual annuity and pure endowment contracts.

Fourth, for all annuities and pure endowments purchased prior to December first, nineteen hundred and seventy-nine, 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 commissioner, and six per cent per annum.

Fifth, for all annuities and pure endowments purchased on or after December first, nineteen hundred and seventy-nine, 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 commissioner, and seven and one-half per cent interest per annum.

SECTION 5. Said section 9 of said chapter 175 is hereby further amended by striking out subdivisions 3 and 4 and inserting in place thereof the following three subdivisions:-

3. Except as otherwise provided in subdivisions 3A and 6, the net value of the life insurance and endowment benefits of policies, referred to in subdivision 2, providing for a uniform amount of insurance and requiring the payment of uniform pre-

miums 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 (a) 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, over (b) a net one year term premium for such benefits provided for in the first policy year.

The net value of (a) policies of life insurance providing for a varying amount of insurance or requiring the payment of varying premiums (b) 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, (c) provisions for total and permanent disability or for accidental death benefits in, or supplementary to, all policies and contracts, and (d) provisions for any other insurance benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts, shall be computed by a method consistent with the principles of the first paragraph of this subdivision, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

3A. 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.

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 are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values.

4. The aggregate net value of all life insurance policies, excluding total and permanent disability and accidental death benefits, described in subdivision 2, shall in no case be less than the aggregate net value computed in accordance with the Commissioners Reserve Valuation Methods, as defined in subdivisions 3, 3A and 6 and the mortality table or tables and the rate or rates of interest used in computing the nonforfeiture benefits under such policies.

The net value of any class or classes of policies or contracts described in subdivision 2, established by the commissioner, may be computed, at the option of the company, on any basis which produces aggregate reserves for such class or classes greater than those computed according to the minimum standard prescribed by subdivision 2; provided, that 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 used in computing any nonforfeiture benefits thereunder.

SECTION 6. Said section 9 of said chapter 175 is hereby further amended by striking out subdivisions 6 and 7 and inserting in place thereof the following two subdivisions:-

6. If, in the case in any contract year the gross premium charged on any life policy or annuity or pure endowment contract, described in this section, is less than the valuation net premium therefor calculated by the method used in computing the net value thereof 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.

7. When the commissioner is satisfied that the risks which a company has assumed under policies or contracts referred to in subdivision 1 cannot be properly measured by the mortality tables specified in said subdivision, he may compute such additional reserve as in his judgment is warranted by the extra hazard assumed, and he may further in his discretion prescribe such table or tables of mortality as he may deem necessary properly to measure such additional risks with interest at not greater than four and one-half per cent per annum, for the computation of the net value of any special class or classes of risks.

SECTION 7. Subdivision 6 of section 144 of said chapter 175 is hereby amended by striking out paragraph (b), as amended by section 4 of chapter 1145 of the acts of 1973, and inserting in place thereof the following paragraph:-

(b) In the case of policies of ordinary insurance issued on or after January first, nineteen hundred and sixty-six, all adjusted premiums and present values referred to in this section shall be computed on the basis of the "Commissioners 1958 Standard Ordinary Mortality Table", and the rate of interest specified in the policy for the computation of the cash surrender values and other nonforfeiture benefits provided that such rate of interest shall not exceed three and one-half per cent per annum for policies issued prior to March sixth, nineteen hundred and seventy-four, shall not exceed four per cent per annum for policies issued on or after March sixth, nineteen hundred and seventy-four and prior to December first, nineteen hundred and seventy-nine and shall not exceed five and one-half per cent per annum for policies issued on or after December first, nineteen hundred and seventy-nine, provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be computed according to an age not more than six years younger than the actual age of the insured; and provided further that in computing the present value of any extended term insurance with accompanying pure endowment, if any, the rates of mortality assumed may not be more than those shown in the "Commissioners 1958 Extended Term Insurance Tables"; and provided, further, that in the case of any policy issued on a substandard basis any such adjusted premiums and present values may be computed on such other table of mortality as the company may specify with the approval of the commissioner.

SECTION 8. Said section 144 of said chapter 175 is hereby further amended by striking out subdivision 9, as appearing in section 3 of chapter 227 of the acts of 1943, and inserting in place thereof the following subdivision:-

9. Every deferred annuity contract, other than a single premium contract, issued and delivered in the commonwealth by a domestic life company shall provide that, in the event of the nonpayment of any premium after three full years' premiums have been paid, the annuity shall, without any further act or stipulation, be converted into a paid-up annuity for such proportion of the original annuity as the number of completed years' premiums paid bears to the total number of premiums required under the contract; provided, however, that this subdivision shall not apply to any annuity contract subject to the provisions of section one hundred and forty-four A.

SECTION 9. Said chapter 175 is hereby further amended by inserting after section 144 the following section:-

Section 144A. 1. In the case of contracts issued on or after December first, nineteen hundred and eighty-one, no contract of annuity, except as stated in subdivision 10, 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 commission are at least as favorable to the contract holder, upon cessation of payment of considerations under the contract.

(a) 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 subdivisions 3, 4, 5, 6 and 8.

(b) 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 subdivisions 3, 4, 6 and 8. 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.

(c) 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.

(d) 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.

Notwithstanding the requirements of this section, 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.

2. The minimum values as specified in subdivisions 3, 4, 5, 6 and 8 of any paid-up annuity, cash surrender or death benefits available under an annuity contract shall be based upon the following nonforfeiture amounts:

(a) 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, as hereinafter defined, paid prior to such time, decreased by the sum of

(i) any prior withdrawals from or partial surrenders of the contract accumulated at a rate of interest of three per cent per annum; and

(ii) 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.

(b) 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 the two following 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.

(2) The annual contract charge shall be the lesser of (i) thirty dollars or (ii) ten per cent of the gross annual considerations.

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.

3. 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 rates specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract.

4. 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 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.

5. 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, of 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 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. However, in no event shall the present value of a paid-up annuity benefit be less than the minimum nonforfeiture amount at that time.

6. For the purpose of determining the benefits calculated under subdivisions 4 and 5, 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.

7. 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.

8. 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 allowance 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.

9. 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 subdivisions 3, 4, 5, 6 and 8, additional benefits payable (a) in the event of total and permanent disability, (b) as reversionary annuity or deferred reversionary annuity benefits, or (c) 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 this section. 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.

10. This section 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, 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.

Approved August 21, 1979.

Chap. 559. AN ACT IN ADDITION TO THE GENERAL APPROPRIATION ACT MAKING APPROPRIATION FOR A COST-OF-LIVING INCREASE IN THE PROGRAM FOR AID TO FAMILIES WITH DEPENDENT CHILDREN.

Be it enacted, etc., as follows:

SECTION 1. To provide for supplementing a certain item in the general appropriation act, the sum set forth in section two for the purpose and subject to the conditions specified therein, of this act is hereby appropriated from the General Fund, subject to the provisions of law regulating the disbursement of public funds and the conditions pertaining to appropriations in chapter three hundred and ninety-three of the acts of the current year for the fiscal year ending June thirtieth, nineteen hundred and eighty, or for such period as may be specified, the sums so appropriated to be in addition to any amounts at present available for the purpose.

SECTION 2.

Item

4403-2000 Item 4403-2000 of section two of chapter three hundred and ninety-three of the acts of the current year is hereby amended by adding after the word "Fund" the following words:- ; provided, further, that the standard of need for the program of aid to families with dependent children shall be increased by six per cent, effective August first, nineteen hundred and seventy-nine, so that the standard of need after said date during the current fiscal year shall be equal to one hundred and six per cent of the standard of need in effect on July first, nineteen hundred and seventy-eight

$14,000,000