

H. B. 4432

(By Delegates Guthrie, Hartman, Perry
and Ashley)

(By Request of the Insurance Commissioner)

[Introduced February 6, 2014; referred to the
Committee on Banking & Insurance then the Judiciary.]

**FISCAL
NOTE**

A BILL to amend and reenact §33-7-9 of the Code of West Virginia,
1931, as amended; and to amend and reenact §33-13-30 of said
code, all relating to adopting Principle Based Reserving as
the method by which life insurance company reserves are
calculated; and providing a phase-in of the new method upon
adoption of Principle Based Reserving that has been adopted by
forty-two states representing seventy-five percent of a life
insurance premium.

Be it enacted by the Legislature of West Virginia:

That §33-7-9 of the Code of West Virginia, 1931, as amended,
be amended and reenacted; and that §33-13-30 of said code be
amended and reenacted, all to read as follows:

ARTICLE 7. ASSETS AND LIABILITIES.

§33-7-9. Standard valuation law.

(a) ~~Title.~~ This section shall be known as the standard

1 valuation law. For the purposes of this section, the following
2 definitions apply on or after the operative date of the valuation
3 manual:

4 (1) The term "accident and health insurance" means contracts
5 that incorporate morbidity risk and provide protection against
6 economic loss resulting from accident, sickness, or medical
7 conditions and as may be specified in the valuation manual.

8 (2) The term "appointed actuary" means a qualified actuary who
9 is appointed in accordance with the valuation manual to prepare the
10 actuarial opinion required in subdivision (2), subsection (c) of
11 this section.

12 (3) The term "company" means an entity that has written,
13 issued, or reinsured life insurance contracts, accident and health
14 insurance contracts, or deposit-type contracts in this state and
15 has at least one such policy in force or on claim, or has written,
16 issued, or reinsured life insurance contracts, accident and health
17 insurance contracts, or deposit-type contracts in any state and is
18 required to hold a certificate of authority to write life
19 insurance, accident and health insurance, or deposit-type contracts
20 in this state.

21 (4) The term "deposit-type contract" means contracts that do
22 not incorporate mortality or morbidity risks, and as may be
23 specified in the valuation manual.

24 (5) The term "life insurance" means contracts that incorporate

1 mortality risk, including annuity and pure endowment contracts, and
2 as may be specified in the valuation manual.

3 (6) The term "NAIC" means the National Association of
4 Insurance Commissioners.

5 (7) The term "policyholder behavior" means any action a
6 policyholder, contract holder or any other person with the right to
7 elect options, such as a certificate holder, may take under a
8 policy or contract subject to this section including, but not
9 limited to, lapse, withdrawal, transfer, deposit, premium payment,
10 loan, annuitization, or benefit elections prescribed by the policy
11 or contract but excluding events of mortality or morbidity that
12 result in benefits prescribed in their essential aspects by the
13 terms of the policy or contract.

14 (8) The term "principle-based valuation" means a reserve
15 valuation that uses one or more methods or one or more assumptions
16 determined by the insurer and is required to comply with subsection
17 (o) of this section as specified in the valuation manual.

18 (9) The term "qualified actuary" means an individual who is
19 qualified to sign the applicable statement of actuarial opinion in
20 accordance with the American Academy of Actuaries qualification
21 standards for actuaries signing such statements and who meets the
22 requirements specified in the valuation manual.

23 (10) The term "tail risk" means a risk that occurs either
24 where the frequency of low probability events is higher than

1 expected under a normal probability distribution or where there are
2 observed events of very significant size or magnitude.

3 (11) The term "valuation manual" means the manual of valuation
4 instructions adopted by the commissioner in accordance with
5 subsection (n) of this section.

6 (b) *Reserve valuation. -- (1) Policies and Contracts Issued*
7 *Prior to the Operative Date of the Valuation Manual.*

8 (A) The commissioner shall annually value, or cause to be
9 valued, the reserve liabilities (hereinafter called reserves) for
10 all outstanding life insurance policies and annuity and pure
11 endowment contracts of every life insurance company doing business
12 in this state and may certify the amount of the reserves specifying
13 the mortality table or tables, rate or rates of interest and
14 methods (net level premium method or other) used in the calculation
15 of the reserves issued on or after January 1, 1958 and prior to the
16 operative date of the valuation manual. In calculating the
17 reserves, he or she the commissioner may use group methods and
18 approximate averages for fractions of a year or otherwise. In lieu
19 of the valuation of the reserves herein required of any foreign or
20 alien company, he or she the commissioner may accept any valuation
21 made, or caused to be made, by the insurance supervisory official
22 of any state or other jurisdiction when the valuation complies with
23 the minimum standard herein provided and if the official of the
24 state or jurisdiction accepts as sufficient and for all valid legal

1 ~~purposes the certificate of valuation of the commissioner when the~~
2 ~~certificate states the valuation to have been made in a specified~~
3 ~~manner according to which the aggregate reserves would be at least~~
4 ~~as large as if they had been computed in the manner prescribed by~~
5 ~~the law of that state or jurisdiction in this section.~~

6 (B) Subsections (d), (e), (f), (g), (h), (i), (j), (k), (l)
7 and (m) of this section apply to all policies and contracts, as
8 appropriate, subject to this section issued on or after January 1,
9 1958 and prior to the operative date of the valuation manual, and
10 subsections (n) and (o) of this section do not apply to any such
11 policies and contracts.

12 (C) The minimum standard for the valuation of policies and
13 contracts issued prior to January 1, 1958 shall be that provided by
14 the laws in effect immediately prior to that date.

15 (2) Policies and Contracts Issued On or After the Operative
16 Date of the Valuation Manual.

17 (A) The commissioner shall annually value, or cause to be
18 valued, the reserve liabilities (hereinafter called reserves) for
19 all outstanding life insurance contracts, annuity and pure
20 endowment contracts, accident and health contracts, and
21 deposit-type contracts of every company issued on or after the
22 operative date of the valuation manual. In lieu of the valuation of
23 the reserves required of a foreign or alien company, the
24 commissioner may accept a valuation made, or caused to be made, by

1 the insurance supervisory official of any state or other
2 jurisdiction when the valuation complies with the minimum standard
3 provided in this section.

4 (B) Subsection (n) and (o) of this section apply to all
5 policies and contracts issued on or after the operative date of the
6 valuation manual.

7 (c) *Actuarial opinion of reserves.* -- ~~This subsection shall~~
8 ~~become operative on January 1, 1996.~~ (1) Actuarial Opinion Prior
9 to the Operative Date of the Valuation Manual.

10 ~~(1)~~ (A) General. -- Every life insurance company doing
11 business in this state shall annually submit the opinion of a
12 qualified actuary as to whether the reserves and related actuarial
13 items held in support of the policies and contracts specified by
14 the commissioner by ~~regulation~~ rule are computed appropriately, are
15 based on assumptions which satisfy contractual provisions, are
16 consistent with prior reported amounts and comply with applicable
17 laws of this state. The commissioner ~~by regulation,~~ shall define
18 the specifics of this opinion and add any other ~~item considered~~
19 items deemed to be necessary to its scope.

20 ~~(2)~~ (B) Actuarial analysis of reserves and assets supporting
21 the reserves. --

22 ~~(A)~~ (i) Every life insurance company, except as exempted by or
23 pursuant to ~~regulation~~ rule, shall also annually include in the
24 opinion required by paragraph (A) of this subdivision ~~(1) of this~~

1 ~~subsection~~ an opinion of the same qualified actuary as to whether
2 the reserves and related actuarial items held in support of the
3 policies and contracts specified by the commissioner by ~~regulation~~
4 rule, when considered in light of the assets held by the company
5 with respect to the reserves and related actuarial items,
6 including, but not limited to, the investment earnings on the
7 assets and the considerations anticipated to be received and
8 retained under the policies and contracts, make adequate provision
9 for the company's obligations under the policies and contracts,
10 including, but not limited to, the benefits under and expenses
11 associated with the policies and contracts.

12 ~~(B)~~ (ii) The commissioner may provide, by ~~regulation,~~ rule,
13 for a transition period for establishing any higher reserves ~~which~~
14 that the qualified actuary may ~~consider~~ deem necessary in order to
15 render the opinion required by this ~~subsection~~ subdivision.

16 ~~(3)~~ (C) *Requirement for opinion under ~~subdivision~~ (2)*
17 paragraph (B). -- Each opinion required by paragraph (B) of this
18 ~~subdivision (2) of this subsection~~ shall be governed by the
19 following provisions:

20 ~~(A)~~ (i) A memorandum in form and substance acceptable to the
21 commissioner as specified by ~~regulation~~ rule shall be prepared to
22 support each actuarial opinion.

23 ~~(B)~~ (ii) If the insurance company fails to provide a
24 supporting memorandum at the request of the commissioner within a

1 period specified by ~~regulation~~ rule or the commissioner determines
2 that the supporting memorandum provided by the insurance company
3 fails to meet the standards prescribed by the ~~regulations~~ rules or
4 is otherwise unacceptable to the commissioner, the commissioner may
5 engage a qualified actuary at the expense of the company to review
6 the opinion and the basis for the opinion and prepare ~~such~~ the
7 supporting memorandum ~~as is~~ required by the commissioner.

8 ~~(4)~~ (D) Requirement for all opinions subject to this
9 subdivision. -- Every opinion ~~shall be~~ subject to this subdivision
10 is governed by the following: ~~provisions:~~

11 ~~(A)~~ (i) The opinion shall be submitted with the annual
12 statement reflecting the valuation of such reserve liabilities for
13 each year ending on or after December 31, 1995.

14 ~~(B)~~ (ii) The opinion shall apply to all business in force,
15 including individual and group health insurance plans, in form and
16 substance acceptable to the commissioner as specified by ~~regulation~~
17 rule.

18 ~~(C)~~ (iii) The opinion shall be based on standards adopted,
19 from time to time, by the actuarial standards board and on such
20 additional standards as the commissioner may by ~~regulation~~ rule
21 prescribe.

22 ~~(D)~~ (iv) In the case of an opinion required to be submitted by
23 a foreign or alien company, the commissioner may accept the opinion
24 filed by that company with the insurance supervisory official of

1 another state if the commissioner determines that the opinion
2 reasonably meets the requirements applicable to a company domiciled
3 in this state.

4 ~~(E)~~ (v) For the purposes of this section, "qualified actuary"
5 means a member in good standing of the American academy of
6 actuaries who meets the requirements set forth in such regulations.

7 ~~(F)~~ (vi) Except in cases of fraud or willful misconduct, the
8 qualified actuary is not liable for damages to any person (other
9 than the insurance company and the commissioner) for any act,
10 error, omission, decision or conduct with respect to the actuary's
11 opinion.

12 ~~(G)~~ (vii) Disciplinary action by the commissioner against the
13 company or the qualified actuary shall be defined in ~~regulations~~
14 rules by the commissioner.

15 ~~(H)~~ Any (viii) Except as provided in subparagraphs (xii),
16 (xiii), and (xiv) of this paragraph, documents, materials or other
17 information in the possession or control of the commissioner that
18 are a memorandum in support of the opinion and any other material
19 provided by the company to the commissioner in connection therewith
20 shall be kept are confidential by the commissioner and shall not be
21 made public law and privileged, exempt from disclosure under
22 article one, chapter twenty-nine-a of this code and ~~shall~~ are not
23 be subject to subpoena other than for the purpose of defending an
24 action seeking damages from any person by reason of any action

1 ~~required by this section or by regulations promulgated hereunder:~~
2 ~~Provided, That the memorandum or other material may otherwise be~~
3 ~~released by the commissioner: (i) With the written consent of the~~
4 ~~company; (ii) to the American academy of actuaries upon request~~
5 ~~stating that the memorandum or other material is required for the~~
6 ~~purpose of professional disciplinary proceedings and setting forth~~
7 ~~procedures satisfactory to the commissioner for preserving the~~
8 ~~confidentiality of the memorandum or other material; or (iii) in~~
9 ~~accordance with section nineteen, article two of this chapter.~~
10 ~~Once any portion of the confidential memorandum is cited by the~~
11 ~~company in its marketing or is cited by the company before any~~
12 ~~governmental agency other than a state insurance department or is~~
13 ~~released by the company to the news media, all portions of the~~
14 ~~confidential memorandum shall be no longer confidential. and,~~
15 ~~additionally, are not subject to discovery or admissible in~~
16 ~~evidence in any private civil action. However, the commissioner is~~
17 ~~authorized to use the documents, materials or other information in~~
18 ~~the furtherance of any regulatory or legal action brought as a part~~
19 ~~of the commissioner's official duties.~~

20 (ix) Neither the commissioner nor any person who received
21 documents, materials or other information while acting under the
22 authority of the commissioner is permitted or required to testify
23 in any private civil action concerning any confidential documents,
24 materials or information subject to subparagraph (viii) of this

1 paragraph.

2 (x) In order to assist in the performance of the
3 commissioner's duties, the commissioner:

4 (I) May share documents, materials or other information,
5 including the confidential and privileged documents, materials or
6 information subject to subparagraph viii with other state, federal
7 and international regulatory agencies, with the NAIC and its
8 affiliates and subsidiaries, and with state, federal and
9 international law-enforcement authorities, provided that the
10 recipient agrees to maintain the confidentiality and privileged
11 status of the document, material or other information;

12 (II) May receive documents, materials or information,
13 including otherwise confidential and privileged documents,
14 materials or information, from the NAIC and its affiliates and
15 subsidiaries, and from regulatory and law-enforcement officials of
16 other foreign or domestic jurisdictions, and shall maintain as
17 confidential or privileged any document, material or information
18 received with notice or the understanding that it is confidential
19 or privileged under the laws of the jurisdiction that is the source
20 of the document, material or information; and

21 (III) May enter into agreements governing sharing and use of
22 information consistent with subparagraphs (vii) through to this
23 subparagraph.

24 (xi) No waiver of any applicable privilege or claim of

1 confidentiality in the documents, materials or information occurs
2 as a result of disclosure to the commissioner under this section or
3 as a result of sharing as authorized in subparagraph (ix).

4 (xii) A memorandum in support of the opinion, and any other
5 material provided by the company to the commissioner in connection
6 with the memorandum, may be subject to subpoena for the purpose of
7 defending an action seeking damages from the actuary submitting the
8 memorandum by reason of an action required by this subsection or by
9 rules promulgated hereunder.

10 (xiii) The memorandum or other material may otherwise be
11 released by the commissioner with the written consent of the
12 company or to the American Academy of Actuaries upon request
13 stating that the memorandum or other material is required for the
14 purpose of professional disciplinary proceedings and setting forth
15 procedures satisfactory to the commissioner for preserving the
16 confidentiality of the memorandum or other material.

17 (xiv) Once any portion of the confidential memorandum is
18 cited by the company in its marketing or is cited before a
19 governmental agency other than a state insurance department or is
20 released by the company to the news media, all portions of the
21 confidential memorandum shall be no longer confidential.

22 (2) Actuarial Opinion of Reserves after the Operative Date of
23 the Valuation Manual.

24 (A) General. Every company with outstanding life insurance

1 contracts, accident and health insurance contracts or deposit-type
2 contracts in this state and subject to rule by the commissioner
3 shall annually submit the opinion of the appointed actuary as to
4 whether the reserves and related actuarial items held in support of
5 the policies and contracts are computed appropriately, are based on
6 assumptions that satisfy contractual provisions, are consistent
7 with prior reported amounts and comply with applicable laws of this
8 state. The valuation manual will prescribe the specifics of this
9 opinion including any items deemed to be necessary to its scope.

10 (B) *Actuarial Analysis of Reserves and Assets Supporting*
11 *Reserves.* Every company with outstanding life insurance contracts,
12 accident and health insurance contracts or deposit-type contracts
13 in this state and subject to rule by the commissioner, except as
14 exempted in the valuation manual, shall also annually include in
15 the opinion required by paragraph (A) of this subdivision, an
16 opinion of the same appointed actuary as to whether the reserves
17 and related actuarial items held in support of the policies and
18 contracts specified in the valuation manual, when considered in
19 light of the assets held by the company with respect to the
20 reserves and related actuarial items, including, but not limited
21 to, the investment earnings on the assets and the considerations
22 anticipated to be received and retained under the policies and
23 contracts, make adequate provision for the company's obligations
24 under the policies and contracts, including, but not limited to,

1 the benefits under and expenses associated with the policies and
2 contracts.

3 (C) Requirements for Opinions Subject to paragraph (B),
4 subdivision (2), subsection (c). Each opinion required by
5 subdivision (2), subsection (c) of this section shall be governed
6 by the following:

7 (i) A memorandum, in form and substance as specified in the
8 valuation manual, and acceptable to the commissioner, shall be
9 prepared to support each actuarial opinion.

10 (ii) If the insurance company fails to provide a supporting
11 memorandum at the request of the commissioner within a period
12 specified in the valuation manual or the commissioner determines
13 that the supporting memorandum provided by the insurance company
14 fails to meet the standards prescribed by the valuation manual or
15 is otherwise unacceptable to the commissioner, the commissioner may
16 engage a qualified actuary at the expense of the company to review
17 the opinion and the basis for the opinion and prepare the
18 supporting memorandum required by the commissioner.

19 (D) Requirement for All Opinions Subject to subdivision (2),
20 subsection (c) of this section - Every opinion is governed by the
21 following:

22 (i) The opinion shall be in form and substance as specified in
23 the valuation manual and acceptable to the commissioner.

24 (ii) The opinion shall be submitted with the annual statement

1 reflecting the valuation of such reserve liabilities for each year
2 ending on or after the operative date of the valuation manual.

3 (iii) The opinion shall apply to all policies and contracts
4 subject to paragraph (B), subdivision (2), subsection (c) of this
5 section, plus other actuarial liabilities as may be specified in
6 the valuation manual.

7 (iv) The opinion shall be based on standards adopted from time
8 to time by the Actuarial Standards Board or its successor, and on
9 such additional standards as may be prescribed in the valuation
10 manual.

11 (v) In the case of an opinion required to be submitted by a
12 foreign or alien company, the commissioner may accept the opinion
13 filed by that company with the insurance supervisory official of
14 another state if the commissioner determines that the opinion
15 reasonably meets the requirements applicable to a company domiciled
16 in this state.

17 (vi) Except in cases of fraud or willful misconduct, the
18 appointed actuary is not liable for damages to any person, other
19 than the insurance company and the commissioner, for any act,
20 error, omission, decision or conduct with respect to the appointed
21 actuary's opinion.

22 (vii) Disciplinary action by the commissioner against the
23 company or the appointed actuary shall be defined in rules.

24 (d) Computation of minimum standards. -- Except as otherwise

1 provided in subsections (e), (f) and (m) of this section, the
2 minimum standard for the valuation of all policies and contracts
3 issued prior to ~~the effective date of this section~~ January 1, 1958
4 shall be that provided by the laws in effect immediately prior to
5 ~~the effective~~ that date. Except as otherwise provided in
6 subsections (e), (f) and (m) of this section, the minimum standard
7 for the valuation of all policies and contracts issued on or after
8 ~~the effective date~~ January 1, 1958 of this section shall be the
9 commissioners reserve valuation methods defined in subsections (g),
10 (h), (k) and (m) of this section, three and one-half percent
11 interest or in the case of life insurance policies and contracts,
12 other than annuity and pure endowment contracts, issued on or after
13 June 1, 1974, four percent interest for policies issued prior to
14 April 6, 1977, five and one-half percent interest for single
15 premium life insurance policies and four and one-half percent
16 interest for all other policies issued on and after April 6, 1977,
17 and the following tables:

18 (1) For all ordinary policies of life insurance issued on the
19 standard basis, excluding any disability and accidental death
20 benefits in ~~such~~ the policies:

21 (A) The commissioner's 1941 standard ordinary mortality table
22 for policies issued prior to the operative date of subsection ~~(4a)~~
23 (e), section thirty, article thirteen of this chapter;

24 (B) The commissioner's 1958 standard ordinary mortality table

1 for policies issued on or after the operative date of subsection
2 ~~(4a)~~ (e), section thirty, article thirteen of this chapter and
3 prior to the operative date of subsection ~~(4c)~~ (g) of ~~said~~ that
4 section: *Provided*, That for any category of policies issued on
5 female risks, all modified net premiums and present values referred
6 to in this section may be calculated according to an age not more
7 than six years younger than the actual age of the insured; and

8 (C) For policies issued on or after the operative date of
9 subsection ~~(4c)~~ (g), section thirty, article thirteen of this
10 chapter:

11 (i) The commissioner's 1980 standard ordinary mortality table;
12 or

13 (ii) At the election of the company for any one or more
14 specified plans of life insurance, the commissioner's 1980 standard
15 ordinary mortality table with ten-year select mortality factors; or

16 (iii) Any ordinary mortality table adopted after the year 1980
17 by the national association of Insurance Commissioners that is
18 approved by rule promulgated by the commissioner for use in
19 determining the minimum standard of valuation for the policies.

20 (2) For all industrial life insurance policies issued on the
21 standard basis, excluding any disability and accidental death
22 benefits in the policies: The 1941 standard industrial mortality
23 table for policies issued prior to the operative date of
24 ~~subdivision (4)~~, subsection ~~(b)~~ (f), section thirty, article

1 thirteen of this chapter and for policies issued on or after the
2 operative date, the commissioner's 1961 standard industrial
3 mortality table or any industrial mortality table adopted after the
4 year 1980 by the national association of Insurance Commissioners
5 that is approved by rule promulgated by the commissioner for use in
6 determining the minimum standard of valuation for the policies.

7 (3) For individual annuity and pure endowment contracts,
8 excluding any disability and accidental death benefits in policies:
9 The 1937 standard annuity mortality table or, at the option of the
10 company, the annuity mortality table for 1949, ultimate, or any
11 modification of either of these tables approved by the
12 commissioner.

13 (4) For group annuity and pure endowment contracts, excluding
14 any disability and accidental death benefits in the policies: The
15 group annuity mortality table for 1951, any modification of the
16 table approved by the commissioner or, at the option of the
17 company, any of the tables or modifications of tables specified for
18 individual annuity and pure endowment contracts.

19 (5) For total and permanent disability benefits in or
20 supplementary to ordinary policies or contracts: For policies or
21 contracts issued on or after January 1, 1966, the tables of period
22 two disablement rates and the 1930 to 1950 termination rates of the
23 1952 disability study of the society of actuaries, with due regard
24 to the type of benefit or any tables of disablement rates and

1 termination rates adopted after the year 1980 by the national
2 association of Insurance Commissioners that are approved by rule
3 promulgated by the commissioner for use in determining the minimum
4 standard of valuation for the policies; for policies or contracts
5 issued on or after January 1, 1961, and prior to January 1, 1966,
6 either ~~such~~ those tables or, at the option of the company, the
7 Class (3) disability table (1926); and for policies issued prior to
8 January 1, 1961, the Class (3) disability table (1926).

9 Any table shall, for active lives, be combined with a
10 mortality table permitted for calculating the reserves for life
11 insurance policies.

12 (6) For accidental death benefits in or supplementary to
13 policies issued on or after January 1, 1966, the 1959 accidental
14 death benefits table or any accidental death benefits table adopted
15 after the year 1980 by the national association of Insurance
16 Commissioners, that is approved by rules promulgated by the
17 commissioner for use in determining the minimum standard of
18 valuation for such policies, for policies issued on or after
19 January 1, 1961, and prior to January 1, 1966, either such table
20 or, at the option of the company, the intercompany double indemnity
21 mortality table; and for policies issued prior to January 1, 1961,
22 the intercompany double indemnity mortality table. Either table
23 shall be combined with a mortality table for calculating the
24 reserves for life insurance policies.

1 (7) For group life insurance, life insurance issued on the
2 substandard basis and other special benefits: Tables as may be
3 approved by the commissioner.

4 (e) *Computation of minimum standard for annuities.* -- Except
5 as provided in subsection (f) of this section, the minimum standard
6 for the valuation of all individual annuity and pure endowment
7 contracts issued on or after the operative date of this subsection,
8 ~~as defined herein,~~ and for all annuities and pure endowments
9 purchased on or after the operative date under group annuity and
10 pure endowment contracts shall be the commissioner's reserve
11 valuation methods defined in subsections (g) and (h) of this
12 section and the following tables and interest rates:

13 (1) For individual annuity and pure endowment contracts issued
14 prior to April 6, 1977, excluding any disability and accidental
15 death benefits in the contracts: The 1971 individual annuity
16 mortality table or any modification of this table approved by the
17 commissioner and six percent interest for single premium immediate
18 annuity contracts and four percent interest for all other
19 individual annuity and pure endowment contracts;

20 (2) For individual single premium immediate annuity contracts
21 issued on or after April 6, 1977, excluding any disability and
22 accidental death benefits in such contracts: The 1971 individual
23 annuity mortality table or any individual annuity mortality table
24 adopted after the year 1980 by the national association of

1 Insurance Commissioners that is approved by rule promulgated by the
2 commissioner for use in determining the minimum standard of
3 valuation for the contracts or any modification of these tables
4 approved by the commissioner and seven and one-half percent
5 interest;

6 (3) For individual annuity and pure endowment contracts issued
7 on or after April 6, 1977, other than single premium immediate
8 annuity contracts, excluding any disability and accidental death
9 benefits in ~~the~~ those contracts: The 1971 individual annuity
10 mortality table or any individual annuity mortality table adopted
11 after the year 1980 by the national association of Insurance
12 Commissioners that is approved by ~~regulation~~ rule promulgated by
13 the commissioner for use in determining the minimum standard of
14 valuation for the contracts or any modification of these tables
15 approved by the commissioner and five and one-half percent interest
16 for single premium deferred annuity and pure endowment contracts
17 and four and one-half percent interest for all other individual
18 annuity and pure endowment contracts;

19 (4) For all annuities and pure endowments purchased prior to
20 April 6, 1977, under group annuity and pure endowment contracts,
21 excluding any disability and accidental death benefits purchased
22 under ~~the~~ those contracts: The 1971 group annuity mortality table
23 or any modification of this table approved by the commissioner and
24 six percent interest;

1 (5) For all annuities and pure endowments purchased on or
2 after April 6, 1977, under group annuity and pure endowment
3 contracts, excluding any disability and accidental death benefits
4 purchased under the contracts: The 1971 group annuity mortality
5 table or any group annuity mortality table adopted after the year
6 1980 by the national association of Insurance Commissioners that is
7 approved by ~~regulation~~ rule promulgated by the commissioner for use
8 in determining the minimum standard of valuation for annuities and
9 pure endowments or any modification of these tables approved by the
10 commissioner and seven and one-half percent interest.

11 After June 3, 1974, any company may file with the commissioner
12 a written notice of its election to comply with the provisions of
13 this subsection after a specified date before January 1, 1979,
14 which shall be the operative date of this subsection for the
15 company provided, if a company makes no election, the operative
16 date of this section for the company shall be January 1, 1979.

17 (f) *Computation of minimum standard by calendar year of issue.*

18 --

19 (1) ~~Applicability of this section.~~ -- The interest rates used
20 in determining the minimum standard for the valuation of the
21 following shall be the calendar year statutory valuation interest
22 rates as defined in this section:

23 (A) All life insurance policies issued in a particular
24 calendar year, on or after the operative date of ~~subdivision (4),~~

1 subsection ~~(c)~~ (g), section thirty, article thirteen of this
2 chapter, as amended;

3 (B) All individual annuity and pure endowment contracts issued
4 in a particular calendar year on or after January 1, 1982;

5 (C) All annuities and pure endowments purchased in a
6 particular calendar year on or after January 1, 1982, under group
7 annuity and pure endowment contracts; and

8 (D) The net increase, if any, in a particular calendar year
9 after January 1, 1982, in amounts held under guaranteed interest
10 contracts. ~~shall be the calendar year statutory valuation interest~~
11 ~~rates as defined in this subsection.~~

12 (2) *Calendar year statutory valuation interest rates.* --

13 (A) The calendar year statutory valuation interest rates, I,
14 shall be determined as follows and the results rounded to the
15 nearer one quarter of one percent:

16 (i) For life insurance, $I = .03 + W(R1 - .03) + W/2(R2 - .09)$;

17 (ii) For single premium immediate annuities and for annuity
18 benefits involving life contingencies arising from other annuities
19 with cash settlement options and from guaranteed interest contracts
20 with cash settlement options, $I = .03 + W(R1) - .03$ where R1 is the
21 lesser of R and .09, R2 is the greater of R and .09, R is the
22 reference interest rate defined in this subsection and W is the
23 weighting factor defined in this section;

24 (iii) For other annuities with cash settlement options and

1 guaranteed interest contracts with cash settlement options, valued
2 on an issue-year basis, except as stated in subparagraph (ii) of
3 this paragraph, the formula for life insurance stated in
4 subparagraph (i) of this paragraph shall apply to annuities and
5 guaranteed interest contracts with guarantee durations in excess of
6 ten years and the formula for single premium immediate annuities
7 stated in subparagraph (ii) of this paragraph shall apply to
8 annuities and guaranteed interest contracts with guarantee duration
9 of ten years or less;

10 (iv) For other annuities with no cash settlement options and
11 for guaranteed interest contracts with no cash settlement options,
12 the formula for single premium immediate annuities stated in
13 subparagraph (ii) of this paragraph shall apply;

14 (v) For other annuities with cash settlement options and
15 guaranteed interest contracts with cash settlement options, valued
16 on a change in fund basis, the formula for single premium immediate
17 annuities stated in subparagraph (ii) of this paragraph shall
18 apply.

19 (B) However, if the calendar year statutory valuation interest
20 rate for any life insurance policies issued in any calendar year
21 determined without reference to this sentence differs from the
22 corresponding actual rate for similar policies issued in the
23 immediately preceding calendar year by less than one half of one
24 percent, the calendar year statutory valuation interest rate for

1 such life insurance policies shall be equal to the corresponding
 2 actual rate for the immediately preceding calendar year. For
 3 purposes of applying the immediately preceding sentence, the
 4 calendar year statutory valuation interest rate for life insurance
 5 policies issued in a calendar year shall be determined for the year
 6 1980 (using the reference interest rate defined for the year 1979)
 7 and shall be determined for each subsequent calendar year
 8 regardless of when subdivision (4), subsection (c), section thirty,
 9 article thirteen of this chapter, as amended, becomes operative.

10 (3) *Weighting factors.* --

11 (A) The weighting factors referred to in the formulas stated
 12 above are given in the following tables:

13 (i) Weighting Factors for Life Insurance:

14 Guarantee

15 Duration	Weighting
16 (Years)	Factors
17 10 or less	.50
18 More than 10, but not more than 20	.45
19 More than 20	.35

20 For life insurance, the guarantee duration is the maximum
 21 number of years the life insurance can remain in force on a basis
 22 guaranteed in the policy or under options to convert to plans of
 23 life insurance with premium rates or nonforfeiture values or both
 24 which are guaranteed in the original policy;

1 (ii) Weighting factor for single premium immediate annuities
 2 and for annuity benefits involving life contingencies arising from
 3 other annuities with cash settlement options and guaranteed
 4 interest contracts with cash settlement options: .80;

5 (iii) Weighting factors for other annuities and for guaranteed
 6 interest contracts, except as stated in subparagraph (ii) of this
 7 paragraph, shall be as specified in clauses (I), (II) and (III) of
 8 this subparagraph, according to the rules and definitions in
 9 clauses (IV), (V) and (VI) of this subparagraph:

10 (I) For annuities and guaranteed interest contracts valued on
 11 an issue year basis:

12 Guarantee	Weighting Factor		
13 Duration	for Plan Type		
14 (Years)	A	B	C
15 5 or less:	.80	.60	.50
16 More than 5, but not more than 10:	.75	.60	.50
17 More than 10, but not more than 20:	.65	.50	.45
18 More than 20:	.45	.35	.35

19 (II) For annuities and guaranteed interest contracts valued on
 20 a change in fund basis, the factors shown in ~~subparagraph (i) of~~
 21 ~~this paragraph~~ clause (I) of this subparagraph increased by:

22	Weighting Factor		
23	for Plan Type		
24	A	B	C1

1 .15 .25 .05

2 (III) For annuities and guaranteed interest contracts valued
 3 on an issue-year basis (other than those with no cash settlement
 4 options) which do not guarantee interest on considerations received
 5 more than one year after issue or purchase and for annuities and
 6 guaranteed interest contracts valued on a change in fund basis
 7 which do not guarantee interest rates on considerations received
 8 more than twelve months beyond the valuation date, the factors
 9 shown in clause (I) of this subparagraph or derived in clause (II)
 10 of this subparagraph increased by:

11	Weighting Factor		
12	for Plan Type		
13	A	B	C1
14	.05	.05	.05

15 (IV) For other annuities with cash settlement options and
 16 guaranteed interest contracts with cash settlement options, the
 17 guarantee duration is the number of years for which the contract
 18 guarantees interest rates in excess of the calendar year statutory
 19 valuation interest rate for life insurance policies with guarantee
 20 duration in excess of twenty years. For other annuities with no
 21 cash settlement options and for guaranteed interest contracts with
 22 no cash settlement options, the guaranteed duration is the number
 23 of years from the date of issue or date of purchase to the date
 24 annuity benefits are scheduled to commence.

1 (V) Plan type as used in the above tables is defined as
2 follows:

3 Plan Type A:

4 At any time policyholder may withdraw funds only: (1) With an
5 adjustment to reflect changes in interest rates or asset values
6 since receipt of the funds by the insurance company; or (2) without
7 such adjustment but in installments over five years or more; or (3)
8 as an immediate life annuity; or (4) no withdrawal permitted;

9 Plan Type B:

10 Before expiration of the interest rate guarantee, policyholder
11 may withdraw funds only: (1) With an adjustment to reflect changes
12 in interest rates or asset values since receipt of the funds by the
13 insurance company; or (2) without such adjustment but in
14 installments over five years or more; or (3) no withdrawal
15 permitted. At the end of interest rate guarantee, funds may be
16 withdrawn without such adjustment in a single sum or installments
17 over less than five years;

18 Plan Type C:

19 Policyholder may withdraw funds before expiration of interest
20 rate guarantee in a single sum or installments over less than five
21 years either: (1) Without adjustment to reflect changes in
22 interest rates or asset values since receipt of the funds by the
23 insurance company; or (2) subject only to a fixed surrender charge
24 stipulated in the contract as a percentage of the fund.

1 (VI) A company may elect to value guaranteed interest
2 contracts with cash settlement options and annuities with cash
3 settlement options on either an issue-year basis or on a change in
4 fund basis. Guaranteed interest contracts with no cash settlement
5 options and other annuities with no cash settlement options must be
6 valued on an issue-year basis. As used in this section, an
7 issue-year basis of valuation refers to a valuation basis under
8 which the interest rate used to determine the minimum valuation
9 standard for the entire duration of the annuity or guaranteed
10 interest contract is the calendar year valuation interest rate for
11 the year of issue or year of purchase of the annuity or guaranteed
12 interest contract and the change in fund basis of valuation refers
13 to a valuation basis under which the interest rate used to
14 determine the minimum valuation standard applicable to each change
15 in the fund held under the annuity or guaranteed interest contract
16 is the calendar year valuation interest rate for the year of the
17 change in the fund.

18 (4) ~~Reference~~ The reference interest rate. --

19 (A) Reference interest rate referred to in ~~subparagraph (ii),~~
20 ~~paragraph (A),~~ subdivision (2) of this subsection is ~~shall be~~
21 defined as follows:

22 (i) For all life insurance, the lesser of the average over a
23 period of thirty-six months and the average over a period of twelve
24 months, ending on June 30 of the calendar year next preceding the

1 year of issue, of the monthly average of the composite yield on
2 seasoned corporate bonds as published by Moody's Investors Service,
3 Inc.

4 (ii) For single premium immediate annuities and for annuity
5 benefits involving life contingencies arising from other annuities
6 with cash settlement options and guaranteed interest contracts with
7 cash settlement options, the average over a period of twelve
8 months, ending on June 30 of the calendar year of issue or year of
9 purchase, of the monthly average of the composite yield on seasoned
10 corporate bonds as published by Moody's Investors Service, Inc.

11 (iii) For other annuities with cash settlement options and
12 guaranteed interest contracts with cash settlement options, valued
13 on a year of issue basis, except as stated in subparagraph (ii) of
14 this paragraph, with guarantee duration in excess of ten years, the
15 lesser of the average over a period of thirty-six months and the
16 average over a period of twelve months, ending on June 30 of the
17 calendar year of issue or purchase, of the monthly average of the
18 composite yield on seasoned corporate bonds as published by Moody's
19 Investors Service, Inc.

20 (iv) For other annuities with cash settlement options and
21 guaranteed interest contracts with cash settlement options, valued
22 on a year of issue basis, except as stated in subparagraph (ii) of
23 this paragraph, with guarantee duration of ten years or less, the
24 average over a period of twelve months, ending on June 30 of the

1 calendar year of issue or purchase, of the monthly average of the
2 composite yield on seasoned corporate bonds as published by Moody's
3 Investors Service, Inc.

4 (v) For other annuities with no cash settlement options and
5 for guaranteed interest contracts with no cash settlement options,
6 the average over a period of twelve months, ending on June 30 of
7 the calendar year of issue or purchase, of the monthly average of
8 the composite yield on seasoned corporate bonds as published by
9 Moody's Investors Service, Inc.

10 (vi) For other annuities with cash settlement options and
11 guaranteed interest contracts with cash settlement options, valued
12 on a change in fund basis, except as stated in subparagraph (ii) of
13 this paragraph, the average over a period of twelve months, ending
14 on June 30 of the calendar year of the change in the fund, of the
15 monthly average of the composite yield on seasoned corporate bonds
16 as published by Moody's Investors Service, Inc.

17 (5) *Alternative method for determining reference interest*
18 *rates. --*

19 In the event that the monthly average of the composite yield
20 on seasoned corporate bonds is no longer published by Moody's
21 Investors Service, Inc., or in the event that the national
22 association of Insurance Commissioners determines that the monthly
23 average of the composite yield on seasoned corporate bonds as
24 published by Moody's Investors Service, Inc., is no longer

1 appropriate for the determination of the reference interest rate,
2 then an alternative method for determination of the reference
3 interest rate, which is adopted by the national association of
4 Insurance Commissioners and approved by ~~regulation~~ rule promulgated
5 by the commissioner, may be substituted.

6 (g) *Reserve valuation method.* -- Life insurance and endowment
7 benefits.

8 Except as otherwise provided in subsections (h), (k) and (m)
9 of this section, reserves according to the commissioners reserve
10 valuation method for the life insurance and endowment benefits of
11 policies providing for a uniform amount of insurance and requiring
12 the payment of uniform premiums shall be the excess, if any, of the
13 present value, at the date of valuation, of the future guaranteed
14 benefits provided ~~for~~ by the policies, over the then present value
15 of any future modified net premiums therefor. The modified net
16 premiums for any such policy shall be the uniform percentage of the
17 respective contract premiums for the benefits that the present
18 value, at the date of issue of the policy, of all the modified net
19 premiums shall be equal to the sum of the then present value of the
20 benefits provided ~~for~~ by the policy and the excess of subdivision
21 (1) of this subsection over subdivision (2) of this subsection, as
22 follows:

23 (1) A net level annual premium equal to the present value, at
24 the date of issue, of such benefits provided for after the first

1 policy year, divided by the present value, at the date of issue, of
2 an annuity of one per annum payable on the first and each
3 subsequent anniversary of such policy on which a premium falls due:
4 *Provided*, That such net level annual premium shall not exceed the
5 net level annual premium on the nineteen-year premium whole life
6 plan for insurance of the same amount at an age one year higher
7 than the age at issue of such policy.

8 (2) A net one-year term premium for such benefits provided for
9 in the first policy year: *Provided*, That for any life insurance
10 policy issued on or after January 1, 1985, for which the contract
11 premium in the first policy year exceeds that of the second year
12 and for which no comparable additional benefit is provided in the
13 first year for such excess and which provides an endowment benefit
14 or a cash surrender value or a combination thereof in an amount
15 greater than such excess premium, the reserve according to the
16 commissioners' reserve valuation method as of any policy
17 anniversary occurring on or before the assumed ending date defined
18 herein as the first policy anniversary on which the sum of any
19 endowment benefit and any cash surrender value then available is
20 greater than such excess premium shall, except as otherwise
21 provided in subsection (k) of this section, be the greater of the
22 reserve as of such policy anniversary calculated as described in
23 the preceding paragraph and the reserve as of the policy
24 anniversary calculated as described in that paragraph, but with:

1 (i) The value defined in subdivision (1) of that paragraph being
2 reduced by fifteen percent of the amount of such excess first-year
3 premium; (ii) all present values of benefits and premiums being
4 determined without reference to premiums or benefits provided ~~for~~
5 by the policy after the assumed ending date; (iii) the policy being
6 assumed to mature on the date as an endowment; and (iv) the cash
7 surrender value provided on such date being considered as an
8 endowment benefit. In making the above comparison, the mortality
9 and interest bases stated in subsections (d) and (f) of this
10 section shall be used.

11 Reserves according to the commissioners' reserve valuation
12 method shall be calculated by a method consistent with the
13 principles of the preceding paragraphs of this section for: (i)
14 Life insurance policies providing for a varying amount of insurance
15 or requiring the payment of varying premiums; (ii) group annuity
16 and pure endowment contracts purchased under a retirement plan or
17 plan of deferred compensation, established or maintained by an
18 employer (including a partnership or sole proprietorship) or by an
19 employee organization, or by both, other than a plan providing
20 individual retirement accounts or individual retirement annuities
21 under section 408 of the Internal Revenue Code (26 U.S.C. §408) as
22 now or hereafter amended; (iii) disability and accidental death
23 benefits in all policies and contracts; and (iv) all other
24 benefits, except life insurance and endowment benefits in life

1 insurance policies and benefits provided by all other annuity and
2 pure endowment contracts, shall be calculated by a method
3 consistent with the principles of the preceding paragraphs of this
4 section.

5 (h) *Reserve valuation method.* -- Annuity and pure endowment
6 benefits.

7 (1) This subsection shall apply to all annuity and pure
8 endowment contracts other than group annuity and pure endowment
9 contracts purchased under a retirement plan or plan of deferred
10 compensation established or maintained by an employer (including a
11 partnership or sole proprietorship) or by an employee organization,
12 or by both, other than a plan providing individual retirement
13 accounts or individual retirement annuities under section 408 of
14 the Internal Revenue Code (26 U.S.C. §408) as now or hereafter
15 amended.

16 (2) Reserves according to the commissioners' annuity reserve
17 method for benefits under annuity or pure endowment contracts,
18 excluding any disability and accidental death benefits in such
19 contracts, shall be the greatest of the respective excesses of the
20 present values, at the date of valuation, of the future guaranteed
21 benefits, including guaranteed nonforfeiture benefits, provided for
22 by such contracts at the end of each respective contract year over
23 the present value, at the date of valuation, of any future
24 valuation considerations derived from future gross considerations,

1 required by the terms of such contract, that become payable prior
2 to the end of ~~such~~ the respective contract year.

3 The future guaranteed benefits shall be determined by using
4 the mortality table, if any, and the interest rate, or rates,
5 specified in the contracts for determining guaranteed benefits.
6 The valuation considerations are the portions of the respective
7 gross considerations applied under the terms of such contracts to
8 determine nonforfeiture values.

9 (i) *Minimum reserves.* --

10 (1) In no event shall a company's aggregate reserves for all
11 life insurance policies, excluding disability and accidental death
12 benefits, issued on or after ~~the effective date of this section~~
13 January 1, 1958 be less than the aggregate reserves calculated in
14 accordance with the methods set forth in subsections (g), (h), (k)
15 and (l) of this section and the mortality table or tables and rate
16 or rates of interest used in calculating nonforfeiture benefits for
17 ~~such~~ the policies.

18 (2) In no event shall the aggregate reserves for all policies,
19 contracts and benefits be less than the aggregate reserves
20 determined by the qualified actuary to be necessary to render the
21 opinion required by subsection (c) of this section.

22 (j) *Optional reserve calculation.* --

23 (1) Reserves for all policies and contracts issued prior to
24 the effective date of this section may be calculated, at the option

1 of the company, according to any standards which produce greater
2 aggregate reserves for all policies and contracts than the minimum
3 reserves required by the laws in effect immediately prior to such
4 date.

5 (2) Reserves for any category of policies, contracts or
6 benefits as established by the commissioner issued on or after ~~the~~
7 ~~effective date of this section~~ January 1, 1958 may be calculated,
8 at the option of the company, according to any standards which
9 produce greater aggregate reserves for such category than those
10 calculated according to the minimum standard herein provided, but
11 the rate or rates of interest used for policies and contracts,
12 other than annuity and pure endowment contracts, shall not be
13 higher than the corresponding rate or rates of interest used in
14 calculating any nonforfeiture benefits provided therein.

15 (3) Any such company which at any time shall have adopted any
16 standard of valuation producing greater aggregate reserves than
17 those calculated according to the minimum standard herein provided
18 may, with the approval of the commissioner, adopt any lower
19 standard of valuation, but not lower than the minimum herein
20 provided: *Provided*, That for the purposes of this section, the
21 holding of additional reserves previously determined by ~~a qualified~~
22 the appointed actuary to be necessary to render the opinion
23 required by subsection (c) of this section shall not be considered
24 to be the adoption of a higher standard of valuation.

1 (k) *Reserve calculation.* -- Valuation net premium exceeding
2 the gross premium charged.

3 (1) If in any contract year the gross premium charged by any
4 life insurance company on any policy or contract is less than the
5 valuation net premium for the policy or contract calculated by the
6 method used in calculating the reserve thereon but using the
7 minimum valuation standards of mortality and rate of interest, the
8 minimum reserve required for such policy or contract shall be the
9 greater of either the reserve calculated according to the mortality
10 table, rate of interest and method actually used for such policy or
11 contract or the reserve calculated by the method actually used for
12 such policy or contract but using the minimum valuation standards
13 of mortality and rate of interest and replacing the valuation net
14 premium by the actual gross premium in each contract year for which
15 the valuation net premium exceeds the actual gross premium. The
16 minimum valuation standards of mortality and rate of interest
17 referred to in this section are those standards stated in
18 subsections (d) and (f) of this section: *Provided,* That for any
19 life insurance policy issued on or after January 1, 1985, for which
20 the gross premium in the first policy year exceeds that of the
21 second year and for which no comparable additional benefit is
22 provided in the first year for such excess and which provides an
23 endowment benefit or a cash surrender value or a combination
24 thereof in an amount greater than such excess premium, the

1 foregoing provisions of this subsection shall be applied as if the
2 method actually used in calculating the reserve for such policy
3 were the method described in subsection (g) of this section,
4 ignoring the second paragraph of said subsection.

5 (2) The minimum reserve at each policy anniversary of such a
6 policy shall be the greater of the minimum reserve calculated in
7 accordance with subsection (g) of this section, including the
8 second paragraph of said section, and the minimum reserve
9 calculated in accordance with this subsection.

10 (1) *Reserve calculation.* -- Indeterminate premium plans.

11 In the case of any plan of life insurance which provides for
12 future premium determination, the amounts of which are to be
13 determined by the insurance company based on then estimates of
14 future experience, or in the case of any plan of life insurance or
15 annuity which is of such a nature that the minimum reserves cannot
16 be determined by the methods described in subsections (g), (h) and
17 (k) of this section, the reserves which are held under any such
18 plan must:

19 (1) Be appropriate in relation to the benefits and the pattern
20 of premiums for that plan; and

21 (2) Be computed by a method which is consistent with the
22 principles of this standard valuation law as determined by
23 ~~regulations~~ rules promulgated by the commissioner.

24 ~~(m) Minimum standards for health (disability, accident and~~

1 ~~sickness) plans.---~~

2 ~~The commissioner shall promulgate a rule containing the~~
3 ~~minimum standards applicable to the valuation of health~~
4 ~~(disability, sickness and accident) plans.~~

5 ~~(n) The commissioner shall promulgate a rule on or before~~
6 ~~November 1, 1995, prescribing the guidelines and standards for~~
7 ~~statements of actuarial opinion which are to be submitted in~~
8 ~~accordance with subsection (c) of this section and for memoranda in~~
9 ~~support thereof; guidelines and standards for statements of~~
10 ~~actuarial opinion which are to be submitted when a company is~~
11 ~~exempt from subdivision (2) of said subsection of the standard~~
12 ~~valuation law; and rules applicable to the appointment of an~~
13 ~~appointed actuary.~~

14 ~~(o) Effective date. -- All acts and parts of acts inconsistent~~
15 ~~with the provision of this section are hereby repealed as of the~~
16 ~~effective date of this section. This section shall take effect~~
17 ~~January 1, 1996.~~

18 ~~(p) Modification of the standard valuation law for certain~~
19 ~~types of contracts.---~~

20 ~~(1)~~ (m) The commissioner may, by rule, establish alternative
21 methods of calculating reserve liabilities, which methods shall be
22 used to calculate reserve liabilities for the types of policies,
23 annuities or other contracts identified in the rule: *Provided,*
24 That the method specified in the rule shall be one which, in the

1 opinion of the commissioner and in light of the methods applied to
2 the contracts by the insurance regulators of other states, is
3 appropriate to the contracts. This power shall be in addition to,
4 and in no way diminish, rule-making power granted to the
5 commissioner elsewhere in this code.

6 ~~(2) The legislative rule filed in the state register on August~~
7 ~~20, 1996, (valuation of life insurance policies, 114 CSR 49) is~~
8 ~~hereby disapproved and is not authorized for promulgation:~~
9 ~~Provided, That for purposes of determining the legal effects of the~~
10 ~~forementioned rule, this provision shall be considered to have~~
11 ~~taken effect on December 31, 1997. This disapproval shall in no~~
12 ~~way limit the commissioner's power to promulgate in the future a~~
13 ~~rule similar or identical to the rule here disapproved.~~

14 (n) Valuation Manual for Policies Issued On or After the
15 Operative Date of the Valuation Manual. --

16 (1) The commissioner shall promulgate emergency rules adopting
17 a valuation manual that is substantially similar to the valuation
18 manual approved by the National Association of Insurance
19 Commissioners and any amendments to such manual as may be
20 subsequently approved by the National Association of Insurance
21 Commissioners, and such rules shall be effective in accordance with
22 subdivisions (2) and (3) of this subsection.

23 (2) The operative date of the valuation manual is January 1
24 of the first calendar year following the first July 1 as of which

1 all of the following have occurred:

2 (A) The valuation manual has been adopted by the National
3 Association of Insurance Commissioners by an affirmative vote of at
4 least forty-two members, or three fourths of the members voting,
5 whichever is greater;

6 (B) The Standard Valuation Law, as amended by the National
7 Association of Insurance Commissioners in 2009, or legislation
8 including substantially similar terms and provisions, has been
9 enacted by states representing greater than seventy-five percent of
10 the direct premiums written as reported in the following annual
11 statements submitted for 2008: Life, accident and health annual
12 statements; health annual statements; and fraternal annual
13 statements; and

14 (C) The Standard Valuation Law, as amended by the National
15 Association of Insurance Commissioners in 2009, or legislation
16 including substantially similar terms and provisions, has been
17 enacted by at least forty-two of the following fifty-five
18 jurisdictions: The fifty states of the United States, American
19 Samoa, the American Virgin Islands, the District of Columbia, Guam,
20 and Puerto Rico.

21 (3) Unless a change in the valuation manual specifies a later
22 effective date, changes to the valuation manual shall be effective
23 on January 1 following the date when such changes have been adopted
24 by the National Association of Insurance Commissioners by an

1 affirmative vote representing:

2 (A) At least three fourths of the members of the National
3 Association of Insurance Commissioners voting, but not less than a
4 majority of the total membership; and

5 (B) Members of the National Association of Insurance
6 Commissioners representing jurisdictions totaling greater than
7 seventy-five percent of the direct premiums written, as reported in
8 the following annual statements most recently available prior to
9 the vote in paragraph (A), of this subdivision: Life, accident and
10 health annual statements, health annual statements, or fraternal
11 annual statements.

12 (4) The valuation manual must specify all of the following:

13 (A) Minimum valuation standards for and definitions of the
14 policies or contracts subject to subdivision (2), subsection (b) of
15 this section. Such minimum valuation standards shall be:

16 (i) The commissioner's reserve valuation method for life
17 insurance contracts, other than annuity contracts, subject to
18 subdivision (2), subsection (b) of this section;

19 (ii) The commissioner's annuity reserve valuation method for
20 annuity contracts subject to subdivision (2), subsection (b) of
21 this section; and

22 (iii) Minimum reserves for all other policies or contracts
23 subject to subdivision (2), subsection (b) of this section.

24 (B) Which policies or contracts or types of policies or

1 contracts that are subject to the requirements of a principle-based
2 valuation in subdivision (1), subsection (o) of this section and
3 the minimum valuation standards consistent with those requirements.

4 (C) For policies and contracts subject to a principle-based
5 valuation under subsection (o) of this section:

6 (i) Requirements for the format of reports to the commissioner
7 under paragraph (C), subdivision (2), subsection (o) of this
8 section and which shall include information necessary to determine
9 if the valuation is appropriate and in compliance with this
10 section;

11 (ii) Assumptions shall be prescribed for risks over which the
12 company does not have significant control or influence; and

13 (iii) Procedures for corporate governance and oversight of the
14 actuarial function and a process for appropriate waiver or
15 modification of such procedures.

16 (D) For policies not subject to a principle-based valuation
17 under subsection (o), the minimum valuation standard shall either:

18 (i) Be consistent with the minimum standard of valuation prior
19 to the operative date of the valuation manual; or

20 (ii) Develop reserves that quantify the benefits and
21 guarantees, and the funding, associated with the contracts and
22 their risks at a level of conservatism that reflects conditions
23 that include unfavorable events that have a reasonable probability
24 of occurring.

1 (E) Other requirements, including, but not limited to, those
2 relating to reserve methods, models for measuring risk, generation
3 of economic scenarios, assumptions, margins, use of company
4 experience, risk measurement, disclosure, certifications, reports,
5 actuarial opinions and memorandums, transition rules and internal
6 controls; and

7 (F) The data and form of the data required under subsection
8 (p) of this section, with whom the data must be submitted, and may
9 specify other requirements including data analyses and reporting of
10 analyses.

11 (5) For policies issued on or after the operative date of the
12 valuation manual, the standard prescribed in the valuation manual
13 is the minimum standard of valuation required under subdivision
14 (2), subsection (b) of this section, except as provided under
15 subdivision (6) or (8) of this subsection.

16 (6) In the absence of a specific valuation requirement or if
17 a specific valuation requirement in the valuation manual is not, in
18 the opinion of the commissioner, in compliance with this section,
19 then the company shall, with respect to such requirements, comply
20 with minimum valuation standards prescribed by rule.

21 (7) The commissioner may engage a qualified actuary, at the
22 expense of the company, to perform an actuarial examination of the
23 company and opine on the appropriateness of any reserve assumption
24 or method used by the company, or to review and opine on a

1 company's compliance with any requirement set forth in this
2 section. The commissioner may rely upon the opinion, regarding
3 provisions contained within this section, of a qualified actuary
4 engaged by the commissioner of another state, district or territory
5 of the United States. As used in this subdivision, term "engage"
6 includes employment and contracting.

7 (8) The commissioner may require a company to change any
8 assumption or method that in the opinion of the commissioner is
9 necessary in order to comply with the requirements of the valuation
10 manual or this section, and the company shall adjust the reserves
11 as required by the commissioner.

12 (o) Requirements of a Principle-Based Valuation. --

13 (1) A company must establish reserves using a principle-based
14 valuation that meets the following conditions for policies or
15 contracts as specified in the valuation manual:

16 (A) Quantify the benefits and guarantees, and the funding,
17 associated with the contracts and their risks at a level of
18 conservatism that reflects conditions that include unfavorable
19 events that have a reasonable probability of occurring during the
20 lifetime of the contracts. For policies or contracts with
21 significant tail risk, reflects conditions appropriately adverse to
22 quantify the tail risk.

23 (B) Incorporate assumptions, risk analysis methods and
24 financial models and management techniques that are consistent

1 with, but not necessarily identical to, those utilized within the
2 company's overall risk assessment process, while recognizing
3 potential differences in financial reporting structures and any
4 prescribed assumptions or methods.

5 (C) Incorporate assumptions that are derived in one of the
6 following manners:

7 (i) The assumption is prescribed in the valuation manual; or

8 (ii) For assumptions that are not prescribed, the assumptions
9 shall either:

10 (I) Be established utilizing the company's available
11 experience, to the extent it is relevant and statistically
12 credible; or

13 (II) To the extent that company data is not available,
14 relevant or statistically credible, be established utilizing other
15 relevant, statistically credible experience.

16 (D) Provide margins for uncertainty including adverse
17 deviation and estimation error, such that the greater the
18 uncertainty, the larger the margin and resulting reserve.

19 (2) A company using a principle-based valuation for one or
20 more policies or contracts subject to this section as specified in
21 the valuation manual shall:

22 (A) Establish procedures for corporate governance and
23 oversight of the actuarial valuation function consistent with those
24 described in the valuation manual.

1 (B) Provide to the commissioner and the board of directors an
2 annual certification of the effectiveness of the internal controls
3 with respect to the principle-based valuation. Such controls shall
4 be designed to assure that all material risks inherent in the
5 liabilities and associated assets subject to such valuation are
6 included in the valuation, and that valuations are made in
7 accordance with the valuation manual. The certification shall be
8 based on the controls in place as of the end of the preceding
9 calendar year.

10 (C) Develop, and file with the commissioner upon request, a
11 principle-based valuation report that complies with standards
12 prescribed in the valuation manual.

13 (3) A principle-based valuation may include a prescribed
14 formulaic reserve component.

15 (p) *Experience Reporting for Policies In Force On or After the*
16 *Operative Date of the Valuation Manual.* -- A company shall submit
17 mortality, morbidity, policyholder behavior, or expense experience
18 and other data as prescribed in the valuation manual.

19 (q) *Confidentiality.* --

20 (1) For purposes of this subsection, "confidential
21 information" means:

22 (A) A memorandum in support of an opinion submitted under
23 subsection (c) of this section and any other documents, materials
24 and other information, including, but not limited to, all working

1 papers, and copies thereof, created, produced or obtained by or
2 disclosed to the commissioner or any other person in connection
3 with such memorandum;

4 (B) All documents, materials and other information, including,
5 but not limited to, all working papers, and copies thereof,
6 created, produced or obtained by or disclosed to the commissioner
7 or any other person in the course of an examination made under
8 subdivision (7), subsection (n) of this section, but only to the
9 same extent as such documents, materials and other information
10 would be held confidential were they created, produced or obtained
11 in connection with an examination made under the general
12 examination law set forth in section nine, article two of this
13 chapter;

14 (C) Any reports, documents, materials and other information
15 developed by a company in support of, or in connection with, an
16 annual certification by the company under paragraph (B),
17 subdivision (2), subsection (o) of this section evaluating the
18 effectiveness of the company's internal controls with respect to a
19 principle-based valuation and any other documents, materials and
20 other information, including, but not limited to, all working
21 papers, and copies thereof, created, produced or obtained by or
22 disclosed to the commissioner or any other person in connection
23 with such reports, documents, materials and other information;

24 (D) Any principle-based valuation report developed under

1 paragraph (C), subdivision (2), subsection (o) of this section and
2 any other documents, materials and other information, including,
3 but not limited to, all working papers, and copies thereof,
4 created, produced or obtained by or disclosed to the commissioner
5 or any other person in connection with such report; and

6 (E) Any documents, materials, data and other information
7 submitted by a company under subsection (p) of this section
8 (collectively, "experience data") and any other documents,
9 materials, data and other information, including, but not limited
10 to, all working papers, and copies thereof, created or produced in
11 connection with such experience data, in each case that include any
12 potentially company-identifying or personally identifiable
13 information, that is provided to or obtained by the commissioner
14 (together with any "experience data", the "experience materials")
15 and any other documents, materials, data and other information,
16 including, but not limited to, all working papers, and copies
17 thereof, created, produced or obtained by or disclosed to the
18 commissioner or any other person in connection with such experience
19 materials.

20 (2) *Privilege for, and Confidentiality of, Confidential*
21 *Information.*

22 (A) Except as otherwise provided in this subsection, a
23 company's confidential information is confidential by law and
24 privileged, is exempt from disclosure under article one, chapter

1 twenty-nine-a of this code, is not subject to subpoena, and is not
2 subject to discovery or admissible in evidence in any private civil
3 action: *Provided*, That the commissioner is authorized to use the
4 confidential information in the furtherance of any regulatory or
5 legal action brought against the company as a part of the
6 commissioner's official duties.

7 (B) Neither the commissioner nor any person who received
8 confidential information while acting under the authority of the
9 commissioner is permitted or required to testify in any private
10 civil action concerning any confidential information.

11 (C) In order to assist in the performance of the
12 commissioner's duties, the commissioner may share confidential
13 information:

14 (i) With other state, federal and international regulatory
15 agencies and with the National Association of Insurance
16 Commissioners and its affiliates and subsidiaries;

17 (ii) In the case of confidential information specified in
18 paragraphs (A) and (D), subdivision (1) of this subsection only,
19 with the Actuarial Board for Counseling and Discipline or its
20 successor upon request stating that the confidential information is
21 required for the purpose of professional disciplinary proceedings
22 and with state, federal and international law-enforcement
23 officials; and

24 (iii) In the case of subparagraphs (i) and (ii) of this

1 paragraph, provided that such recipient agrees and has the legal
2 authority to agree, to maintain the confidentiality and privileged
3 status of such documents, materials, data and other information in
4 the same manner and to the same extent as required for the
5 commissioner.

6 (D) The commissioner may receive documents, materials, data
7 and other information, including otherwise confidential and
8 privileged documents, materials, data or information, from the
9 National Association of Insurance Commissioners and its affiliates
10 and subsidiaries, from regulatory or law-enforcement officials of
11 other foreign or domestic jurisdictions, and from the Actuarial
12 Board for Counseling and Discipline or its successor, and he or she
13 shall maintain as confidential or privileged any document,
14 material, data or other information received with notice or the
15 understanding that it is confidential or privileged under the laws
16 of the jurisdiction that is the source of the document, material or
17 other information.

18 (E) The commissioner may enter into agreements governing
19 sharing and use of information consistent with this subdivision.

20 (F) No waiver of any applicable privilege or claim of
21 confidentiality in the confidential information occurs as a result
22 of disclosure to the commissioner under this section or as a result
23 of sharing as authorized in paragraph (C) of this subdivision.

24 (G) A privilege established under the law of any state or

1 jurisdiction that is substantially similar to the privilege
2 established under this subdivision is available and may be enforced
3 in any proceeding in, and in any court of, this state. (H) In this
4 subsection "regulatory agency," "law-enforcement agency" and the
5 "NAIC" include, but are not limited to, their employees, agents,
6 consultants and contractors.

7 (3) Notwithstanding subdivision (2) of this subsection, any
8 confidential information specified in paragraphs (A) and (D),
9 subdivision (1) of this subsection:

10 (A) May be subject to subpoena for the purpose of defending
11 an action seeking damages from the appointed actuary submitting the
12 related memorandum in support of an opinion submitted under
13 subsection (c) of this section or principle-based valuation report
14 developed under paragraph (C), subdivision (2), subsection (o) of
15 this section by reason of an action required by this section or by
16 rules promulgated hereunder;

17 (B) May otherwise be released by the commissioner with the
18 written consent of the company; and

19 (C) Once any portion of a memorandum in support of an opinion
20 submitted under subsection (c) of this section or a principle-based
21 valuation report developed under paragraph (C), subdivision (2),
22 subsection (o) of this section is cited by the company in its
23 marketing or is publicly volunteered to or before a governmental
24 agency other than a state insurance department or is released by

1 the company to the news media, all portions of such memorandum or
2 report are no longer be confidential.

3 **ARTICLE 13. LIFE INSURANCE.**

4 **§33-13-30. Standard nonforfeiture law for life insurance.**

5 ~~(1)~~ (a) In the case of policies issued on or after the
6 original operative date of this ~~provision~~ subsection as set forth
7 in subsection (l) of this section, no policy of life insurance,
8 except as stated in subsection ~~six~~ (k) of this section, shall be
9 delivered or issued for delivery in this state unless it shall
10 contain in substance the following provisions, or corresponding
11 provisions which in the opinion of the commissioner are at least as
12 favorable to the defaulting or surrendering policyholder as are the
13 minimum requirements hereinafter specified and are essentially in
14 compliance with subsection ~~(5a) of this law~~ subsection (j) of this
15 section:

16 ~~(a)~~ (1) That, in the event of default in any premium payment,
17 the insurer will grant, upon proper request not later than sixty
18 days after the due date of the premium in default, a paid-up
19 nonforfeiture benefit on a plan stipulated in the policy, effective
20 as of such due date, of such amount as may be hereinafter
21 specified. In lieu of such stipulated paid-up nonforfeiture
22 benefit, the insurer may substitute, upon proper request not later
23 than sixty days after the due date of the premium in default, an
24 actuarially equivalent alternative paid-up nonforfeiture benefit

1 which provides a greater amount or longer period of death benefits
2 or, if applicable, a greater amount or earlier payment of endowment
3 benefits;

4 ~~(b)~~ (2) That, upon surrender of the policy within sixty days
5 after the due date of any premium payment in default after premiums
6 have been paid for at least three full years in the case of
7 ordinary insurance or five full years in the case of industrial
8 insurance, the insurer will pay, in lieu of any paid-up
9 nonforfeiture benefit, a cash surrender value of such amount as may
10 be hereinafter specified;

11 ~~(c)~~ (3) That a specified paid-up nonforfeiture benefit shall
12 become effective as specified in the policy unless the person
13 entitled to make such election elects another available option not
14 later than sixty days after the due date of the premium in default;

15 ~~(d)~~ (4) That, if the policy shall have become paid up by
16 completion of all premium payments or if it is continued under any
17 paid-up nonforfeiture benefit which became effective on or after
18 the third policy anniversary in the case of ordinary insurance or
19 the fifth policy anniversary in the case of industrial insurance
20 the insurer will pay, upon surrender of the policy within thirty
21 days after any policy anniversary, a cash surrender value of such
22 amount as may be hereinafter specified;

23 ~~(e)~~ (5) In the case of policies which cause on a basis
24 guaranteed in the policy unscheduled changes in benefits or

1 premiums, or which provide an option for changes in benefits or
2 premiums other than a change to a new policy, a statement of the
3 mortality table, interest rate and method used in calculating cash
4 surrender values and the paid-up nonforfeiture benefits available
5 under the policy. In the case of all other policies, a statement
6 of the mortality table and interest rate used in calculating the
7 cash surrender values and the paid-up nonforfeiture benefits
8 available under the policy, together with a table showing the cash
9 surrender value, if any, and paid-up nonforfeiture benefits, if
10 any, available under the policy on each policy anniversary either
11 during the first twenty policy years or during the term of the
12 policy, whichever is shorter, such values and benefits to be
13 calculated upon the assumption that there are no dividends or
14 paid-up additions credited to the policy and that there is no
15 indebtedness to the insurer on the policy; and

16 ~~(f)~~ (6) A statement that the cash surrender values and the
17 paid-up nonforfeiture benefits available under the policy are not
18 less than the minimum values and benefits required by or pursuant
19 to the insurance law of the state in which the policy is delivered;
20 an explanation of the manner in which the cash surrender values and
21 the paid-up nonforfeiture benefits are altered by the existence of
22 any paid-up additions credited to the policy or any indebtedness to
23 the company on the policy; if a detailed statement of the method of
24 computation of the values and benefits shown in the policy is not

1 stated therein a statement that such method of computation has been
 2 filed with the insurance supervisory official of the state in which
 3 the policy is delivered; and a statement of the method to be used
 4 in calculating the cash surrender value and paid-up nonforfeiture
 5 benefits available under the policy on any policy anniversary
 6 beyond the last anniversary for which such values and benefits are
 7 consecutively shown in the policy.

8 Any of the foregoing provisions or portions thereof, not
 9 applicable by reason of the plan of insurance may, to the extent
 10 inapplicable, be omitted from the policy.

11 The insurer shall reserve the right to defer the payment of
 12 any cash surrender value for a period of ~~30 days~~ six months after
 13 demand therefor with surrender of the policy.

14 ~~(2)~~ (b) Computation of Cash Surrender Value. --

15 (1) Any cash surrender value available under the policy in the
 16 event of default in a premium payment due on any policy
 17 anniversary, whether or not required by subsection ~~(1)~~, (a) of this
 18 section, shall be an amount not less than the excess, if any, of
 19 the present value, on such anniversary, of the future guaranteed
 20 benefits which would have been provided ~~for~~ by the policy,
 21 including any existing paid-up additions, if there had been no
 22 default, over the sum of:

23 ~~(i) the~~ (A) The then present value of the adjusted premiums as
 24 defined in subsections ~~(4), (4a), (4b) and (4c)~~ (d), (e), (f) and

1 (g) of this section, corresponding to premiums which would have
2 fallen due on and after such anniversary; and

3 ~~(ii) the~~ (B) The amount of any indebtedness to the insurer on
4 the policy: *Provided*, That for any policy issued on or after the
5 operative date of subsection ~~(4c)~~ (g) of this section as defined
6 therein, which provides supplemental life insurance or annuity
7 benefits at the option of the insured and for an identifiable
8 additional premium by rider or supplemental policy provision, the
9 cash surrender value referred to in ~~the first paragraph~~ subdivision
10 (1) of this subsection shall be an amount not less than the sum of
11 the cash surrender value ~~as defined in such paragraph~~ for an
12 otherwise similar policy issued at the same age without such rider
13 or supplemental policy provision and the cash surrender value as
14 defined in ~~such paragraph~~ subdivision (1) of this subsection for a
15 policy which provides only the benefits otherwise provided by such
16 rider or supplemental policy provision: *Provided, however*, That
17 for any family policy issued on or after the operative date of
18 subsection ~~(4c) as defined therein~~ (g) of this section, which
19 defines a primary insured and provides term insurance on the life
20 of the spouse of the primary insured expiring before the spouse's
21 age seventy-one, the cash surrender value referred to in the first
22 paragraph of this subsection shall be an amount not less than the
23 sum of the cash surrender value as defined in such paragraph for an
24 otherwise similar policy issued at the same age without such term

1 insurance on the life of the spouse and the cash surrender value as
 2 defined in such paragraph for a policy which provides only the
 3 benefits otherwise provided by such term insurance on the life of
 4 the spouse.

5 (2) Any cash surrender value available within thirty days
 6 after any policy anniversary under any policy paid up by completion
 7 of all premium payments or any policy continued under any paid-up
 8 nonforfeiture benefit, whether or not required by subsection one,
 9 shall be an amount not less than the present value, on such
 10 anniversary, of the future guaranteed benefits provided ~~for~~ by the
 11 policy, including any existing paid-up additions decreased by any
 12 indebtedness to the insurer on the policy.

13 ~~(3)~~ (c) Any paid-up nonforfeiture benefit available under the
 14 policy in the event of default in a premium payment due on any
 15 policy anniversary shall be such that its present value as of such
 16 anniversary shall be at least equal to the cash surrender value
 17 then provided for by the policy or, if none is provided for, that
 18 cash surrender value which would have been required by this section
 19 in the absence of the condition that premiums shall have been paid
 20 for at least a specific period.

21 ~~(4)~~ (d) Calculation of Adjusted Premiums. --

22 (1) This subsection ~~(4)~~ ~~shall~~ does not apply to policies
 23 issued on or after the operative date of subsection ~~(4c)~~ ~~as defined~~
 24 ~~therein~~ (g) of this section. Except as provided in ~~the third~~

1 ~~paragraph subdivision (4)~~ of this subsection, the adjusted premiums
2 for any policy shall be calculated on an annual basis and shall be
3 such uniform percentage of the respective premiums specified in the
4 policy for each policy year, excluding ~~extra premiums on a~~
5 ~~substandard policy amounts stated in the policy as extra premiums~~
6 ~~to cover impairments or special hazards~~, that the present value, at
7 the date of issue of the policy, of all such adjusted premiums
8 shall be equal to the sum of:

9 ~~(i) the~~ (A) The then present value of the future guaranteed
10 benefits provided ~~for~~ by the policy;

11 ~~(ii) two~~ (B) Two percent of the amount of insurance, if the
12 insurance be uniform in amount, or of the equivalent uniform
13 amount, as hereinafter defined, if the amount of insurance varies
14 with duration of the policy;

15 ~~(iii) forty~~ (C) Forty percent of the adjusted premium for the
16 first policy year;

17 ~~(iv) twenty-five~~ (D) Twenty-five percent of either the
18 adjusted premium for the first policy year or the adjusted premium
19 for a whole life policy of the same uniform or equivalent uniform
20 amount with uniform premiums for the whole of life issued at the
21 same age for the same amount of insurance, whichever is less.

22 ~~Provided, That in~~ (2) In applying the percentages specified
23 in ~~(iii) and (iv) above paragraphs (C) and (D), subdivision (1) of~~
24 ~~this subsection~~, no adjusted premium shall be deemed to exceed four

1 percent of the amount of insurance or uniform amount equivalent
2 thereto. The date of issue of a policy for the purpose of this
3 subsection shall be the date as of which the rated age of the
4 insured is determined.

5 (3) In the case of a policy providing an amount of insurance
6 varying with duration of the policy, the equivalent uniform amount
7 ~~thereof~~ for the purpose of this subsection shall be deemed to be
8 the uniform amount of insurance provided by an otherwise similar
9 policy, containing the same endowment benefit or benefits, if any,
10 issued at the same age and for the same term, the amount of which
11 does not vary with duration and the benefits under which have the
12 same present value at the date of issue as the benefits under the
13 policy. ~~Provided, That in the case of a policy providing a varying~~
14 ~~amount of insurance issued on the life of a child under age ten,~~
15 ~~the equivalent uniform amount may be computed as though the amount~~
16 ~~of insurance provided by the policy prior to the attainment of age~~
17 ~~ten were the amount provided by such policy at age ten.~~

18 (4) The adjusted premiums for any policy providing term
19 insurance benefits by rider or supplemental policy provision shall
20 be equal to:

21 ~~(a) the~~ (A) The adjusted premiums for an otherwise similar
22 policy issued at the same age without such term insurance benefits,
23 increased, during the period for which premiums for such term
24 insurance benefits are payable, by;

1 ~~(b) the~~ (B) The adjusted premiums for such term insurance; and
2 ~~the foregoing items (a) and (b)~~ (C) Paragraphs (A) and (B) of
3 this subdivision being calculated separately and as specified in
4 ~~the first two paragraphs~~ subdivisions (1), (2) and (3) of this
5 subsection except that, for the purposes of ~~(ii), (iii) and (iv)~~ of
6 ~~the first such paragraph~~ paragraphs (B), (C) and (D), subdivision
7 (1) of this subsection, the amount of insurance or equivalent
8 uniform amount of insurance used in the calculation of the adjusted
9 premiums referred to in ~~(b)~~ paragraph (B), subdivision (1) of this
10 subsection shall be equal to the excess of the corresponding amount
11 determined for the entire policy over the amount used in the
12 calculation of the adjusted premiums in ~~(a)~~ paragraph (A),
13 subdivision (4) of this subsection.

14 (5) Except as otherwise provided in subsections ~~(4a) and (4b)~~
15 (e) and (f) of this section, all adjusted premiums and present
16 values referred to in this section shall for all policies of
17 ordinary insurance be calculated on the basis of the Commissioners
18 1941 Standard Ordinary Mortality Table: *Provided*, That for any
19 category of ordinary insurance issued on female risks, adjusted
20 premiums and present values may be calculated according to an age
21 not more than three years younger than the actual age of the
22 insured, and such calculations for all policies of industrial
23 insurance shall be made on the basis of the 1941 Standard
24 Industrial Mortality Table. All calculations shall be made on the

1 basis of the rate of interest, not exceeding three and one-half
2 percent per annum, specified in the policy for calculating cash
3 surrender values and paid-up nonforfeiture benefits: *Provided,*
4 *however,* That in calculating the present value of any paid-up term
5 insurance with accompanying pure endowment, if any, offered as a
6 nonforfeiture benefit, the rates of mortality assumed may be not
7 more than one hundred and thirty percent of the rates of mortality
8 according to such applicable table: *Provided further,* That for
9 insurance issued on a substandard basis, the calculation of any
10 such adjusted premiums and present values may be based on such
11 other table of mortality as may be specified by the insurer and
12 approved by the commissioner.

13 ~~(4a)~~ (e) This subsection ~~(4a) shall~~ does not apply to ordinary
14 policies issued on or after the operative date of subsection ~~(4c)~~
15 ~~as defined therein~~ (g) of this section. In the case of ordinary
16 policies issued on or after the operative date of this subsection,
17 ~~(4a) as defined herein,~~ all adjusted premiums and present values
18 referred to in this section shall be calculated on the basis of the
19 Commissioners 1958 Standard Ordinary Mortality Table and the rate
20 of interest specified in the policy for calculating cash surrender
21 values and paid-up nonforfeiture benefits provided that such rate
22 of interest shall not exceed three and one-half percent per annum
23 except that a rate of interest not exceeding four percent per annum
24 may be used for policies issued on or after June 3, 1974 and prior

1 to April 6, 1977, and a rate of interest not exceeding five and
2 one-half percent per annum may be used for policies issued on or
3 after April 6, 1977, except that for any single premium whole life
4 or endowment insurance policy a rate of interest not exceeding six
5 and one-half percent per annum may be used: *Provided*, That for any
6 category of ordinary insurance issued on female risks, adjusted
7 premiums and present values may be calculated according to an age
8 not more than six years younger than the actual age of the insured:
9 *Provided, however*, That in calculating the present value of any
10 paid-up term insurance with accompanying pure endowment, if any,
11 offered as a nonforfeiture benefit, the rates of mortality assumed
12 may be not more than those shown in the Commissioners 1958 Extended
13 Term Insurance Table: *Provided further*, That for insurance issued
14 on a substandard basis, the calculation of any such adjusted
15 premiums and present values may be based on such other table of
16 mortality as may be specified by the company and approved by the
17 commissioner.

18 After June 3, 1959, any company may file with the commissioner
19 a written notice of its election to comply with the provisions of
20 this subsection after a specified date before January 1, 1966.
21 After the filing of such notice, then upon such specified date
22 (which shall be the operative date of this subsection for such
23 company), this subsection shall become operative with respect to
24 the ordinary policies thereafter issued by such company. If a

1 company makes no such election, the operative date of this
2 subsection for such company shall be January 1, 1966.

3 ~~(4b)~~ (f) This subsection ~~(4b)~~ does not apply to
4 industrial policies issued on or after the operative date of
5 subsection ~~(4c)~~ as defined therein (g) of this section. In the
6 case of industrial policies issued on or after the operative date
7 of this subsection, ~~(4b)~~ as defined herein, all adjusted premiums
8 and present values referred to in this section shall be calculated
9 on the basis of the Commissioners 1961 Standard Industrial
10 Mortality Table and the rate of interest specified in the policy
11 for calculating cash surrender values and paid-up nonforfeiture
12 benefits provided that such rate of interest shall not exceed three
13 and one-half percent per annum except that a rate of interest not
14 exceeding four percent per annum may be used for policies issued on
15 or after June 3, 1974 and prior to April 6, 1977, and a rate of
16 interest not exceeding five and one-half percent per annum may be
17 used for policies issued on or after April 6, 1977, except that for
18 any single premium whole life or endowment insurance policy a rate
19 of interest not exceeding six and one-half percent per annum may be
20 used: *Provided,* That in calculating the present value of any
21 paid-up term insurance with accompanying pure endowment, if any,
22 offered as a nonforfeiture benefit, the rates of mortality assumed
23 may be not more than those shown in the Commissioners 1961
24 Industrial Extended Term Insurance Table: *Provided, however,* That

1 for insurance issued on a substandard basis, the calculation of any
2 such adjusted premiums and present values may be based on such
3 other table of mortality as may be specified by the company and
4 approved by the commissioner.

5 After ~~the effective date of this subsection (4b)~~ May 31, 1965,
6 any company may file with the commissioner a written notice of its
7 election to comply with the provisions of this subsection after a
8 specified date before January 1, 1968. After the filing of such
9 notice, then upon such specified date (which shall be the operative
10 date of this subsection for such company), this subsection shall
11 become operative with respect to the industrial policies thereafter
12 issued by such company. If a company makes no such election, the
13 operative date of this subsection for such company shall be January
14 1, 1968.

15 ~~(4c)~~ ~~(a)~~ (g)(1) This subsection ~~shall apply~~ applies to all
16 policies issued on or after the operative date of this subsection.
17 ~~(4c)~~ ~~as defined herein.~~ Except as provided in ~~the seventh~~
18 ~~paragraph~~ subdivision (7) of this subsection, the adjusted premiums
19 for any policy shall be calculated on an annual basis and shall be
20 such uniform percentage of the respective premiums specified in the
21 policy for each policy year, excluding amounts payable as extra
22 premiums to cover impairments or special hazards and also excluding
23 any uniform annual contract charge or policy fee specified in the
24 policy in a statement of the method to be used in calculating the

1 cash surrender values and paid-up nonforfeiture benefits, that the
2 present value, at the date of issue of the policy, of all adjusted
3 premiums shall be equal to the sum of;

4 ~~(i) the~~ (A) The then present value of the future guaranteed
5 benefits provided for by the policy;

6 ~~(ii) one~~ (B) One percent of either the amount of insurance, if
7 the insurance be uniform in amount, or the average amount of
8 insurance at the beginning of each of the first ten policy years;
9 and

10 ~~(iii) one~~ (C) One hundred twenty-five percent of the
11 nonforfeiture net level premium as hereinafter defined: *Provided,*
12 That in applying ~~the percentage specified in (iii) above~~ this
13 percentage no nonforfeiture net level premium shall be deemed to
14 exceed four percent of either the amount of insurance, if the
15 insurance be uniform in amount, or the average amount of insurance
16 at the beginning of each of the first ten policy years. The date
17 of issue of a policy for the purpose of this subsection shall be
18 the date as of which the rated age of the insured is determined;

19 ~~(b) (2)~~ (2) The nonforfeiture net level premium shall be equal to
20 the present value, at the date of issue of the policy, of the
21 guaranteed benefits provided ~~for~~ by the policy divided by the
22 present value, at the date of issue of the policy, of an annuity of
23 one per annum payable on the date of issue of the policy and on
24 each anniversary of such policy on which a premium falls due;

1 ~~(c)~~ (3) In the case of policies which cause on a basis
2 guaranteed in the policy unscheduled changes in benefits or
3 premiums, or which provide an option for changes in benefits or
4 premiums other than a change to a new policy, the adjusted premiums
5 and present values shall initially be calculated on the assumption
6 that future benefits and premiums do not change from those
7 stipulated at the date of issue of the policy. At the time of any
8 such change in the benefits or premiums the future adjusted
9 premiums, nonforfeiture net level premiums and present values shall
10 be recalculated on the assumption that future benefits and premiums
11 do not change from those stipulated by the policy immediately after
12 the change;

13 ~~(d)~~ (4) Except as otherwise provided in ~~the seventh paragraph~~
14 subdivision (7) of this subsection, the recalculated future
15 adjusted premiums for any such policy shall be such uniform
16 percentage of the respective future premiums specified in the
17 policy for each policy year, excluding amounts payable as extra
18 premiums to cover impairments and special hazards, and also
19 excluding any uniform annual contract charge or policy fee
20 specified in the policy in a statement of the method to be used in
21 calculating the cash surrender values and paid-up nonforfeiture
22 benefits, that the present value, at the time of change to the
23 newly defined benefits or premiums, of all such future adjusted
24 premiums shall be equal to the excess of:

1 (A) ~~the~~ The sum of:

2 (i) ~~the~~ The then present value of the then future guaranteed
3 benefits provided ~~for~~ by the policy; and

4 (ii) ~~the~~ The additional expense allowance, if any, over

5 (B) ~~the~~ The then cash surrender value, if any, or present
6 value of any paid-up nonforfeiture benefit under the policy;

7 ~~(e)~~ (5) The additional expense allowance, at the time of the
8 change to the newly defined benefits or premiums, shall be the sum
9 of:

10 ~~(i) one~~ (A) One percent of the excess, if positive, of the
11 average amount of insurance at the beginning of each of the first
12 ten policy years subsequent to the change over the average amount
13 of insurance prior to the change at the beginning of each of the
14 first ten policy years subsequent to the time of the most recent
15 previous change, or, if there has been no previous change, the date
16 of issue of the policy; and

17 ~~(ii) one~~ (B) One hundred twenty-five percent of the increase,
18 if positive, in the nonforfeiture net level premium;

19 ~~(f)~~ (6) The recalculated nonforfeiture net level premium shall
20 be equal to the result obtained by dividing ~~(A) by (B)~~ paragraph
21 (A) of this subdivision by paragraph (B) of this subdivision where:

22 (A) Equals the sum of

23 (i) The nonforfeiture net level premium applicable prior to
24 the change times the present value of an annuity of one per annum

1 payable on each anniversary of the policy on or subsequent to the
2 date of the change on which a premium would have fallen due had the
3 change not occurred; and

4 (ii) The present value of the increase in future guaranteed
5 benefits provided for by the policy;

6 (B) Equals the present value of an annuity of one per annum
7 payable on each anniversary of the policy on or subsequent to the
8 date of change on which a premium falls due.

9 ~~(g)~~ (7) Notwithstanding any other provisions of this
10 subsection to the contrary, in the case of a policy issued on a
11 substandard basis which provides reduced graded amounts of
12 insurance so that, in each policy year, such policy has the same
13 tabular mortality cost as an otherwise similar policy issued on the
14 standard basis which provides higher uniform amounts of insurance,
15 adjusted premiums and present values for such substandard policy
16 may be calculated as if it were issued to provide such higher
17 uniform amounts of insurance on the standard basis;

18 ~~(h)~~ (8) All adjusted premiums and present values referred to
19 in this section shall for all policies of ordinary insurance be
20 calculated on the basis of (i) the Commissioners 1980 Standard
21 Ordinary Mortality Table or (ii) at the election of the company for
22 any one or more specified plans of life insurance, the
23 Commissioners 1980 Standard Ordinary Mortality Table with ten-year
24 select mortality factors; shall for all policies of industrial

1 insurance be calculated on the basis of the Commissioners 1961
2 Standard Industrial Mortality Table; and shall for all policies
3 issued in a particular calendar year be calculated on the basis of
4 a rate of interest not exceeding the nonforfeiture interest rate as
5 defined in this subsection for policies issued in that calendar
6 year: *Provided, That:*

7 ~~(i)~~ (A) At the option of the company, calculations for all
8 policies issued in a particular calendar year may be made on the
9 basis of a rate of interest not exceeding the nonforfeiture
10 interest rate, as defined in this subsection, for policies issued
11 in the immediately preceding calendar year;

12 ~~(ii)~~ (B) Under any paid-up nonforfeiture benefit, including
13 any paid-up dividend additions, any cash surrender value available,
14 whether or not required by subsection ~~(1)~~ (a) of this section,
15 shall be calculated on the basis of the mortality table and rate of
16 interest used in determining the amount of such paid-up
17 nonforfeiture benefit and paid-up dividend additions, if any;

18 ~~(iii)~~ (C) A company may calculate the amount of any guaranteed
19 paid-up nonforfeiture benefit including any paid-up additions under
20 the policy on the basis of an interest rate no lower than that
21 specified in the policy for calculating cash surrender values;

22 ~~(iv)~~ (D) In calculating the present value of any paid-up term
23 insurance with accompanying pure endowment, if any, offered as a
24 nonforfeiture benefit, the rates of mortality assumed may be not

1 more than those shown in the Commissioners 1980 Extended Term
2 Insurance Table for policies of ordinary insurance and not more
3 than the Commissioners 1961 Industrial Extended Term Insurance
4 Table for policies of industrial insurance;

5 ~~(v)~~ (E) For insurance issued on a substandard basis, the
6 calculation of any such adjusted premiums and present values may be
7 based on appropriate modifications of the aforementioned tables;

8 ~~(vi)~~ Any (F) For policies issued prior to the operative date
9 of the valuation manual, any Commissioners Standard ordinary
10 mortality tables, adopted after 1980 by the National Association of
11 Insurance Commissioners, that are approved by ~~regulation~~ rule
12 promulgated by the commissioner for use in determining the minimum
13 nonforfeiture standard may be substituted for the Commissioners
14 1980 Standard Ordinary Mortality Table with or without ten-year
15 select mortality factors or for the Commissioners 1980 Extended
16 Term Insurance Table.; and For policies issued on or after the
17 operative date of the valuation manual the valuation manual shall
18 provide the Commissioner's Standard mortality table for use in
19 determining the minimum nonforfeiture standard that may be
20 substituted for the Commissioner's 1980 Standard Ordinary Mortality
21 Table with or without Ten-Year Select Mortality Factors or for the
22 Commissioners 1980 Extended Term Insurance Table. If the
23 commissioner approves by rule any Commissioners Standard ordinary
24 mortality table adopted by the National Association of Insurance

1 Commissioners for use in determining the minimum nonforfeiture
2 standard for policies issued on or after the operative date of the
3 valuation manual then that minimum nonforfeiture standard
4 supersedes the minimum nonforfeiture standard provided by the
5 valuation manual. For purposes of this paragraph, paragraph (G) of
6 this subdivision and subdivision (9) of this subsection, the
7 operative date of the valuation manual is that date determined in
8 accordance with subsection (n), section nine, article seven of this
9 chapter;

10 ~~(vii) Any~~ (G) For policies issued prior to the operative date
11 of the valuation manual, any industrial mortality tables, adopted
12 after 1980 by the National Association of Insurance Commissioners,
13 that are approved by ~~regulation~~ rule promulgated by the
14 commissioner for use in determining the minimum nonforfeiture
15 standard may be substituted for the Commissioners 1961 Standard
16 Industrial Mortality Table or the Commissioners 1961 Industrial
17 Extended Term Insurance Table. For policies issued on or after the
18 operative date of the valuation manual, the valuation manual shall
19 provide the Commissioners Standard Mortality Table for use in
20 determining the minimum nonforfeiture standard that may be
21 substituted for the Commissioners 1961 Standard Industrial
22 Mortality Table or the Commissioners 1961 Industrial Extended Term
23 Insurance Table: *Provided*, That if the Legislature approves a rule
24 providing that a Commissioners Standard Industrial Mortality Table

1 adopted by the National Association of Insurance Commissioners
2 shall be used in determining the minimum nonforfeiture standard for
3 policies issued on or after the operative date of the valuation
4 manual, then that minimum nonforfeiture standard supersedes the
5 minimum nonforfeiture standard provided by the valuation manual;

6 ~~(i)~~ (9) The nonforfeiture interest rate per annum for any
7 policy issued in a particular calendar year shall be equal to one
8 hundred and twenty-five percent of the calendar year statutory
9 valuation interest rate for such policy as defined in the Standard
10 Valuation Law, rounded to the nearer one quarter of one percent:
11 ~~(1/4 of 1%)~~ Provided, That, that the nonforfeiture interest rate
12 may not be less than four percent. For policies issued on and
13 after the operative date of the valuation manual the nonforfeiture
14 interest rate per annum for any policy issued in a particular
15 calendar year shall be provided by the valuation manual;

16 ~~(j)~~ (10) Notwithstanding any other provision in this code to
17 the contrary, any refiling of nonforfeiture values or their methods
18 of computation for any previously approved policy form which
19 involves only a change in the interest rate or mortality table used
20 to compute nonforfeiture values shall not require refiling of any
21 other provisions of that policy form; and

22 ~~(k)~~ ~~After the effective date of this subsection (4c)~~ (11)
23 After May 30, 1983, any company may file with the commissioner a
24 written notice of its election to comply with the provisions of

1 this section after a specified date before January 1, 1989, which
2 shall be the operative date of this subsection for such company.
3 If a company makes no such election, the operative date of this
4 section for such company shall be January 1, 1989.

5 ~~(4d)~~ (h) In the case of any plan of life insurance which
6 provides for future premium determination, the amounts of which are
7 to be determined by the insurance company based on then estimates
8 of future experience, or in the case of any plan of life insurance
9 which is of such a nature that minimum values cannot be determined
10 by the methods described in ~~subsections (1), (2), (3), (4), (4a),~~
11 ~~(4b) and (4c) herein~~ subsection (a), (b), (c), (d), (e), (f) or (g)
12 of this section, then:

13 ~~(a)~~ (1) The commissioner must be satisfied that the benefits
14 provided under the plan are substantially as favorable to
15 policyholders and insureds as the minimum benefits otherwise
16 required by ~~subsections (1), (2), (3), (4), (4a), (4b) or (4c)~~
17 ~~herein~~ subsection (a), (b), (c), (d), (e), (f) or (g) of this
18 section;

19 ~~(b)~~ (2) The commissioner must be satisfied that the benefits
20 and the pattern of premiums of that plan are not such as to mislead
21 prospective policyholders or insureds; and

22 ~~(c)~~ (3) The cash surrender values and paid-up nonforfeiture
23 benefits provided by such plan must not be less than the minimum
24 values and benefits required for the plan computed by a method

1 consistent with the principles of this Standard Nonforfeiture Law
2 for Life Insurance, as determined by ~~regulations~~ rules promulgated
3 by the commissioner.

4 ~~(5)~~ (i) Any cash surrender value and any paid-up nonforfeiture
5 benefit, available under the policy in the event of default in a
6 premium payment due at any time other than on the policy
7 anniversary, shall be calculated with allowance for the lapse of
8 time and the payment of fractional premiums beyond the last
9 preceding policy anniversary. All values referred to in
10 subsections ~~(2), (3), (4), (4a), (4b) and (4c)~~ (b), (c), (d), (e),
11 (f) and (g) of this section may be calculated upon the assumption
12 that any death benefit is payable at the end of the policy year of
13 death. The net value of any paid-up additions, other than paid-up
14 term additions, shall be not less than the amounts used to provide
15 such additions. Notwithstanding the provisions of subsection (2),
16 additional benefits payable:

17 ~~(i) in (1)~~ (1) In the event of death or dismemberment by accident
18 or accidental means;

19 ~~(ii) in (2)~~ (2) In the event of total and permanent disability;

20 ~~(iii) as (3)~~ (3) As reversionary annuity or deferred reversionary
21 annuity benefits;

22 ~~(iv) as (4)~~ (4) As term insurance benefits provided by a rider or
23 supplemental policy provision to which, if issued as a separate
24 policy, this subsection would not apply;

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

7 ~~(vi) as~~ (6) As other policy benefits additional to life
8 insurance and endowment benefits, and premiums for all such
9 additional benefits, shall be disregarded in ascertaining cash
10 surrender values and nonforfeiture benefits required by this
11 section, and no such additional benefits shall be required to be
12 included in any paid-up nonforfeiture benefits.

13 ~~(5a)~~ (j)(1) This subsection, in addition to all other
14 applicable subsections of this law, shall apply to all policies
15 issued on or after January 1, 1985. Any cash surrender value
16 available under the policy in the event of default in a premium
17 payment due on any policy anniversary shall be in an amount which
18 does not differ by more than two tenths of one percent of either
19 the amount of insurance, if the insurance be uniform in amount, or
20 the average amount of insurance at the beginning of each of the
21 first ten policy years, from the sum of;

22 ~~(a) the~~ (A) The greater of zero and the basic cash value
23 hereinafter specified; and

24 ~~(b) the~~ (B) The present value of any existing paid-up

1 additions less the amount of any indebtedness to the company under
2 the policy.

3 (2) The basic cash value shall be equal to the present value,
4 on such anniversary, of the future guaranteed benefits which would
5 have been provided ~~for~~ by the policy, excluding any existing
6 paid-up additions and before deduction of any indebtedness to the
7 company, if there had been no default, less the then present value
8 of the nonforfeiture factors, as hereinafter defined, corresponding
9 to premiums which would have fallen due on and after such
10 anniversary: *Provided*, That the effects on the basic cash value of
11 supplemental life insurance or annuity benefits or of family
12 coverage, as described in subsection ~~(2) or (4)~~ (b) or (d) of this
13 section, whichever is applicable, shall be the same as are the
14 effect specified in subsection ~~(2) or (4)~~ (b) or (d) of this
15 section, whichever is applicable, on the cash surrender values
16 defined in that subsection.

17 (3) The nonforfeiture factor for each policy year shall be an
18 amount equal to a percentage of the adjusted premium for the policy
19 year, as defined in subsection ~~(4) or (4c)~~ (d) or (g), whichever is
20 applicable. Except as is required by the next succeeding sentence
21 of this paragraph, such percentage:

22 ~~(a)~~ (A) Must be the same percentage for each policy year
23 between the second policy anniversary and the later of:

24 (i) ~~the~~ The fifth policy anniversary; and

1 (ii) ~~the~~ The first policy anniversary at which there is
2 available under the policy a cash surrender value in an amount,
3 before including any paid-up additions and before deducting any
4 indebtedness, of at least two tenths of one percent of either the
5 amount of insurance, if the insurance be uniform in amount, or the
6 average amount of insurance at the beginning of each of the first
7 ten policy years; and

8 ~~(b)~~ (B) Must be such that no percentage after the later of the
9 two policy anniversaries specified in ~~the preceding item (a)~~
10 subparagraph (i), paragraph (A) of this subdivision may apply to
11 fewer than five consecutive policy years: *Provided*, That no basic
12 cash value may be less than the value which would be obtained if
13 the adjusted premiums for the policy, as defined in subsection ~~(4)~~
14 ~~or (4c)~~ (g) of this section, whichever is applicable, were
15 substituted for the nonforfeiture factors in the calculation of the
16 basic cash value.

17 (4) All adjusted premiums and present values referred to in
18 this subsection shall for a particular policy be calculated on the
19 same mortality and interest bases as are used in demonstrating the
20 policy's compliance with the other sections of this law. The cash
21 surrender values referred to in this subsection shall include any
22 endowment benefits provided ~~for~~ by the policy.

23 (5) Any cash surrender value available other than in the event
24 of default in a premium payment due on a policy anniversary, and

1 the amount of any paid-up nonforfeiture benefit available under the
 2 policy in the event of default in a premium payment shall be
 3 determined in manners consistent with the manners specified for
 4 determining the analogous minimum amounts in subsections ~~(1), (2),~~
 5 ~~(3), (4c) and (5)~~ (a), (b), (c), (g) and (i) of this section. The
 6 amounts of any cash surrender values and of any paid-up
 7 nonforfeiture benefits granted in connection with additional
 8 benefits such as those listed as ~~items (i) through (vi) in~~
 9 ~~subsection (5)~~ subdivisions (1) through (6), subsection (i) of this
 10 section shall conform with the principles of this subsection. ~~(5a).~~

11 ~~(6)~~ (k) This section ~~shall~~ does not apply to any of the
 12 following:

13 ~~(a)~~ (1) Reinsurance;

14 ~~(b)~~ (2) Group insurance;

15 ~~(c)~~ (3) Pure endowment;

16 ~~(d)~~ (4) Annuity or reversionary annuity contract;

17 ~~(e)~~ (5) Term policy of uniform amount, which provides no
 18 guaranteed nonforfeiture or endowment benefits, or renewal thereof,
 19 of twenty years or less expiring before age seventy-one, for which
 20 uniform premiums are payable during the entire term of the policy;

21 ~~(f)~~ (6) Term policy of decreasing amount, which provides no
 22 guaranteed nonforfeiture or endowment benefits, on which each
 23 adjusted premium, calculated as specified in subsections ~~(4), (4a),~~
 24 ~~(4b) and (4c)~~ (d), (e), (f) and (g) of this section, is less than

1 the adjusted premium so calculated on a policy of uniform amount,
2 or renewal thereof, which provides no guaranteed nonforfeiture or
3 endowment benefits, issued at the same age and for the same initial
4 amount of insurance and for a term of twenty years or less expiring
5 before age seventy-one, for which uniform premiums are payable
6 during the entire term of the policy;

7 ~~(g)~~ (7) Policy, which provides no guaranteed nonforfeiture or
8 endowment benefits, for which no cash surrender value, if any, or
9 present value of any paid-up nonforfeiture benefit, at the
10 beginning of any policy year, calculated as specified in
11 subsections ~~(2), (3), (4), (4a), (4b) and (4c)~~ (b), (c), (d), (e)
12 (f) and (g) of this section, exceeds two and one-half percent of
13 the amount of insurance at the beginning of the same policy year;
14 and

15 ~~(h)~~ (8) Policy which shall be delivered outside this state
16 through an agent or other representative of the insurer issuing the
17 policy. For purposes of determining the applicability of this
18 section, the age at expiry for a joint term life insurance policy
19 shall be the age at expiry of the oldest life.

20 (1) After the effective date of the amendments made to this
21 section during the 2014 regular session of the Legislature, any
22 company may file with the commissioner a written notice of its
23 election to comply with the provisions of this section after a
24 specified date before January 1, 1948. After the filing of such

1 notice, then upon the specified date (which shall be the operative
2 date for the company), this section shall become operative with
3 respect to the policies thereafter issued by such company. If a
4 company makes no such election, the operative date of this section
5 for the company shall be January 1, 1948.

NOTE: The purpose of this bill is to adopt Principle Based Reserving (PBR) as the method by which life insurance company reserves are calculated. The bill also provides for a phase-in of the new method upon adoption of PBR by forty-two states representing 75% of life insurance premium.

Strike-throughs indicate language that would be stricken from the present law, and underscoring indicates new language that would be added.