

1 COMMITTEE SUBSTITUTE

2 FOR

3 **H. B. 4432**

4
5 (By Delegates Guthrie, Hartman, Perry and Ashley)

6
7 (Originating in the Committee on the Judiciary)

8 [February 20, 2014]

9
10 A BILL to amend and reenact §33-7-9 of the Code of West Virginia,
11 1931, as amended; and to amend and reenact §33-13-30 of said
12 code, all relating to adopting Principle Based Reserving as
13 the method by which reserves for life insurance policies,
14 accident and health insurance policies and deposit-type
15 contracts are calculated; removing unnecessary language; and
16 providing a phase-in of the new method upon adoption of
17 Principle Based Reserving by forty-two states representing
18 seventy-five percent of applicable premiums.

19 *Be it enacted by the Legislature of West Virginia:*

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

23 **ARTICLE 7. ASSETS AND LIABILITIES.**

24 **§33-7-9. Standard valuation law.**

25 (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
25 mortality risk, including annuity and pure endowment contracts, and

1 as may be specified in the valuation manual.

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

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

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

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

22 (10) The term "tail risk" means a risk that occurs either
23 where the frequency of low probability events is higher than
24 expected under a normal probability distribution or where there are
25 observed events of very significant size or magnitude.

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

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

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

1 ~~as large as if they had been computed in the manner prescribed by~~
2 ~~the law of that state or jurisdiction in this section.~~

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

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

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

14 (A) The commissioner shall annually value, or cause to be
15 valued, the reserve liabilities (hereinafter called reserves) for
16 all outstanding life insurance contracts, annuity and pure
17 endowment contracts, accident and health contracts, and
18 deposit-type contracts of every company issued on or after the
19 operative date of the valuation manual. In lieu of the valuation of
20 the reserves required of a foreign or alien company, the
21 commissioner may accept a valuation made, or caused to be made, by
22 the insurance supervisory official of any state or other
23 jurisdiction when the valuation complies with the minimum standard
24 provided in this section.

25 (B) Subsection (n) and (o) of this section apply to all

1 policies and contracts issued on or after the operative date of the
2 valuation manual.

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

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

16 ~~(2)~~ (B) Actuarial analysis of reserves and assets supporting
17 the reserves. --

18 ~~(A)~~ (i) Every life insurance company, except as exempted by or
19 pursuant to ~~regulation~~ rule, shall also annually include in the
20 opinion required by paragraph (A) of this subdivision ~~(1) of this~~
21 ~~subsection~~ an opinion of the same qualified actuary as to whether
22 the reserves and related actuarial items held in support of the
23 policies and contracts specified by the commissioner by ~~regulation~~
24 rule, when considered in light of the assets held by the company
25 with respect to the reserves and related actuarial items,

1 including, but not limited to, the investment earnings on the
2 assets and the considerations anticipated to be received and
3 retained under the policies and contracts, make adequate provision
4 for the company's obligations under the policies and contracts,
5 including, but not limited to, the benefits under and expenses
6 associated with the policies and contracts.

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

11 ~~(3)~~ (C) *Requirement for opinion under ~~subdivision~~ (2)*
12 paragraph (B). -- Each opinion required by paragraph (B) of this
13 ~~subdivision (2) of this subsection~~ shall be governed by the
14 following provisions:

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

18 ~~(B)~~ (ii) If the insurance company fails to provide a
19 supporting memorandum at the request of the commissioner within a
20 period specified by ~~regulation~~ rule or the commissioner determines
21 that the supporting memorandum provided by the insurance company
22 fails to meet the standards prescribed by the ~~regulations~~ rules or
23 is otherwise unacceptable to the commissioner, the commissioner may
24 engage a qualified actuary at the expense of the company to review
25 the opinion and the basis for the opinion and prepare ~~such~~ the

1 supporting memorandum ~~as is~~ required by the commissioner.

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

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

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

12 ~~(C)~~ (iii) The opinion shall be based on standards adopted,
13 from time to time, by the actuarial standards board and on such
14 additional standards as the commissioner may by ~~regulation~~ rule
15 prescribe.

16 ~~(D)~~ (iv) In the case of an opinion required to be submitted by
17 a foreign or alien company, the commissioner may accept the opinion
18 filed by that company with the insurance supervisory official of
19 another state if the commissioner determines that the opinion
20 reasonably meets the requirements applicable to a company domiciled
21 in this state.

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

25 ~~(F)~~ (vi) Except in cases of fraud or willful misconduct, the

1 qualified actuary is not liable for damages to any person (other
2 than the insurance company and the commissioner) for any act,
3 error, omission, decision or conduct with respect to the actuary's
4 opinion.

5 ~~(G)~~ (vii) Disciplinary action by the commissioner against the
6 company or the qualified actuary shall be defined in ~~regulations~~
7 rules by the commissioner.

8 ~~(H)~~ Any (viii) Except as provided in subparagraphs (xii),
9 (xiii), and (xiv) of this paragraph, documents, materials or other
10 information in the possession or control of the commissioner that
11 are a memorandum in support of the opinion and any other material
12 provided by the company to the commissioner in connection therewith
13 ~~shall be kept~~ are confidential by ~~the commissioner and shall not be~~
14 ~~made public~~ law and privileged, exempt from disclosure under
15 article one, chapter twenty-nine-a of this code and shall are not
16 be subject to subpoena ~~other than for the purpose of defending an~~
17 ~~action seeking damages from any person by reason of any action~~
18 ~~required by this section or by regulations promulgated hereunder:~~
19 ~~Provided, That the memorandum or other material may otherwise be~~
20 ~~released by the commissioner: (i) With the written consent of the~~
21 ~~company; (ii) to the American academy of actuaries upon request~~
22 ~~stating that the memorandum or other material is required for the~~
23 ~~purpose of professional disciplinary proceedings and setting forth~~
24 ~~procedures satisfactory to the commissioner for preserving the~~
25 ~~confidentiality of the memorandum or other material; or (iii) in~~

1 ~~accordance with section nineteen, article two of this chapter.~~
2 ~~Once any portion of the confidential memorandum is cited by the~~
3 ~~company in its marketing or is cited by the company before any~~
4 ~~governmental agency other than a state insurance department or is~~
5 ~~released by the company to the news media, all portions of the~~
6 ~~confidential memorandum shall be no longer confidential. and,~~
7 ~~additionally, are not subject to discovery or admissible in~~
8 ~~evidence in any private civil action. However, the commissioner is~~
9 ~~authorized to use the documents, materials or other information in~~
10 ~~the furtherance of any regulatory or legal action brought as a part~~
11 ~~of the commissioner's official duties.~~

12 (ix) Neither the commissioner nor any person who received
13 documents, materials or other information while acting under the
14 authority of the commissioner is permitted or required to testify
15 in any private civil action concerning any confidential documents,
16 materials or information subject to subparagraph (viii) of this
17 paragraph.

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

20 (I) May share documents, materials or other information,
21 including the confidential and privileged documents, materials or
22 information subject to subparagraph viii with other state, federal
23 and international regulatory agencies, with the NAIC and its
24 affiliates and subsidiaries, and with state, federal and
25 international law-enforcement authorities, provided that the

1 recipient agrees to maintain the confidentiality and privileged
2 status of the document, material or other information;

3 (II) May receive documents, materials or information,
4 including otherwise confidential and privileged documents,
5 materials or information, from the NAIC and its affiliates and
6 subsidiaries, and from regulatory and law-enforcement officials of
7 other foreign or domestic jurisdictions, and shall maintain as
8 confidential or privileged any document, material or information
9 received with notice or the understanding that it is confidential
10 or privileged under the laws of the jurisdiction that is the source
11 of the document, material or information; and

12 (III) May enter into agreements governing sharing and use of
13 information consistent with subparagraphs (viii) and (ix) and this
14 subparagraph.

15 (xi) No waiver of any applicable privilege or claim of
16 confidentiality in the documents, materials or information occurs
17 as a result of disclosure to the commissioner under this section or
18 as a result of sharing as authorized in subparagraph (ix).

19 (xii) A memorandum in support of the opinion, and any other
20 material provided by the company to the commissioner in connection
21 with the memorandum, may be subject to subpoena for the purpose of
22 defending an action seeking damages from the actuary submitting the
23 memorandum by reason of an action required by this subsection or by
24 rules.

25 (xiii) The memorandum or other material may otherwise be

1 released by the commissioner with the written consent of the
2 company or to the American Academy of Actuaries upon request
3 stating that the memorandum or other material is required for the
4 purpose of professional disciplinary proceedings and setting forth
5 procedures satisfactory to the commissioner for preserving the
6 confidentiality of the memorandum or other material.

7 (xiv) Once any portion of the confidential memorandum is
8 cited by the company in its marketing or is cited before a
9 governmental agency other than a state insurance department or is
10 released by the company to the news media, all portions of the
11 confidential memorandum shall be no longer confidential.

12 (2) Actuarial Opinion of Reserves after the Operative Date of
13 the Valuation Manual.

14 (A) General. Every company with outstanding life insurance
15 contracts, accident and health insurance contracts or deposit-type
16 contracts in this state and subject to rule of the commissioner
17 shall annually submit the opinion of the appointed actuary as to
18 whether the reserves and related actuarial items held in support of
19 the policies and contracts are computed appropriately, are based on
20 assumptions that satisfy contractual provisions, are consistent
21 with prior reported amounts and comply with applicable laws of this
22 state. The valuation manual will prescribe the specifics of this
23 opinion including any items deemed to be necessary to its scope.

24 (B) Actuarial Analysis of Reserves and Assets Supporting
25 Reserves. Every company with outstanding life insurance contracts,

1 accident and health insurance contracts or deposit-type contracts
2 in this state and subject to rule of the commissioner, except as
3 exempted in the valuation manual, shall also annually include in
4 the opinion required by paragraph (A) of this subdivision, an
5 opinion of the same appointed actuary as to whether the reserves
6 and related actuarial items held in support of the policies and
7 contracts specified in the valuation manual, when considered in
8 light of the assets held by the company with respect to the
9 reserves and related actuarial items, including, but not limited
10 to, the investment earnings on the assets and the considerations
11 anticipated to be received and retained under the policies and
12 contracts, make adequate provision for the company's obligations
13 under the policies and contracts, including, but not limited to,
14 the benefits under and expenses associated with the policies and
15 contracts.

16 (C) Requirements for Opinions Subject to paragraph (B),
17 subdivision (2), subsection (c). Each opinion required by
18 subdivision (2), subsection (c) of this section shall be governed
19 by the following:

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

23 (ii) If the insurance company fails to provide a supporting
24 memorandum at the request of the commissioner within a period
25 specified in the valuation manual or the commissioner determines

1 that the supporting memorandum provided by the insurance company
2 fails to meet the standards prescribed by the valuation manual or
3 is otherwise unacceptable to the commissioner, the commissioner may
4 engage a qualified actuary at the expense of the company to review
5 the opinion and the basis for the opinion and prepare the
6 supporting memorandum required by the commissioner.

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

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

12 (ii) The opinion shall be submitted with the annual statement
13 reflecting the valuation of such reserve liabilities for each year
14 ending on or after the operative date of the valuation manual.

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

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

23 (v) In the case of an opinion required to be submitted by a
24 foreign or alien company, the commissioner may accept the opinion
25 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 (vi) Except in cases of fraud or willful misconduct, the
5 appointed actuary is not liable for damages to any person, other
6 than the insurance company and the commissioner, for any act,
7 error, omission, decision or conduct with respect to the appointed
8 actuary's opinion.

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

11 (d) *Computation of minimum standards.* -- Except as otherwise
12 provided in subsections (e), (f) and (m) of this section, the
13 minimum standard for the valuation of all policies and contracts
14 issued prior to ~~the effective date of this section~~ January 1, 1958
15 shall be that provided by the laws in effect immediately prior to
16 ~~the effective~~ that date. Except as otherwise provided in
17 subsections (e), (f) and (m) of this section, the minimum standard
18 for the valuation of all policies and contracts issued on or after
19 ~~the effective date~~ January 1, 1958 of this section shall be the
20 commissioners reserve valuation methods defined in subsections (g),
21 (h), (k) and (m) of this section, three and one-half percent
22 interest or in the case of life insurance policies and contracts,
23 other than annuity and pure endowment contracts, issued on or after
24 June 1, 1974, four percent interest for policies issued prior to
25 April 6, 1977, five and one-half percent interest for single

1 premium life insurance policies and four and one-half percent
2 interest for all other policies issued on and after April 6, 1977,
3 and the following tables:

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

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

10 (B) The commissioner's 1958 standard ordinary mortality table
11 for policies issued on or after the operative date of subsection
12 ~~(4a)~~ (e), section thirty, article thirteen of this chapter and
13 prior to the operative date of subsection ~~(4c)~~ (g) of ~~said~~ that
14 section: *Provided*, That for any category of policies issued on
15 female risks, all modified net premiums and present values referred
16 to in this section may be calculated according to an age not more
17 than six years younger than the actual age of the insured; and

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

21 (i) The commissioner's 1980 standard ordinary mortality table;
22 or

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

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

5 (2) For all industrial life insurance policies issued on the
6 standard basis, excluding any disability and accidental death
7 benefits in the policies: The 1941 standard industrial mortality
8 table for policies issued prior to the operative date of
9 ~~subdivision (4),~~ subsection ~~(b)~~ (f), section thirty, article
10 thirteen of this chapter and for policies issued on or after the
11 operative date, the commissioner's 1961 standard industrial
12 mortality table or any industrial mortality table adopted after the
13 year 1980 by the national association of Insurance Commissioners
14 that is approved by rule promulgated by the commissioner for use in
15 determining the minimum standard of valuation for the policies.

16 (3) For individual annuity and pure endowment contracts,
17 excluding any disability and accidental death benefits in policies:
18 The 1937 standard annuity mortality table or, at the option of the
19 company, the annuity mortality table for 1949, ultimate, or any
20 modification of either of these tables approved by the
21 commissioner.

22 (4) For group annuity and pure endowment contracts, excluding
23 any disability and accidental death benefits in the policies: The
24 group annuity mortality table for 1951, any modification of the
25 table approved by the commissioner or, at the option of the

1 company, any of the tables or modifications of tables specified for
2 individual annuity and pure endowment contracts.

3 (5) For total and permanent disability benefits in or
4 supplementary to ordinary policies or contracts: For policies or
5 contracts issued on or after January 1, 1966, the tables of period
6 two disablement rates and the 1930 to 1950 termination rates of the
7 1952 disability study of the society of actuaries, with due regard
8 to the type of benefit or any tables of disablement rates and
9 termination rates adopted after the year 1980 by the national
10 association of Insurance Commissioners that are approved by rule
11 promulgated by the commissioner for use in determining the minimum
12 standard of valuation for the policies; for policies or contracts
13 issued on or after January 1, 1961, and prior to January 1, 1966,
14 either ~~such~~ those tables or, at the option of the company, the
15 Class (3) disability table (1926); and for policies issued prior to
16 January 1, 1961, the Class (3) disability table (1926).

17 Any table shall, for active lives, be combined with a
18 mortality table permitted for calculating the reserves for life
19 insurance policies.

20 (6) For accidental death benefits in or supplementary to
21 policies issued on or after January 1, 1966, the 1959 accidental
22 death benefits table or any accidental death benefits table adopted
23 after the year 1980 by the national association of Insurance
24 Commissioners, that is approved by rules promulgated by the
25 commissioner for use in determining the minimum standard of

1 valuation for such policies, for policies issued on or after
2 January 1, 1961, and prior to January 1, 1966, either such table
3 or, at the option of the company, the intercompany double indemnity
4 mortality table; and for policies issued prior to January 1, 1961,
5 the intercompany double indemnity mortality table. Either table
6 shall be combined with a mortality table for calculating the
7 reserves for life insurance policies.

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

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

20 (1) For individual annuity and pure endowment contracts issued
21 prior to April 6, 1977, excluding any disability and accidental
22 death benefits in the contracts: The 1971 individual annuity
23 mortality table or any modification of this table approved by the
24 commissioner and six percent interest for single premium immediate
25 annuity contracts and four percent interest for all other

1 individual annuity and pure endowment contracts;

2 (2) For individual single premium immediate annuity contracts
3 issued on or after April 6, 1977, excluding any disability and
4 accidental death benefits in such contracts: The 1971 individual
5 annuity mortality table or any individual annuity mortality table
6 adopted after the year 1980 by the national association of
7 Insurance Commissioners that is approved by rule promulgated by the
8 commissioner for use in determining the minimum standard of
9 valuation for the contracts or any modification of these tables
10 approved by the commissioner and seven and one-half percent
11 interest;

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

25 (4) For all annuities and pure endowments purchased prior to

1 April 6, 1977, under group annuity and pure endowment contracts,
2 excluding any disability and accidental death benefits purchased
3 under ~~the~~ those contracts: The 1971 group annuity mortality table
4 or any modification of this table approved by the commissioner and
5 six percent interest;

6 (5) For all annuities and pure endowments purchased on or
7 after April 6, 1977, under group annuity and pure endowment
8 contracts, excluding any disability and accidental death benefits
9 purchased under the contracts: The 1971 group annuity mortality
10 table or any group annuity mortality table adopted after the year
11 1980 by the national association of Insurance Commissioners that is
12 approved by ~~regulation~~ rule promulgated by the commissioner for use
13 in determining the minimum standard of valuation for annuities and
14 pure endowments or any modification of these tables approved by the
15 commissioner and seven and one-half percent interest.

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

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

23 --

24 (1) ~~Applicability of this section.~~ The interest rates used
25 in determining the minimum standard for the valuation of the

1 following shall be the calendar year statutory valuation interest
2 rates as defined in this section:

3 (A) All life insurance policies issued in a particular
4 calendar year, on or after the operative date of ~~subdivision (4),~~
5 subsection ~~(c)~~ (g), section thirty, article thirteen of this
6 chapter, as amended;

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

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

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

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

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

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

21 (ii) For single premium immediate annuities and for annuity
22 benefits involving life contingencies arising from other annuities
23 with cash settlement options and from guaranteed interest contracts
24 with cash settlement options, $I = .03 + W(R1 - .03)$ where R1 is the
25 lesser of R and .09, R2 is the greater of R and .09, R is the

1 reference interest rate defined in this subsection and W is the
2 weighting factor defined in this section;

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

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

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

22 (B) However, if the calendar year statutory valuation interest
23 rate for any life insurance policies issued in any calendar year
24 determined without reference to this sentence differs from the
25 corresponding actual rate for similar policies issued in the

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

13 (3) *Weighting factors.* --

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

16 (i) Weighting Factors for Life Insurance:

17 Guarantee

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

23 For life insurance, the guarantee duration is the maximum
24 number of years the life insurance can remain in force on a basis
25 guaranteed in the policy or under options to convert to plans of

1 life insurance with premium rates or nonforfeiture values or both
2 which are guaranteed in the original policy;

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

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

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

14 Guarantee	15 Weighting Factor		
16 Duration	17 for Plan Type		
18 (Years)	A	B	C
19 5 or less:	.80	.60	.50
20 More than 5, but not more than 10:	.75	.60	.50
21 More than 10, but not more than 20:	.65	.50	.45
22 More than 20:	.45	.35	.35

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

24	25 Weighting Factor		
	for Plan Type		

1	A	B	C1
2	.15	.25	.05

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

12	Weighting Factor		
13	for Plan Type		
14	A	B	C1
15	.05	.05	.05

16 (IV) For other annuities with cash settlement options and
17 guaranteed interest contracts with cash settlement options, the
18 guarantee duration is the number of years for which the contract
19 guarantees interest rates in excess of the calendar year statutory
20 valuation interest rate for life insurance policies with guarantee
21 duration in excess of twenty years. For other annuities with no
22 cash settlement options and for guaranteed interest contracts with
23 no cash settlement options, the guaranteed duration is the number
24 of years from the date of issue or date of purchase to the date
25 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.

25 (VI) A company may elect to value guaranteed interest

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

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

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

21 (i) For all life insurance, the lesser of the average over a
22 period of thirty-six months and the average over a period of twelve
23 months, ending on June 30 of the calendar year next preceding the
24 year of issue, of the monthly average of the composite yield on
25 seasoned corporate bonds as published by Moody's Investors Service,

1 Inc.

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

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

18 (iv) For other annuities with cash settlement options and
19 guaranteed interest contracts with cash settlement options, valued
20 on a year of issue basis, except as stated in subparagraph (ii) of
21 this paragraph, with guarantee duration of ten years or less, the
22 average over a period of twelve months, ending on June 30 of the
23 calendar year of issue or purchase, of the monthly average of the
24 composite yield on seasoned corporate bonds as published by Moody's
25 Investors Service, Inc.

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

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

14 (5) *Alternative method for determining reference interest*
15 *rates. --*

16 In the event that the monthly average of the composite yield
17 on seasoned corporate bonds is no longer published by Moody's
18 Investors Service, Inc., or in the event that the national
19 association of Insurance Commissioners determines that the monthly
20 average of the composite yield on seasoned corporate bonds as
21 published by Moody's Investors Service, Inc., is no longer
22 appropriate for the determination of the reference interest rate,
23 then an alternative method for determination of the reference
24 interest rate, which is adopted by the national association of
25 Insurance Commissioners and approved by ~~regulation~~ rule promulgated

1 by the commissioner, may be substituted.

2 (g) *Reserve valuation method.* -- Life insurance and endowment
3 benefits.

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

19 (1) A net level annual premium equal to the present value, at
20 the date of issue, of such benefits provided for after the first
21 policy year, divided by the present value, at the date of issue, of
22 an annuity of one per annum payable on the first and each
23 subsequent anniversary of such policy on which a premium falls due:
24 *Provided,* That such net level annual premium shall not exceed the
25 net level annual premium on the nineteen-year premium whole life

1 plan for insurance of the same amount at an age one year higher
2 than the age at issue of such policy.

3 (2) A net one-year term premium for such benefits provided for
4 in the first policy year: *Provided*, That for any life insurance
5 policy issued on or after January 1, 1985, for which the contract
6 premium in the first policy year exceeds that of the second year
7 and for which no comparable additional benefit is provided in the
8 first year for such excess and which provides an endowment benefit
9 or a cash surrender value or a combination thereof in an amount
10 greater than such excess premium, the reserve according to the
11 commissioners' reserve valuation method as of any policy
12 anniversary occurring on or before the assumed ending date defined
13 herein as the first policy anniversary on which the sum of any
14 endowment benefit and any cash surrender value then available is
15 greater than such excess premium shall, except as otherwise
16 provided in subsection (k) of this section, be the greater of the
17 reserve as of such policy anniversary calculated as described in
18 the preceding paragraph and the reserve as of the policy
19 anniversary calculated as described in that paragraph, but with:
20 (i) The value defined in subdivision (1) of that paragraph being
21 reduced by fifteen percent of the amount of such excess first-year
22 premium; (ii) all present values of benefits and premiums being
23 determined without reference to premiums or benefits provided ~~for~~
24 by the policy after the assumed ending date; (iii) the policy being
25 assumed to mature on the date as an endowment; and (iv) the cash

1 surrender value provided on such date being considered as an
2 endowment benefit. In making the above comparison, the mortality
3 and interest bases stated in subsections (d) and (f) of this
4 section shall be used.

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

23 (h) *Reserve valuation method.* -- Annuity and pure endowment
24 benefits.

25 (1) This subsection shall apply to all annuity and pure

1 endowment contracts other than group annuity and pure endowment
2 contracts purchased under a retirement plan or plan of deferred
3 compensation established or maintained by an employer (including a
4 partnership or sole proprietorship) or by an employee organization,
5 or by both, other than a plan providing individual retirement
6 accounts or individual retirement annuities under section 408 of
7 the Internal Revenue Code (26 U.S.C. §408) as now or hereafter
8 amended.

9 (2) Reserves according to the commissioners' annuity reserve
10 method for benefits under annuity or pure endowment contracts,
11 excluding any disability and accidental death benefits in such
12 contracts, shall be the greatest of the respective excesses of the
13 present values, at the date of valuation, of the future guaranteed
14 benefits, including guaranteed nonforfeiture benefits, provided ~~for~~
15 by such contracts at the end of each respective contract year over
16 the present value, at the date of valuation, of any future
17 valuation considerations derived from future gross considerations,
18 required by the terms of such contract, that become payable prior
19 to the end of ~~such~~ the respective contract year.

20 The future guaranteed benefits shall be determined by using
21 the mortality table, if any, and the interest rate, or rates,
22 specified in the contracts for determining guaranteed benefits.
23 The valuation considerations are the portions of the respective
24 gross considerations applied under the terms of such contracts to
25 determine nonforfeiture values.

1 (i) *Minimum reserves.* --

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

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

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

15 (1) Reserves for all policies and contracts issued prior to
16 the effective date of this section may be calculated, at the option
17 of the company, according to any standards which produce greater
18 aggregate reserves for all policies and contracts than the minimum
19 reserves required by the laws in effect immediately prior to such
20 date.

21 (2) Reserves for any category of policies, contracts or
22 benefits as established by the commissioner issued on or after ~~the~~
23 ~~effective date of this section~~ January 1, 1958 may be calculated,
24 at the option of the company, according to any standards which
25 produce greater aggregate reserves for such category than those

1 calculated according to the minimum standard herein provided, but
2 the rate or rates of interest used for policies and contracts,
3 other than annuity and pure endowment contracts, shall not be
4 higher than the corresponding rate or rates of interest used in
5 calculating any nonforfeiture benefits provided therein.

6 (3) Any such company which at any time shall have adopted any
7 standard of valuation producing greater aggregate reserves than
8 those calculated according to the minimum standard herein provided
9 may, with the approval of the commissioner, adopt any lower
10 standard of valuation, but not lower than the minimum herein
11 provided: *Provided*, That for the purposes of this section, the
12 holding of additional reserves previously determined by ~~a qualified~~
13 the appointed actuary to be necessary to render the opinion
14 required by subsection (c) of this section shall not be considered
15 to be the adoption of a higher standard of valuation.

16 (k) *Reserve calculation.* -- Valuation net premium exceeding
17 the gross premium charged.

18 (1) If in any contract year the gross premium charged by any
19 life insurance company on any policy or contract is less than the
20 valuation net premium for the policy or contract calculated by the
21 method used in calculating the reserve thereon but using the
22 minimum valuation standards of mortality and rate of interest, the
23 minimum reserve required for such policy or contract shall be the
24 greater of either the reserve calculated according to the mortality
25 table, rate of interest and method actually used for such policy or

1 contract or the reserve calculated by the method actually used for
2 such policy or contract but using the minimum valuation standards
3 of mortality and rate of interest and replacing the valuation net
4 premium by the actual gross premium in each contract year for which
5 the valuation net premium exceeds the actual gross premium. The
6 minimum valuation standards of mortality and rate of interest
7 referred to in this section are those standards stated in
8 subsections (d) and (f) of this section: *Provided*, That for any
9 life insurance policy issued on or after January 1, 1985, for which
10 the gross premium in the first policy year exceeds that of the
11 second year and for which no comparable additional benefit is
12 provided in the first year for such excess and which provides an
13 endowment benefit or a cash surrender value or a combination
14 thereof in an amount greater than such excess premium, the
15 foregoing provisions of this subsection shall be applied as if the
16 method actually used in calculating the reserve for such policy
17 were the method described in subsection (g) of this section,
18 ignoring the second paragraph of said subsection.

19 (2) The minimum reserve at each policy anniversary of such a
20 policy shall be the greater of the minimum reserve calculated in
21 accordance with subsection (g) of this section, including the
22 second paragraph of said section, and the minimum reserve
23 calculated in accordance with this subsection.

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

25 In the case of any plan of life insurance which provides for

1 future premium determination, the amounts of which are to be
2 determined by the insurance company based on then estimates of
3 future experience, or in the case of any plan of life insurance or
4 annuity which is of such a nature that the minimum reserves cannot
5 be determined by the methods described in subsections (g), (h) and
6 (k) of this section, the reserves which are held under any such
7 plan must:

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

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

13 ~~(m) Minimum standards for health (disability, accident and~~
14 ~~sickness) plans.---~~

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

18 ~~(n) The commissioner shall promulgate a rule on or before~~
19 ~~November 1, 1995, prescribing the guidelines and standards for~~
20 ~~statements of actuarial opinion which are to be submitted in~~
21 ~~accordance with subsection (c) of this section and for memoranda in~~
22 ~~support thereof; guidelines and standards for statements of~~
23 ~~actuarial opinion which are to be submitted when a company is~~
24 ~~exempt from subdivision (2) of said subsection of the standard~~
25 ~~valuation law; and rules applicable to the appointment of an~~

1 ~~appointed actuary.~~

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

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

8 ~~(1) (m)~~ The commissioner may, by rule, establish alternative
9 methods of calculating reserve liabilities, which methods shall be
10 used to calculate reserve liabilities for the types of policies,
11 annuities or other contracts identified in the rule: *Provided,*
12 That the method specified in the rule shall be one which, in the
13 opinion of the commissioner and in light of the methods applied to
14 the contracts by the insurance regulators of other states, is
15 appropriate to the contracts. This power shall be in addition to,
16 and in no way diminish, rule-making power granted to the
17 commissioner elsewhere in this code.

18 ~~(2) The legislative rule filed in the state register on August~~
19 ~~20, 1996, (valuation of life insurance policies, 114 CSR 49) is~~
20 ~~hereby disapproved and is not authorized for promulgation:~~
21 ~~*Provided,* That for purposes of determining the legal effects of the~~
22 ~~aforementioned rule, this provision shall be considered to have~~
23 ~~taken effect on December 31, 1997. This disapproval shall in no~~
24 ~~way limit the commissioner's power to promulgate in the future a~~
25 ~~rule similar or identical to the rule here disapproved.~~

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

3 (1) The commissioner shall promulgate emergency rules adopting
4 a valuation manual that is substantially similar to the valuation
5 manual approved by the National Association of Insurance
6 Commissioners and any amendments to such manual as may be
7 subsequently approved by the National Association of Insurance
8 Commissioners, and such rules shall be effective in accordance with
9 subdivisions (2) and (3) of this subsection.

10 (2) The operative date of the valuation manual is January 1
11 of the first calendar year following the first July 1 as of which
12 all of the following have occurred:

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

17 (B) The Standard Valuation Law, as amended by the National
18 Association of Insurance Commissioners in 2009, or legislation
19 including substantially similar terms and provisions, has been
20 enacted by states representing greater than seventy-five percent of
21 the direct premiums written as reported in the following annual
22 statements submitted for 2008: Life, accident and health annual
23 statements; health annual statements; and fraternal annual
24 statements; and

25 (C) The Standard Valuation Law, as amended by the National

1 Association of Insurance Commissioners in 2009, or legislation
2 including substantially similar terms and provisions, has been
3 enacted by at least forty-two of the following fifty-five
4 jurisdictions: The fifty states of the United States, American
5 Samoa, the American Virgin Islands, the District of Columbia, Guam,
6 and Puerto Rico.

7 (3) Unless a change in the valuation manual specifies a later
8 effective date, changes to the valuation manual shall be effective
9 on January 1 following the date when such changes have been adopted
10 by the National Association of Insurance Commissioners by an
11 affirmative vote representing:

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

15 (B) Members of the National Association of Insurance
16 Commissioners representing jurisdictions totaling greater than
17 seventy-five percent of the direct premiums written, as reported in
18 the following annual statements most recently available prior to
19 the vote in paragraph (A), of this subdivision: Life, accident and
20 health annual statements, health annual statements, or fraternal
21 annual statements.

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

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

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

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

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

9 (B) Which policies or contracts or types of policies or
10 contracts that are subject to the requirements of a principle-based
11 valuation in subdivision (1), subsection (o) of this section and
12 the minimum valuation standards consistent with those requirements.

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

15 (i) Requirements for the format of reports to the commissioner
16 under paragraph (C), subdivision (2), subsection (o) of this
17 section and which shall include information necessary to determine
18 if the valuation is appropriate and in compliance with this
19 section;

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

22 (iii) Procedures for corporate governance and oversight of the
23 actuarial function and a process for appropriate waiver or
24 modification of such procedures.

25 (D) For policies not subject to a principle-based valuation

1 under subsection (o), the minimum valuation standard shall either:

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

4 (ii) Develop reserves that quantify the benefits and
5 guarantees, and the funding, associated with the contracts and
6 their risks at a level of conservatism that reflects conditions
7 that include unfavorable events that have a reasonable probability
8 of occurring.

9 (E) Other requirements, including, but not limited to, those
10 relating to reserve methods, models for measuring risk, generation
11 of economic scenarios, assumptions, margins, use of company
12 experience, risk measurement, disclosure, certifications, reports,
13 actuarial opinions and memorandums, transition rules and internal
14 controls; and

15 (F) The data and form of the data required under subsection
16 (p) of this section, with whom the data must be submitted, and may
17 specify other requirements including data analyses and reporting of
18 analyses.

19 (5) For policies issued on or after the operative date of the
20 valuation manual, the standard prescribed in the valuation manual
21 is the minimum standard of valuation required under subdivision
22 (2), subsection (b) of this section, except as provided under
23 subdivision (6) or (8) of this subsection.

24 (6) In the absence of a specific valuation requirement or if
25 a specific valuation requirement in the valuation manual is not, in

1 the opinion of the commissioner, in compliance with this section,
2 then the company shall, with respect to such requirements, comply
3 with minimum valuation standards prescribed by rule.

4 (7) The commissioner may engage a qualified actuary, at the
5 expense of the company, to perform an actuarial examination of the
6 company and opine on the appropriateness of any reserve assumption
7 or method used by the company, or to review and opine on a
8 company's compliance with any requirement set forth in this
9 section. The commissioner may rely upon the opinion, regarding
10 provisions contained within this section, of a qualified actuary
11 engaged by the commissioner of another state, district or territory
12 of the United States. As used in this subdivision, term "engage"
13 includes employment and contracting.

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

19 (o) *Requirements of a Principle-Based Valuation.* --

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

23 (A) Quantify the benefits and guarantees, and the funding,
24 associated with the contracts and their risks at a level of
25 conservatism that reflects conditions that include unfavorable

1 events that have a reasonable probability of occurring during the
2 lifetime of the contracts. For policies or contracts with
3 significant tail risk, reflects conditions appropriately adverse to
4 quantify the tail risk.

5 (B) Incorporate assumptions, risk analysis methods and
6 financial models and management techniques that are consistent
7 with, but not necessarily identical to, those utilized within the
8 company's overall risk assessment process, while recognizing
9 potential differences in financial reporting structures and any
10 prescribed assumptions or methods.

11 (C) Incorporate assumptions that are derived in one of the
12 following manners:

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

14 (ii) For assumptions that are not prescribed, the assumptions
15 shall either:

16 (I) Be established utilizing the company's available
17 experience, to the extent it is relevant and statistically
18 credible; or

19 (II) To the extent that company data is not available,
20 relevant or statistically credible, be established utilizing other
21 relevant, statistically credible experience.

22 (D) Provide margins for uncertainty including adverse
23 deviation and estimation error, such that the greater the
24 uncertainty, the larger the margin and resulting reserve.

25 (2) A company using a principle-based valuation for one or

1 more policies or contracts subject to this section as specified in
2 the valuation manual shall:

3 (A) Establish procedures for corporate governance and
4 oversight of the actuarial valuation function consistent with those
5 described in the valuation manual.

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

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

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

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

24 (q) Confidentiality. --

25 (1) For purposes of this subsection, "confidential

1 information" means:

2 (A) A memorandum in support of an opinion submitted under
3 subsection (c) of this section and any other documents, materials
4 and other information, including, but not limited to, all working
5 papers, and copies thereof, created, produced or obtained by or
6 disclosed to the commissioner or any other person in connection
7 with such memorandum;

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

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

1 disclosed to the commissioner or any other person in connection
2 with such reports, documents, materials and other information;

3 (D) Any principle-based valuation report developed under
4 paragraph (C), subdivision (2), subsection (o) of this section and
5 any other documents, materials and other information, including,
6 but not limited to, all working papers, and copies thereof,
7 created, produced or obtained by or disclosed to the commissioner
8 or any other person in connection with such report; and

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

23 (2) Privilege for, and Confidentiality of, Confidential
24 Information.

25 (A) Except as otherwise provided in this subsection, a

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

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

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

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

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

1 (iii) In the case of subparagraphs (i) and (ii) of this
2 paragraph, provided that such recipient agrees and has the legal
3 authority to agree, to maintain the confidentiality and privileged
4 status of such documents, materials, data and other information in
5 the same manner and to the same extent as required for the
6 commissioner.

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

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

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

25 (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
25 the company to the news media, all portions of such memorandum or

1 report are no longer be confidential.

2 **ARTICLE 13. LIFE INSURANCE.**

3 **§33-13-30. Standard nonforfeiture law for life insurance.**

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

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

1 benefits;

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

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

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

21 ~~(e)~~ (5) In the case of policies which cause on a basis
22 guaranteed in the policy unscheduled changes in benefits or
23 premiums, or which provide an option for changes in benefits or
24 premiums other than a change to a new policy, a statement of the
25 mortality table, interest rate and method used in calculating cash

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

13 ~~(f)~~ (6) A statement that the cash surrender values and the
14 paid-up nonforfeiture benefits available under the policy are not
15 less than the minimum values and benefits required by or pursuant
16 to the insurance law of the state in which the policy is delivered;
17 an explanation of the manner in which the cash surrender values and
18 the paid-up nonforfeiture benefits are altered by the existence of
19 any paid-up additions credited to the policy or any indebtedness to
20 the company on the policy; if a detailed statement of the method of
21 computation of the values and benefits shown in the policy is not
22 stated therein a statement that such method of computation has been
23 filed with the insurance supervisory official of the state in which
24 the policy is delivered; and a statement of the method to be used
25 in calculating the cash surrender value and paid-up nonforfeiture

1 benefits available under the policy on any policy anniversary
2 beyond the last anniversary for which such values and benefits are
3 consecutively shown in the policy.

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

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

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

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

19 ~~(i) the~~ (A) The then present value of the adjusted premiums as
20 defined in subsections ~~(4), (4a), (4b) and (4c)~~ (d), (e), (f) and
21 (g) of this section, corresponding to premiums which would have
22 fallen due on and after such anniversary; and

23 ~~(ii) the~~ (B) The amount of any indebtedness to the insurer on
24 the policy: *Provided*, That for any policy issued on or after the
25 operative date of subsection ~~(4c)~~ (g) of this section as defined

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

24 (2) Any cash surrender value available within thirty days
25 after any policy anniversary under any policy paid up by completion

1 of all premium payments or any policy continued under any paid-up
2 nonforfeiture benefit, whether or not required by subsection one,
3 shall be an amount not less than the present value, on such
4 anniversary, of the future guaranteed benefits provided for by the
5 policy, including any existing paid-up additions decreased by any
6 indebtedness to the insurer on the policy.

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

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

16 (1) This subsection ~~(4)~~ does not apply to policies
17 issued on or after the operative date of subsection ~~(4c)~~ as defined
18 therein (g) of this section. Except as provided in ~~the third~~
19 ~~paragraph~~ subdivision (4) of this subsection, the adjusted premiums
20 for any policy shall be calculated on an annual basis and shall be
21 such uniform percentage of the respective premiums specified in the
22 policy for each policy year, excluding ~~extra premiums on a~~
23 ~~substandard policy~~ amounts stated in the policy as extra premiums
24 to cover impairments or special hazards, that the present value, at
25 the date of issue of the policy, of all such adjusted premiums

1 shall be equal to the sum of:

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

4 ~~(ii) two~~ (B) Two percent of the amount of insurance, if the
5 insurance be uniform in amount, or of the equivalent uniform
6 amount, as hereinafter defined, if the amount of insurance varies
7 with duration of the policy;

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

10 ~~(iv) twenty-five~~ (D) Twenty-five percent of either the
11 adjusted premium for the first policy year or the adjusted premium
12 for a whole life policy of the same uniform or equivalent uniform
13 amount with uniform premiums for the whole of life issued at the
14 same age for the same amount of insurance, whichever is less.

15 ~~Provided, That in~~ (2) In applying the percentages specified
16 in ~~(iii) and (iv) above paragraphs (C) and (D), subdivision (1) of~~
17 ~~this subsection,~~ no adjusted premium shall be deemed to exceed four
18 percent of the amount of insurance or uniform amount equivalent
19 thereto. The date of issue of a policy for the purpose of this
20 subsection shall be the date as of which the rated age of the
21 insured is determined.

22 (3) In the case of a policy providing an amount of insurance
23 varying with duration of the policy, the equivalent uniform amount
24 ~~thereof~~ for the purpose of this subsection shall be deemed to be
25 the uniform amount of insurance provided by an otherwise similar

1 policy, containing the same endowment benefit or benefits, if any,
2 issued at the same age and for the same term, the amount of which
3 does not vary with duration and the benefits under which have the
4 same present value at the date of issue as the benefits under the
5 policy. ~~Provided, That in the case of a policy providing a varying~~
6 ~~amount of insurance issued on the life of a child under age ten,~~
7 ~~the equivalent uniform amount may be computed as though the amount~~
8 ~~of insurance provided by the policy prior to the attainment of age~~
9 ~~ten were the amount provided by such policy at age ten.~~

10 (4) The adjusted premiums for any policy providing term
11 insurance benefits by rider or supplemental policy provision shall
12 be equal to:

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

17 ~~(b) the~~ (B) The adjusted premiums for such term insurance; and
18 ~~the foregoing items (a) and (b)~~ (C) Paragraphs (A) and (B) of
19 this subdivision being calculated separately and as specified in
20 ~~the first two paragraphs~~ subdivisions (1), (2) and (3) of this
21 subsection except that, for the purposes of ~~(ii), (iii) and (iv)~~ of
22 ~~the first such paragraph~~ paragraphs (B), (C) and (D), subdivision
23 (1) of this subsection, the amount of insurance or equivalent
24 uniform amount of insurance used in the calculation of the adjusted
25 premiums referred to in ~~(b)~~ paragraph (B), subdivision (1) of this

1 subsection shall be equal to the excess of the corresponding amount
2 determined for the entire policy over the amount used in the
3 calculation of the adjusted premiums in ~~(a)~~ paragraph (A),
4 subdivision (4) of this subsection.

5 (5) Except as otherwise provided in subsections ~~(4a) and (4b)~~
6 (e) and (f) of this section, all adjusted premiums and present
7 values referred to in this section shall for all policies of
8 ordinary insurance be calculated on the basis of the Commissioners
9 1941 Standard Ordinary Mortality Table: *Provided,* That for any
10 category of ordinary insurance issued on female risks, adjusted
11 premiums and present values may be calculated according to an age
12 not more than three years younger than the actual age of the
13 insured, and such calculations for all policies of industrial
14 insurance shall be made on the basis of the 1941 Standard
15 Industrial Mortality Table. All calculations shall be made on the
16 basis of the rate of interest, not exceeding three and one-half
17 percent per annum, specified in the policy for calculating cash
18 surrender values and paid-up nonforfeiture benefits: *Provided,*
19 *however,* That in calculating the present value of any paid-up term
20 insurance with accompanying pure endowment, if any, offered as a
21 nonforfeiture benefit, the rates of mortality assumed may be not
22 more than one hundred and thirty percent of the rates of mortality
23 according to such applicable table: *Provided further,* That for
24 insurance issued on a substandard basis, the calculation of any
25 such adjusted premiums and present values may be based on such

1 other table of mortality as may be specified by the insurer and
2 approved by the commissioner.

3 ~~(4a)~~ (e) This subsection ~~(4a) shall~~ does not apply to ordinary
4 policies issued on or after the operative date of subsection ~~(4e)~~
5 ~~as defined therein~~ (g) of this section. In the case of ordinary
6 policies issued on or after the operative date of this subsection,
7 ~~(4a) as defined herein,~~ all adjusted premiums and present values
8 referred to in this section shall be calculated on the basis of the
9 Commissioners 1958 Standard Ordinary Mortality Table and the rate
10 of interest specified in the policy for calculating cash surrender
11 values and paid-up nonforfeiture benefits provided that such rate
12 of interest shall not exceed three and one-half percent per annum
13 except that a rate of interest not exceeding four percent per annum
14 may be used for policies issued on or after June 3, 1974 and prior
15 to April 6, 1977, and a rate of interest not exceeding five and
16 one-half percent per annum may be used for policies issued on or
17 after April 6, 1977, except that for any single premium whole life
18 or endowment insurance policy a rate of interest not exceeding six
19 and one-half percent per annum may be used: *Provided,* That for any
20 category of ordinary insurance issued on female risks, adjusted
21 premiums and present values may be calculated according to an age
22 not more than six years younger than the actual age of the insured:
23 *Provided, however,* That in calculating the present value of any
24 paid-up term insurance with accompanying pure endowment, if any,
25 offered as a nonforfeiture benefit, the rates of mortality assumed

1 may be not more than those shown in the Commissioners 1958 Extended
2 Term Insurance Table: *Provided further*, That for insurance issued
3 on a substandard basis, the calculation of any such adjusted
4 premiums and present values may be based on such other table of
5 mortality as may be specified by the company and approved by the
6 commissioner.

7 After June 3, 1959, any company may file with the commissioner
8 a written notice of its election to comply with the provisions of
9 this subsection after a specified date before January 1, 1966.
10 After the filing of such notice, then upon such specified date
11 (which shall be the operative date of this subsection for such
12 company), this subsection shall become operative with respect to
13 the ordinary policies thereafter issued by such company. If a
14 company makes no such election, the operative date of this
15 subsection for such company shall be January 1, 1966.

16 ~~(4b)~~ (f) This subsection ~~(4b) shall~~ does not apply to
17 industrial policies issued on or after the operative date of
18 subsection ~~(4c) as defined therein~~ (g) of this section. In the
19 case of industrial policies issued on or after the operative date
20 of this subsection, ~~(4b) as defined herein,~~ all adjusted premiums
21 and present values referred to in this section shall be calculated
22 on the basis of the Commissioners 1961 Standard Industrial
23 Mortality Table and the rate of interest specified in the policy
24 for calculating cash surrender values and paid-up nonforfeiture
25 benefits provided that such rate of interest shall not exceed three

1 and one-half percent per annum except that a rate of interest not
2 exceeding four percent per annum may be used for policies issued on
3 or after June 3, 1974 and prior to April 6, 1977, and a rate of
4 interest not exceeding five and one-half percent per annum may be
5 used for policies issued on or after April 6, 1977, except that for
6 any single premium whole life or endowment insurance policy a rate
7 of interest not exceeding six and one-half percent per annum may be
8 used: *Provided*, That in calculating the present value of any
9 paid-up term insurance with accompanying pure endowment, if any,
10 offered as a nonforfeiture benefit, the rates of mortality assumed
11 may be not more than those shown in the Commissioners 1961
12 Industrial Extended Term Insurance Table: *Provided, however*, That
13 for insurance issued on a substandard basis, the calculation of any
14 such adjusted premiums and present values may be based on such
15 other table of mortality as may be specified by the company and
16 approved by the commissioner.

17 ~~After the effective date of this subsection (4b) May 31, 1965,~~
18 any company may file with the commissioner a written notice of its
19 election to comply with the provisions of this subsection after a
20 specified date before January 1, 1968. After the filing of such
21 notice, then upon such specified date (which shall be the operative
22 date of this subsection for such company), this subsection shall
23 become operative with respect to the industrial policies thereafter
24 issued by such company. If a company makes no such election, the
25 operative date of this subsection for such company shall be January

1 1, 1968.

2 ~~(4c)~~ ~~(a)~~ (g) (1) This subsection ~~shall apply~~ applies to all
3 policies issued on or after the operative date of this subsection.
4 ~~(4c)~~ ~~as defined herein.~~ Except as provided in ~~the seventh~~
5 ~~paragraph~~ subdivision (7) of this subsection, the adjusted premiums
6 for any policy shall be calculated on an annual basis and shall be
7 such uniform percentage of the respective premiums specified in the
8 policy for each policy year, excluding amounts payable as extra
9 premiums to cover impairments or special hazards and also excluding
10 any uniform annual contract charge or policy fee specified in the
11 policy in a statement of the method to be used in calculating the
12 cash surrender values and paid-up nonforfeiture benefits, that the
13 present value, at the date of issue of the policy, of all adjusted
14 premiums shall be equal to the sum of;

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

17 ~~(ii)~~ ~~one~~ (B) One percent of either the amount of insurance, if
18 the insurance be uniform in amount, or the average amount of
19 insurance at the beginning of each of the first ten policy years;
20 and

21 ~~(iii)~~ ~~one~~ (C) One hundred twenty-five percent of the
22 nonforfeiture net level premium as hereinafter defined: *Provided,*
23 That in applying ~~the percentage specified in (iii) above~~ this
24 percentage no nonforfeiture net level premium shall be deemed to
25 exceed four percent of either the amount of insurance, if the

1 insurance be uniform in amount, or the average amount of insurance
2 at the beginning of each of the first ten policy years. The date
3 of issue of a policy for the purpose of this subsection shall be
4 the date as of which the rated age of the insured is determined;

5 ~~(b)~~ (2) The nonforfeiture net level premium shall be equal to
6 the present value, at the date of issue of the policy, of the
7 guaranteed benefits provided ~~for~~ by the policy divided by the
8 present value, at the date of issue of the policy, of an annuity of
9 one per annum payable on the date of issue of the policy and on
10 each anniversary of such policy on which a premium falls due;

11 ~~(c)~~ (3) In the case of policies which cause on a basis
12 guaranteed in the policy unscheduled changes in benefits or
13 premiums, or which provide an option for changes in benefits or
14 premiums other than a change to a new policy, the adjusted premiums
15 and present values shall initially be calculated on the assumption
16 that future benefits and premiums do not change from those
17 stipulated at the date of issue of the policy. At the time of any
18 such change in the benefits or premiums the future adjusted
19 premiums, nonforfeiture net level premiums and present values shall
20 be recalculated on the assumption that future benefits and premiums
21 do not change from those stipulated by the policy immediately after
22 the change;

23 ~~(d)~~ (4) Except as otherwise provided in ~~the seventh paragraph~~
24 subdivision (7) of this subsection, the recalculated future
25 adjusted premiums for any such policy shall be such uniform

1 percentage of the respective future premiums specified in the
2 policy for each policy year, excluding amounts payable as extra
3 premiums to cover impairments and special hazards, and also
4 excluding any uniform annual contract charge or policy fee
5 specified in the policy in a statement of the method to be used in
6 calculating the cash surrender values and paid-up nonforfeiture
7 benefits, that the present value, at the time of change to the
8 newly defined benefits or premiums, of all such future adjusted
9 premiums shall be equal to the excess of:

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

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

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

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

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

19 ~~(i) one~~ (A) One percent of the excess, if positive, of the
20 average amount of insurance at the beginning of each of the first
21 ten policy years subsequent to the change over the average amount
22 of insurance prior to the change at the beginning of each of the
23 first ten policy years subsequent to the time of the most recent
24 previous change, or, if there has been no previous change, the date
25 of issue of the policy; and

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

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

6 (A) Equals the sum of

7 (i) The nonforfeiture net level premium applicable prior to
8 the change times the present value of an annuity of one per annum
9 payable on each anniversary of the policy on or subsequent to the
10 date of the change on which a premium would have fallen due had the
11 change not occurred; and

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

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

17 ~~(g) (7)~~ (7) Notwithstanding any other provisions of this
18 subsection to the contrary, in the case of a policy issued on a
19 substandard basis which provides reduced graded amounts of
20 insurance so that, in each policy year, such policy has the same
21 tabular mortality cost as an otherwise similar policy issued on the
22 standard basis which provides higher uniform amounts of insurance,
23 adjusted premiums and present values for such substandard policy
24 may be calculated as if it were issued to provide such higher
25 uniform amounts of insurance on the standard basis;

1 ~~(h)~~ (8) All adjusted premiums and present values referred to
2 in this section shall for all policies of ordinary insurance be
3 calculated on the basis of (i) the Commissioners 1980 Standard
4 Ordinary Mortality Table or (ii) at the election of the company for
5 any one or more specified plans of life insurance, the
6 Commissioners 1980 Standard Ordinary Mortality Table with ten-year
7 select mortality factors; shall for all policies of industrial
8 insurance be calculated on the basis of the Commissioners 1961
9 Standard Industrial Mortality Table; and shall for all policies
10 issued in a particular calendar year be calculated on the basis of
11 a rate of interest not exceeding the nonforfeiture interest rate as
12 defined in this subsection for policies issued in that calendar
13 year: *Provided, That:*

14 ~~(i)~~ (A) At the option of the company, calculations for all
15 policies issued in a particular calendar year may be made on the
16 basis of a rate of interest not exceeding the nonforfeiture
17 interest rate, as defined in this subsection, for policies issued
18 in the immediately preceding calendar year;

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

25 ~~(iii)~~ (C) A company may calculate the amount of any guaranteed

1 paid-up nonforfeiture benefit including any paid-up additions under
2 the policy on the basis of an interest rate no lower than that
3 specified in the policy for calculating cash surrender values;

4 ~~(iv)~~ (D) 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 those shown in the Commissioners 1980 Extended Term
8 Insurance Table for policies of ordinary insurance and not more
9 than the Commissioners 1961 Industrial Extended Term Insurance
10 Table for policies of industrial insurance;

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

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

1 substituted for the Commissioner's 1980 Standard Ordinary Mortality
2 Table with or without Ten-Year Select Mortality Factors or for the
3 Commissioners 1980 Extended Term Insurance Table. If the
4 commissioner approves by rule any Commissioners Standard ordinary
5 mortality table adopted by the National Association of Insurance
6 Commissioners for use in determining the minimum nonforfeiture
7 standard for policies issued on or after the operative date of the
8 valuation manual then that minimum nonforfeiture standard
9 supersedes the minimum nonforfeiture standard provided by the
10 valuation manual. For purposes of this paragraph, paragraph (G) of
11 this subdivision and subdivision (9) of this subsection, the
12 operative date of the valuation manual is that date determined in
13 accordance with subsection (n), section nine, article seven of this
14 chapter;

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

1 substituted for the Commissioners 1961 Standard Industrial
2 Mortality Table or the Commissioners 1961 Industrial Extended Term
3 Insurance Table: *Provided*, That if the Legislature approves a rule
4 providing that a Commissioners Standard Industrial Mortality Table
5 adopted by the National Association of Insurance Commissioners
6 shall be used in determining the minimum nonforfeiture standard for
7 policies issued on or after the operative date of the valuation
8 manual, then that minimum nonforfeiture standard supersedes the
9 minimum nonforfeiture standard provided by the valuation manual;

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

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

1 ~~(k)~~ ~~After the effective date of this subsection (4c)~~ (11)
2 After May 30, 1983, any company may file with the commissioner a
3 written notice of its election to comply with the provisions of
4 this section after a specified date before January 1, 1989, which
5 shall be the operative date of this subsection for such company.
6 If a company makes no such election, the operative date of this
7 section for such company shall be January 1, 1989.

8 ~~(4d)~~ (h) In the case of any plan of life insurance which
9 provides for future premium determination, the amounts of which are
10 to be determined by the insurance company based on then estimates
11 of future experience, or in the case of any plan of life insurance
12 which is of such a nature that minimum values cannot be determined
13 by the methods described in ~~subsections (1), (2), (3), (4), (4a),~~
14 ~~(4b) and (4c) herein~~ subsection (a), (b), (c), (d), (e), (f) or (g)
15 of this section, then:

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

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

25 ~~(c)~~ (3) The cash surrender values and paid-up nonforfeiture

1 benefits provided by such plan must not be less than the minimum
2 values and benefits required for the plan computed by a method
3 consistent with the principles of this Standard Nonforfeiture Law
4 for Life Insurance, as determined by ~~regulations~~ rules promulgated
5 by the commissioner.

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

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

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

22 ~~(iii) as~~ (3) As reversionary annuity or deferred reversionary
23 annuity benefits;

24 ~~(iv) as~~ (4) As term insurance benefits provided by a rider or
25 supplemental policy provision to which, if issued as a separate

1 policy, this subsection would not apply;

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

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

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

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

25 ~~(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

25 (ii) ~~the~~ The first policy anniversary at which there is

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

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

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

22 (5) Any cash surrender value available other than in the event
23 of default in a premium payment due on a policy anniversary, and
24 the amount of any paid-up nonforfeiture benefit available under the
25 policy in the event of default in a premium payment shall be

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

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

11 ~~(a)~~ (1) Reinsurance;

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

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

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

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

19 ~~(f)~~ (6) Term policy of decreasing amount, which provides no
20 guaranteed nonforfeiture or endowment benefits, on which each
21 adjusted premium, calculated as specified in subsections ~~(4), (4a),~~
22 ~~(4b) and (4c)~~ (d), (e), (f) and (g) of this section, is less than
23 the adjusted premium so calculated on a policy of uniform amount,
24 or renewal thereof, which provides no guaranteed nonforfeiture or
25 endowment benefits, issued at the same age and for the same initial

1 amount of insurance and for a term of twenty years or less expiring
2 before age seventy-one, for which uniform premiums are payable
3 during the entire term of the policy;

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

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

17 (1) After the effective date of the amendments made to this
18 section during the 2014 regular session of the Legislature, any
19 company may file with the commissioner a written notice of its
20 election to comply with the provisions of this section after a
21 specified date before January 1, 1948. After the filing of such
22 notice, then upon the specified date (which shall be the operative
23 date for the company), this section shall become operative with
24 respect to the policies thereafter issued by such company. If a
25 company makes no such election, the operative date of this section

1 for the company shall be January 1, 1948.